CHIPOTLE MEXICAN GRILL

2017 ANNUAL REPORT

& PROXY STATEMENT

DEAR SHAREHOLDERS

As we approach our 25th anniversary, we do so with a renewed purpose – to cultivate nourished communities where wholesome food is enjoyed every day – and a firm belief that we can fulfill that purpose and reclaim the industry leadership that made Chipotle such a compelling brand for our customers, employees, supply partners, and shareholders.

Reflecting on our business, I continue to take great pride in our many accomplishments. I started Chipotle in 1993 with the novel idea to show that just because food is served fast doesn't mean it has to be a typical fast food experience. I believed that we could do this by serving great tasting food, made with high-quality ingredients, prepared using classic cooking techniques, and served in an interactive format. This is something we accomplished very early on.

As our business grew, our mission evolved and we set our sights on changing the way people think about and eat fast food. We took the opportunity to understand everything we could about where our food came from and the impact that had not only on the flavor, but on issues like animal welfare, antibiotic use, soil health, pesticide use, and preserving family farms. We called this commitment "Food with Integrity," and it became central to the way we ran our restaurants. Chipotle proved you could create a tremendous economic model while buying responsibly raised food.

These are very significant accomplishments, resulting in the creation of a new restaurant category called "fast casual." I will always be proud of the meaningful change Chipotle has created in the industry.

Certainly, the last two years have been difficult, particularly in light of the trajectory we enjoyed for the first 23 years. But I firmly believe we have made significant and meaningful changes to strengthen our company. We implemented industry-leading food safety protocols, and we are committed to always advancing food safety. We enhanced the talent on our Board of Directors, strengthened our internal leadership team with the appointment of new officers, realigned the restaurant operations structure, and embraced innovation to improve the guest experience. But our most significant change came with naming Brian Niccol as our new Chief Executive Officer. With Brian in place, I will remain with Chipotle as Executive Chairman.

Brian is a tremendous talent and shares our passion for Chipotle's purpose. His track record of success is undeniable. Throughout his career, first with Procter & Gamble, then Pizza Hut and Taco Bell, Brian distinguished himself as an innovator and a results-oriented leader who has been instrumental in reinvigorating brands. Our Board was impressed with Brian throughout the process, and we are all confident that he is the right leader to help Chipotle reclaim its leadership, and accelerate our return to greater success.

Our dedication to "Food with Integrity," classic cooking, and interactive service are as strong as ever. These commitments have changed for the better the way people eat today and will eat in the future. This simply inspires me and the rest of our team as we embark on the next 25 years.

I am excited as I start my new role of Executive Chairman and I believe appointing Brian Niccol to CEO puts the right leader in place to create an amazing future for Chipotle.

The changes we have made over the last couple of years better position us to build upon all that we have achieved in our first 25 years for our customers, our employees, our farm partners, and our shareholders, and give us great confidence for our future.

Sincerely,

Steve Ells
Executive Chairman

TO MY FELLOW SHAREHOLDERS

2017 was an eventful and challenging year for Chipotle. Although we made significant progress in some key areas, including improvement of certain financial measures, continued strengthening of our food safety culture, and improved restaurant operations, results for the year did not satisfy expectations. As a result, we are continuing our efforts to enhance Chipotle's performance, including making some important changes to our management team and Board of Directors.

Chipotle's progress in 2017 came in such key areas as leadership, oversight, and enhanced stakeholder communications. At the 2017 Annual Shareholders Meeting, we nominated four recently-appointed Directors for re-election to the Board, while three long-time Directors retired and one resigned to focus on other opportunities. Internally, we saw the addition of Chipotle's first-ever Chief Restaurant Officer, Scott Boatwright, and Chief Communications Officer, Laurie Schalow. Each of these leaders brings demonstrated expertise and a proven track record of success at major global restaurant brands. And both have made significant impacts early in their respective tenures at Chipotle, strengthening restaurant operations, realigning restaurant leadership teams to ensure continued improvement, and aggregating the company's various internal and external communications functions under a single umbrella.

In addition, as part of our ongoing effort to share important information with shareholders and other Chipotle stakeholders, we published our first-ever Sustainability Report. This report, which follows Global Reporting Initiative (GRI) standards, provides the most thorough look yet at sustainability initiatives relating to our supply chain, the operation of our restaurants, staffing, and a number of other key areas. We have always been very proud of Chipotle's leadership in many of these areas, notably our commitment to more enlightened food sourcing practices and our strong commitment to reducing waste and environmental impact. We are pleased to share more information about these important issues. The publication of this report offers a comprehensive view of our company's performance with regard to sustainability, and provides a roadmap for priorities going forward.

Finally, we launched a search for a new Chief Executive Officer, which culminated in the hiring of Brian Niccol in early 2018. Throughout the process, Brian impressed the Board with his passion for Chipotle's purpose and his belief in the company's brand, along with his extraordinary experience and achievements. Brian comes to Chipotle with experience at notable global companies, including Proctor & Gamble, Pizza Hut, and Taco Bell. Throughout his career, Brian has proven to be a results-oriented leader, with particular strengths in marketing and brand development, and technological and menu innovation. I know I speak for all of our Directors in saying that we have the fullest confidence in Brian, and believe he is the right leader for Chipotle as it approaches its 25th anniversary.

With the search for a new CEO complete, Steve Ells has taken the role of Executive Chairman. On behalf of our Board, I want to thank Steve for his remarkable vision and leadership throughout Chipotle's history. Steve is a true visionary and pioneer, who not only led Chipotle to its heights of success, but helped to create an entirely new category of dining – fast casual – which has been the fastest growing segment of the industry in recent years. We all look forward to continuing to work with Steve as he takes on his new role.

Your Board is committed to making our company stronger and enhancing shareholder value. We believe that our efforts to strengthen leadership, oversight, and effective communication with all of our stakeholders will help us to achieve those goals and strengthen the performance of the company.

Sincerely,

Neil Flanzraich

Neil Flanzraich
Lead Independent Director

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

FORM 10-K

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

For the fiscal year ended December 31, 2017

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: 1-32731

CHIPOTLE MEXICAN GRILL, INC.
(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**84-1219301** **(IRS Employer Identification No.)**
1401 Wynkoop Street, Suite 500 Denver, CO **(Address of Principal Executive Offices)**	**80202** **(Zip Code)**

Registrant's telephone number, including area code: (303) 595-4000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common stock, par value $0.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 (§232.405 of this chapter) 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

☒ Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer (do not check if a smaller reporting company) ☐ Smaller reporting company ☐ Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of June 30, 2017, the aggregate market value of the registrant's outstanding common equity held by non-affiliates was $7.075 billion, based on the closing price of the registrant's common stock on such date, the last trading day of the registrant's most recently completed second fiscal quarter. For purposes of this calculation, shares of common stock held by each executive officer and director and by holders of 5% or more of the outstanding common stock have been excluded since those persons may under certain circumstances be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of February 6, 2018, there were 27,930,272 shares of the registrant's common stock, par value of $0.01 per share outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates certain information by reference from the registrant's definitive proxy statement for the 2018 annual meeting of shareholders, which will be filed no later than 120 days after the close of the registrant's fiscal year ended December 31, 2017.

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Cautionary Note Regarding Forward-Looking Statements

This report includes statements of our expectations, intentions, plans and beliefs that constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, and that are intended to come within the safe harbor protection provided by those sections. These statements, which involve risks and uncertainties, relate to the discussion of our business strategies and our expectations concerning future operations, margins, profitability, trends, liquidity and capital resources and to analyses and other information that are based on forecasts of future results and estimates of amounts not yet determinable. Forward-looking statements include, among others, forecasts of the number of restaurants we expect to open in 2018; statements regarding the effectiveness of our food safety systems and procedures; statements about the potential impact of catering and delivery offerings and technology initiatives; projections of comparable restaurant sales increases and sales trends we expect for 2018; forecasts of trends in general and administrative expenses, restaurant development costs, and other expenses for 2018; estimates of expected effective tax rates for the year; statements about possible repurchases of our common stock; projections of planned capital expenditures; and other statements of our expectations and plans. We have used words such as "may," "will," "should," "expect," "intend," "plan," "anticipate," "believe," "think," "estimate," "seek," "expect," "predict," "could," "project," "potential" and other similar terms and phrases, including references to assumptions, in this report to identify forward-looking statements. These forward-looking statements are made based on expectations and beliefs concerning future events affecting us and are subject to risks and uncertainties relating to our operations and business environments, all of which are difficult to predict and many of which are beyond our control, that could cause our actual results to differ materially from those matters expressed or implied by these forward-looking statements. Such risks and uncertainties include those listed in Item 1A. "Risk Factors," and elsewhere in this report.

When considering forward-looking statements in this report or that we make in other reports or statements, you should keep in mind the cautionary statements in this report and future reports we file with the SEC. New risks and uncertainties arise from time to time, and we cannot predict when they may arise or how they may affect us. We assume no obligation to update any forward-looking statements after the date of this report as a result of new information, future events or other developments, except as required by applicable laws and regulations.

ITEM 1. BUSINESS

General

Chipotle Mexican Grill, Inc., a Delaware corporation, together with its subsidiaries ("Chipotle", "we", "us", or "our") operates Chipotle Mexican Grill restaurants, which serve a focused menu of burritos, tacos, burrito bowls (a burrito without the tortilla) and salads, made using fresh ingredients. As of December 31, 2017, we operated 2,363 Chipotle restaurants throughout the United States, as well as 37 international Chipotle restaurants, and we also had eight non-Chipotle restaurants. We focus on finding fresh, high-quality raw ingredients to make great tasting food prepared using classic cooking methods; on building strong restaurant teams that are centered on providing an excellent guest experience; on building restaurants that are operationally efficient and aesthetically pleasing; and on doing all of this with the highest regard for the safety of our customers and with a continuing awareness of and respect for the environment. We have grown substantially over the past five years, and expect to open between 130 and 150 new restaurants in 2018, representing a slight reduction in our rate of new openings as we focus our resources on improving our operations and delivering an outstanding experience to every one of our guests.

Throughout our history, we have pursued a mission to change the way people think about and eat fast food. The fast food landscape has changed dramatically over Chipotle's 24-year history suggesting that we may have achieved this mission, with a number of concepts built using service and sourcing formats that closely resemble ours – with more selective sourcing, food prepared on-site, and a service model that allows customers to choose exactly what they eat. Looking at what we have accomplished, we have reenvisioned our purpose, and are working to *Cultivate nourished communities where wholesome food is enjoyed every day*. We are also aiming to simplify our business focus, to emphasize only those things that result in an excellent guest experience in our restaurants.

We transitioned the management of our restaurants from eleven to nine regions during the fourth quarter of 2017 and we aggregate our operations into one reportable segment. Financial information about our operations, including our revenues and net income for the years ended December 31, 2017, 2016, and 2015, and our total assets as of December 31, 2017 and 2016, is included in our consolidated financial statements and accompanying notes in Item 8. "Financial Statements and Supplementary Data." Substantially all of our revenues are generated and assets are located in the U.S. For a discussion of risks related to our international operations, see "*Risks Related to Our Plans to Improve Our Sales and Profitability and Restore Our Economic Model – Our expansion into international markets has been limited, and may present increased risks due to lower customer awareness of our brand…* " in Item 1A. "Risk Factors."

Our Focus on Safe and Delicious Food Made with Better Ingredients

Focused Menu. Chipotle restaurants feature only a few entrée items: burritos, burrito bowls, tacos and salads. But because customers can choose from four different meats, tofu, two types of beans, and a variety of extras such as salsas, guacamole, queso, shredded cheese, and lettuce, there is enough variety to extend our menu to provide thousands of choices. In preparing our food, we employ classic cooking methods and use stoves and grills, pots and pans, cutting knives and other kitchen utensils, walk-in refrigerators stocked with a variety of fresh ingredients, herbs and spices, and dry goods such as rice. Our restaurants do not have microwaves or freezers. Ingredients we use include chicken, steak, carnitas (seasoned and braised pork), barbacoa (spicy braised and shredded beef), Sofritas (organic braised tofu) and vegetarian pinto and black beans. We add our rice, which is tossed with lime juice, freshly chopped cilantro, and a pinch of salt, as well as freshly shredded cheese, sour cream, lettuce, peppers and onions, to our entrees depending on each customer's request. We use various herbs, spices and seasonings to prepare our meats and vegetables. We also serve tortilla chips seasoned with fresh lime juice and salt, with sides of guacamole, salsas, or queso. In addition to sodas, fruit and tea drinks, and organic milk, most of our restaurants also offer a selection of beer and margaritas. Our food is prepared from scratch, some in our restaurants and some with the same fresh ingredients in larger batches in commissaries.

Wholesome Food. Serving high quality food while still charging reasonable prices is critical to our purpose so that guests can enjoy wholesome food every day. We insist on preparing, cooking, and serving nutritious food made from natural ingredients and animals that are raised or grown with care and with respect for the environment. We spend time on farms and in the field to understand where our food comes from and how it is raised. Because our menu is so focused, we can concentrate on the sources of each ingredient, and this has become a cornerstone of our continuous effort to improve the food we serve. We're all about simple, fresh food without the use of artificial colors or flavors typically found in fast food – just genuine raw ingredients and their individual, delectable flavors.

In all of our Chipotle restaurants, we endeavor to serve only meats that were raised in accordance with criteria we have established in an effort to improve sustainability and promote animal welfare, and without the use of non-therapeutic antibiotics or added hormones. We brand these meats as "Responsibly Raised ®." One of our primary goals is for all of our restaurants to serve meats raised to meet our standards, but we have and will continue to face challenges in doing so. For example, some of our restaurants periodically serve conventionally raised chicken or beef from time to time due to supply constraints for our Responsibly Raised brand meats. In the future, more of our restaurants may periodically serve conventionally raised meats or stop serving one or more menu items due to additional supply constraints. When we become aware that one or more of our restaurants will serve conventionally raised meat, we clearly and specifically disclose this temporary change on signage in each affected restaurant so that customers can avoid those meats if they choose to do so.

We also seek to use more responsibly grown produce, by which we mean produce grown by suppliers whose practices conform to our priorities with respect to environmental considerations and employee welfare. Most of the beans we serve are organically grown or grown using conservation tillage methods that improve soil conditions, reduce erosion, and help preserve the environment in which the beans are grown. A portion of some of the other produce items we serve is organically grown as well. Our commitment to better ingredients also extends to the dairy products we serve. In 2017, all of the sour cream and shredded cheese served in our U.S. Chipotle restaurants was made with milk that comes from cows not given rBGH (recombinant bovine growth hormone) and sourced from pasture-based dairies that provide an even higher standard of animal welfare by providing outdoor access for their cows.

In addition, none of the ingredients in our food (not including beverages) in U.S. Chipotle restaurants contain genetically modified organisms, or GMOs. While the meat and poultry we serve is not genetically modified, the animals are likely fed a diet of grains containing GMOs. Due to the prevalence of GMOs in a number of important feed crops, the vast majority of the grains used as animal feed in the U.S. are genetically modified. Additionally, some of the beverages we serve are sweetened with corn-based sweeteners, which are typically made with genetically modified corn.

Close Relationships with Suppliers. Maintaining the high levels of quality and safety we expect in our restaurants depends in part on our ability to acquire high-quality, fresh ingredients and other necessary supplies that meet our specifications from reliable suppliers. Our 24 independently owned and operated regional distribution centers purchase from various suppliers we carefully select based on quality and the suppliers' understanding of our mission. We work closely with our suppliers and seek to develop mutually beneficial long-term relationships with them. We use a mix of forward, fixed and formula pricing protocols, and our distribution centers purchase within the pricing guidelines and protocols we have established with the suppliers. We've also tried to increase, where practical, the number of suppliers for our ingredients, which we believe can help mitigate pricing volatility and supply shortages, and we follow industry news, trade tariffs and other issues, weather, exchange rates, foreign demand, crises and other world events that may affect our ingredient prices. Certain key ingredients (including beef, pork, chicken, beans, rice, sour cream, cheese, and tortillas) are purchased from a small number of suppliers. For a discussion of risks related to our supply chain, see "*Risks Related to Operating in the Restaurant Industry — Failure to receive frequent deliveries of higher-quality food ingredients and other supplies meeting our specifications could harm our operations*" and "*Risks Related to our Unique Business Strategy — Our Food With Integrity philosophy subjects us to risks*" in Item 1A. "Risk Factors."

Quality Assurance and Food Safety. We are committed to serving safe, high quality food. Our Executive Director of Food Safety, a respected expert in the industry, oversees our food safety programs and practices, components of which include:

- supplier interventions (steps to avoid food safety risks before ingredients reach Chipotle);
- advanced technology (tools that eliminate pathogens while maintaining food quality);
- farmer support and training;
- enhanced restaurant procedures (protocols for handling ingredients and sanitizing surfaces in our restaurants);
- food safety certification;
- internal and third party restaurant inspections; and
- ingredient traceability.

These and other food safety practices underscore our commitment to becoming a leader in food safety while we continue to serve high quality food that our customers love. Our Executive Director of Food Safety directs a quality assurance department that establishes and monitors our quality and food safety programs, and works closely with our suppliers to ensure our high standards are met throughout the supply chain. We maintain a limited list of approved suppliers, many of which are among the top suppliers in the industry. In addition, our training, operations, and risk management departments develop and implement operating standards for food quality, preparation, cleanliness, employee health protocols, and safety in the restaurants. Our food safety programs are also intended to ensure that we not only continue to comply with applicable federal, state and local food safety regulations, but establish Chipotle as an industry leader in food safety.

To be sure that our food safety programs continue to evolve in ways that will help maintain leadership in this important area, we have a Food Safety Advisory Council comprised of some of the nation's foremost food safety authorities. The Food Safety Advisory Council is charged with evaluating our programs, both in practice and implementation, and advising us on ways to elevate our already high standards for food safety.

Delivering an Excellent Guest Experience

We believe there is nothing more important than treating our guests to an excellent experience every time they visit one of our restaurants, and expect that doing so will help us attract customers more frequently and engender greater customer loyalty. We have also renewed our commitment to focusing on our restaurant operations and training to elevate the experience we are providing, and ensuring greater consistency throughout all of our restaurants. Creating an excellent guest experience starts with hiring great people, creating great teams, and training them on our high standards. We have re-tooled our restaurant compensation systems to place greater emphasis on the strength of operations and the guest experience, and revamped our training programs to better support these priorities.

Restaurant Team. Each restaurant typically has a general manager or Restaurateur (a high-performing general manager), an apprentice manager (in a majority of our restaurants), and we aim to have two or three hourly service managers, one or two hourly kitchen managers and an average of 22 full and part-time crew members, though our busier restaurants tend to have slightly more employees. We generally have two shifts at our restaurants, which simplifies scheduling and provides stability for our employees. We also cross-train our people so that each can work a variety of stations, allowing us to work efficiently during our busiest times, while giving our people the opportunity to develop a wider array of skills. Consistent with our emphasis on customer service, we encourage our general managers and crew members to welcome and interact with customers throughout the day. In addition to the employees serving our customers at each restaurant, we also have a field support system that includes field leaders and team directors, as well as executive team directors who report to our Chief Restaurant Officer.

Innovation. We are prioritizing the development of technological and other innovations, such as digital/mobile ordering platforms, and delivery and catering choices, that allow our guests to engage with us in whatever fashion is most convenient for them. By allowing our customers to order and receive their food in a variety of ways, we believe we can attract more customers and encourage customers to choose us more frequently. In order to successfully deliver a great experience for more customers, we are emphasizing the optimization of second make lines and expanding the ability to pay using Apple Pay or Android Pay. These initiatives allow us to fulfill catering or online orders without disrupting throughput on our main service line. In fact, technological innovations can enhance the experience of other guests by helping to improve throughput for those who choose to dine in our restaurants. Recent digital ordering innovations have allowed us to increase digital order volumes to the highest levels we've ever achieved, and we believe continued improvements in these areas will allow us to achieve even better results. Additionally, we have enhanced our data capabilities to allow us to better identify individual customers and their unique frequency patterns, and to target our marketing and promotional efforts at the individual level. We believe the advancements we have made in this area will help us as we continue to target lapsed customers, and seek to build frequency among newer customers.

Marketing

Our marketing program is divided into three categories: top-of-mind advertising, brand advertising and local marketing. Each of these serves a different purpose, but together they are intended to differentiate us from the competition. Top-of-mind advertising is intended to keep current and new customers coming into our restaurants; brand advertising is directed at existing customers and seeks to build deeper connections to our brand; and local advertising aims to help connect our restaurants to local communities and the customers who live there.

Our top-of-mind advertising has generally included print, outdoor, social, digital and radio advertising, but we have also incorporated some national television advertising. Beyond these traditional channels, we continue to pioneer new avenues of brand advertising aimed at making consumers more curious about some of the issues that are important to us, and explaining why and how we are working to drive positive change in the nation's food supply. We also have a dedicated team of field marketing staff that helps connect our restaurants to local communities through fundraisers, sponsorships and participation in local events.

Alongside our restaurant teams, these efforts have helped us create considerable word-of-mouth publicity as our customers learn more about us and share with others. This approach allows us to build awareness and loyalty with relatively low advertising expenditures, even in a competitive category, and to differentiate Chipotle as a company that is committed to doing the right thing in every facet of our business.

For a discussion of risks related to our marketing, see "*Risks Related to Our Plans to Improve Our Sales and Profitability and Restore Our Economic Model — Our marketing and advertising strategies may not be successful, or may pose risks that could adversely impact our business*" in Item 1A. "Risk Factors."

Competition

The fast-casual, quick-service, and casual dining segments of the restaurant industry are highly competitive with respect to, among other things, taste, price, food quality and presentation, service, location, brand reputation, and the ambience and condition of each restaurant. Our competition includes a variety of restaurants in each of these segments, including locally-owned restaurants and national and regional chains. Many of our competitors offer dine-in, carry-out, online, catering, and delivery services. Among our main competitors are a number of multi-unit, multi-market Mexican food or burrito restaurant concepts, some of which are expanding nationally. In recent years, competition has increased significantly from restaurant formats like ours that serve higher quality food, quickly and at a reasonable price.

Moreover, we may also compete with companies outside the fast-casual, quick-service, and casual dining segments of the restaurant industry. For example, competitive pressures can come from deli sections and in-store cafés of major grocery store chains, including those targeted at customers who seek higher-quality food, as well as from convenience stores, cafeterias, and other dining outlets. Meal kit delivery companies and other eat-at-home options also present some degree of competition for our restaurants.

We believe that this competition has made it more challenging to maintain or increase the frequency of customer visits, but continue to believe that we can differentiate ourselves with our purpose to cultivate nourished communities where wholesome food is enjoyed every day. For more information, see "*Risks Related to Operating in the Restaurant Industry—Competition could adversely affect us*" in Item 1A. "Risk Factors." We also compete with other restaurants and retail establishments for site locations and restaurant employees.

Restaurant Site Selection

We believe restaurant site selection is critical to our success and growth strategy and thus we devote substantial time and effort to evaluating each potential restaurant location. Our site selection process is led by our internal team of real estate managers and also includes the use of external real estate brokers with expertise in specific markets, as well as support from an internal real estate strategy and research group. We study the surrounding trade area, demographic and business information within that area, and available information on competitors and other restaurants. Based on this analysis, including utilization of predictive modeling using proprietary formulas, we determine projected sales and targeted return on investment for each potential restaurant site. We have been successful in a number of different types of locations, such as in-line or end-cap locations in strip or power centers, in regional malls and downtown business districts, free-standing buildings, food courts, outlet centers, airports, military bases and train stations.

For a discussion of risks related to our expansion into new real estate types, see "*Risks Related to Our Plans to Improve Our Sales and Profitability and Restore Our Economic Model — Our new restaurants, once opened, may not be profitable, and may adversely impact the sales of our existing restaurants*" in Item 1A. "Risk Factors."

Other Restaurant Concepts

We believe that the fundamental principles on which our restaurants are based — finding better ingredients, preparing them using classic techniques in front of the customer, and serving them in an interactive format with great teams dedicated to providing an excellent dining experience — can be adapted to cuisines other than the food served at Chipotle. Over the previous six years, we've explored this idea by investing in innovative concepts such as Pizzeria Locale, a fast-casual pizza restaurant that now has seven restaurants in four states, and Tasty Made, a burger restaurant we opened in Lancaster, Ohio. We also previously operated ShopHouse Southeast Asian Kitchen restaurants, but closed all of the ShopHouse locations in early 2017. In 2018, our focus will remain on thoughtfully growing the Chipotle brand.

Information Systems

We use a variety of applications and systems to securely manage the flow of information within each of our restaurants, and within our centralized corporate infrastructure. The services available within our systems and applications include restaurant operations, supply chain, inventory, scheduling, training, human capital management, financial tools, and data protection services. The restaurant structure is based primarily on a point-of-sale system that operates locally at the restaurant and is integrated with other functions necessary to restaurant operations. It records sales transactions, receives out of store orders, and authorizes, batches, and transmits credit card transactions. The system also allows employees to enter time clock information and to produce a variety of management reports. Select information that is captured from this system at each restaurant is collected in the central corporate infrastructure, which enables management to continually monitor operating results. Our digital ordering system allows guests to place orders online or through our mobile app. Orders taken remotely are routed to the point-of-sales system based on the time of customer order pickup. We also continue to modernize and make investments in our information technology networks and infrastructure, specifically in our physical and technological security measures to anticipate cyber-attacks and prevent breaches, and to provide improved control, security and scalability. Enhancing the security of our financial data, customer information and other personal information remains a priority for us.

In April 2017, our information security team detected unauthorized activity on the network that supports payment processing for our restaurants, and immediately began an investigation with the help of leading computer security firms. The investigation detected malware designed to access payment card data from cards used at the point-of-sale system at most of our restaurants. The malware searched for track data, which may include cardholder name, card number, expiration date, and internal verification codes; however, no other customer information was affected. We removed the malware from our systems and have been working to further enhance the security of our payment card network.

See "*General Business Risks — We may be harmed by security risks we face in connection with our electronic processing and transmission of confidential customer and employee information*" in Item 1A. "Risk Factors," as well as Note 10. "Commitments and Contingencies" in Item 8. "Financial Statements and Supplementary Data," for further discussion of the payment card security incident in 2017, related legal proceedings, and other risks associated with our information systems.

Employees

As of December 31, 2017, we had about 68,890 employees, including about 5,020 salaried employees and about 63,870 hourly employees. None of our employees are unionized or covered by a collective bargaining agreement.

Seasonality

Seasonal factors influencing our business are described under the heading "Quarterly Financial Data/Seasonality" in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Our Intellectual Property and Trademarks

"Chipotle," "Chipotle Mexican Grill," "Food With Integrity," "Responsibly Raised," and a number of other marks and related designs and logos are U.S. registered trademarks of Chipotle. We have filed trademark applications for a number of additional marks in the U.S. as well. In addition to our U.S. registrations, we have registered trademarks for "Chipotle" and a number of other marks in Canada, the European Union and various other countries, and have filed trademark applications for "Chipotle Mexican Grill," "Chipotle" and a number of other marks in additional countries. We also believe that the design of our restaurants is our proprietary trade dress and have registered elements of our restaurant design for trade dress protection in the U.S. as well.

From time to time we have taken action against other restaurants that we believe are misappropriating our trademarks, restaurant designs or advertising. Although our policy is to protect and defend vigorously our rights to our intellectual property, we may not be able to adequately protect our intellectual property, which could harm the value of our brand and adversely affect our business.

Available Information

We maintain a website at www.chipotle.com, including an investor relations section at ir.chipotle.com in which we routinely post important information, such as webcasts of quarterly earnings calls and other investor events in which we participate or host, and any related materials. Our Code of Conduct is also available in this section of our website. You may access our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports, as well as other reports relating to us that are filed with or furnished to the SEC, free of charge in the investor relations section of our website as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. The public may also read and copy materials we file with the SEC at the SEC's Public Reference Room, which is located at 100 F Street, NE, Washington, DC 20549. You can obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC at www.sec.gov.

The contents of the websites mentioned above are not incorporated into and should not be considered a part of this report. The references to the URLs for these websites are intended to be inactive textual references only.

ITEM 1A. RISK FACTORS

The following risk factors could materially affect our business, financial condition and results of operations, and should be carefully considered in evaluating our business or making an investment decision involving our common stock. The risks and uncertainties described below are those that we have identified as material, but are not the only risks and uncertainties we face. Our business is also subject to general risks and uncertainties that affect many other companies, including overall economic and industry conditions. Additional risks and uncertainties not currently known to us or that we currently believe are not material also may materially affect our business, financial condition and results of operations.

Risks Related to our Plans to Improve Our Sales and Profitability and Restore our Economic Model

Our average restaurant sales and profitability will continue to fall short of our past results unless we can significantly increase comparable restaurant sales, and there are material risks to our ability to do so.

In 2016 we experienced lower total company sales than the preceding year for the first time in our history as a public company, and our average restaurant volumes declined from $2.532 million as of September 30, 2015 to $1.940 million as of December 31, 2017. To build our average restaurant sales we will need to increase comparable restaurant sales, which represent the change in period-over-period sales for restaurants beginning in their 13th full calendar month of operation. Changes in comparable restaurant sales are a critical factor affecting our profitability, because the profit margin on incremental comparable restaurant sales is generally higher due to the sales increases being applied against a partially fixed cost base. Conversely, declines in comparable restaurant sales, as we have seen in some periods over the past two years, have a significant adverse effect on profitability due to the loss of the positive impact on profit margins associated with comparable restaurant sales increases, while we continue to incur a certain level of fixed costs.

Our ability to increase comparable restaurant sales depends on many factors, including:

- perceptions of the Chipotle brand and the safety and quality of our food, which may continue to be adversely impacted by actual or rumored food safety incidents or other adverse publicity, including as described below under "— *We may continue to be negatively impacted by food safety incidents associated with our restaurants…*";
- competition, especially from an increasing number of competitors in the fast casual segment of the restaurant industry and from other restaurant concepts whose strategies overlap with elements of our Food With Integrity philosophy, as well as from grocery stores, meal kit delivery services and other dining options;
- our ability to increase menu prices without adversely impacting transaction counts to such a degree that the impact from lower transactions equals or exceeds the benefit of the menu price increase, and without "trade down" by customers or other reductions in average check in response to price increases;
- executing our strategies effectively, including our marketing and branding strategies, our initiatives to expand the use of online and other digital ordering and increase sales from our catering options, our efforts to improve the overall quality of our customers' experience and increase the speed at which our crews serve each customer, and our potential introduction of new menu items, each of which we may not be able to accomplish or which may not have the impact we expect;
- changes in consumer preferences and discretionary spending, including weaker consumer spending during periods of economic difficulty or uncertainty;
- initial sales performance of new restaurants, and the impact of new Chipotle restaurants in the event customers who frequent one of our restaurants begin to visit one of our new restaurants instead, as further described below under "— *Our new restaurants, once opened, may not be profitable…*";
- weather, natural disasters and other factors limiting access to our restaurants; and
- changes in government regulation that may impact customer perceptions of our food, including initiatives regarding menu labeling and marketing claims about the origin or makeup of some of the ingredients we serve.

These factors, most of which are described in more detail in additional Risk Factors below, are beyond our control to at least some degree. As a result, it is possible that we will experience future declines in comparable restaurant sales or that we otherwise will not achieve our targeted or expected comparable restaurant sales. Any future declines in comparable restaurant sales or failure to meet market expectations for comparable restaurant sales increases would likely result in a significant adverse impact on the price of our common stock.

Increasing our sales and profits depends in part on our ability to open new restaurants in sites and on terms attractive to us, which is subject to many unpredictable factors, and we plan to open fewer restaurants in 2018 than we have in prior years, which will adversely impact our sales growth.

We had 2,408 restaurants in operation as of December 31, 2017, and we plan to increase the number of our restaurants significantly. In 2018 we plan to open between 130 and 150 new restaurants, significantly fewer than in prior years. We have in the past experienced delays in opening some restaurants and that could happen again as a result of any one or more of the following factors:

- our potential inability to locate and secure new restaurant sites in locations that we believe to be attractive;

- obstacles to hiring and training top performing employees in the local market;
- difficulty managing construction and development costs of new restaurants, particularly in competitive markets or when real estate development activity is robust;
- delay or cancellation of new site development by developers and landlords, which may become increasingly common during periods of economic uncertainty, tight credit, and/or rising interest rates;
- difficulty ramping up the growth of our international business or new restaurant concepts, including for the reasons described below under "*— Our expansion into international markets has been limited, and may present increased risks…*" and "*— Pizzeria Locale, Tasty Made and other new restaurant concepts may not contribute to our growth*";
- difficulty negotiating leases with acceptable terms;
- any shortages of construction labor or materials;
- failures or delays in securing required governmental approvals (including construction, parking and other permits);
- lack of availability of, or inability to obtain, adequate supplies of ingredients that meet our quality standards; and
- the impact of inclement weather, natural disasters and other calamities.

One of our biggest challenges in opening new restaurants is staffing and training new restaurant teams. We seek to hire only top performing employees, train them extensively in order to ensure we provide an outstanding customer experience, and promote many general managers from our crew, all of which may make it more difficult for us to staff all the restaurants we intend to open. Constraints on our hiring new employees are described further below under "*Risks Related to Operating in the Restaurant Industry — Our business could be adversely affected by increased labor costs…*"

Another significant challenge is locating and securing an adequate supply of suitable new restaurant sites. Competition for restaurant sites in our target markets can be intense, and development and leasing costs are increasing, particularly for urban locations. These factors could negatively impact our ability to manage our occupancy costs, which may adversely impact our profitability. In addition, any of these factors may be exacerbated by economic factors, which may result in developers and contractors seeing increased demand and therefore driving our construction and leasing costs up.

If we are unable to open the number of new restaurants we plan, or if we decide to continue opening fewer new restaurants than we have in past years or delay or forego a significant number of planned restaurant openings, including due to any of the reasons set forth above, this could materially and adversely affect our growth strategy and our expected results. Moreover, as we open and operate more restaurants, our rate of expansion relative to the size of our existing restaurant base will decline, making it increasingly difficult to achieve levels of sales and profitability growth that we achieved prior to 2016. We expect this effect to be more pronounced through at least 2018, given our plan to decrease the number of new restaurants we open during the year as compared to years past.

Our progress in opening new restaurants from quarter to quarter may also occur at an uneven rate, which may result in quarterly sales and profit growth falling short of market expectations in some periods.

Our new restaurants, once opened, may not be profitable, and may adversely impact the sales of our existing restaurants.

Historically, many of our new restaurants have opened with an initial ramp-up period typically lasting 24 months or more, during which they generate sales and income below the levels at which we expect them to normalize after the restaurant has built a customer base, and during which costs may be higher as we train new employees and adjust our food deliveries and preparation to sales volumes and peak-hour trends. If we are unable to build the customer base that we expect for new restaurant locations or overcome the higher fixed costs associated with new restaurant locations, new restaurants may not have results similar to those of our existing restaurants and may not be profitable. Our new restaurant sales volumes since the fourth quarter of 2015 have also been negatively impacted by the food safety issues described elsewhere in this report and other adverse publicity, and as a result, the effect of new restaurants on our average restaurant sales over the past two years has been of greater magnitude than we have seen in the past. This trend may continue into 2018 and beyond.

We have also opened restaurants in nearly all major metropolitan areas across the U.S. New restaurants opened in existing markets may adversely impact sales in previously-opened restaurants in the same market, as customers who frequent our established restaurants begin to visit a newly-opened restaurant instead. This impact could worsen as we open additional restaurants, and could make it more difficult for us to increase comparable restaurant sales and profitability. Existing restaurants could also make it more difficult to build the customer base for newly-opened restaurants in the same market, and could limit our growth potential if we determine that one or more of our nearby restaurants makes an otherwise viable new restaurant site unattractive to us.

In addition, in the event we are not able to contain increases in our average restaurant development costs, which could result from inflation, an increase in the proportion of higher cost locations, project mismanagement or other reasons, our new restaurant locations could also result in lower returns on our investment in new restaurants.

Finally, our new restaurant development activity has broadened recently to incorporate trade areas or types of restaurant sites in which we have little or no prior experience, including smaller or more economically mixed communities, highway sites, outlet centers, and restaurants in airports, food courts, or on military sites. These types of sites may become more important to our restaurant growth strategy as we find fewer opportunities to open in traditional sites, given our past growth. Many of these site types may involve additional costs that we do not incur in our more traditional restaurant sites, which will adversely impact the profitability of restaurants in these types of sites. The risks related to building a customer base and managing development and operating costs in some or all of these types of trade areas or restaurant sites may also be more significant than in our traditional sites, which could result in unexpected negative impacts on our new restaurant operating results.

We may continue to be negatively impacted by food safety incidents, and further instances of food-borne or localized illnesses associated with our restaurants would result in increased negative publicity and further adverse impacts on customer perceptions of our brand.

During late October and early November 2015, illnesses caused by E. coli bacteria were connected to a number of our restaurants, initially in Washington and Oregon, and subsequently to small numbers of our restaurants in as many as 12 other states. During the week of December 7, 2015, an unrelated incident involving norovirus was reported at a Chipotle restaurant in Brighton, Massachusetts, which worsened the adverse financial and operating impacts we experienced from the E. coli incident. As a result of these incidents and related publicity, our sales and profitability were severely impacted throughout 2016. In July 2017, cases of norovirus associated with a Chipotle restaurant in Sterling, Virginia had a further adverse impact on our sales, particularly throughout the mid-Atlantic and Northeast regions. The significant amount of media coverage regarding these incidents, as well as the impact of social media (which was not in existence during many past food safety incidents involving other restaurant chains) in increasing the awareness of these incidents, may continue to negatively impact customer perceptions of our restaurants and brand, notwithstanding the high volume of food-borne illness cases from other sources across the country every day. As a result our sales may not return to levels we were achieving prior to late 2015.

Because of customer perceptions in the wake of these food safety incidents, any future occurrence of food-borne illness associated with our restaurants—even incidents that may be considered minor at other restaurants—would likely have an even more significant negative impact on our sales and our ability to regain customers. Although we have followed industry standard food safety protocols in the past, and over the past two years have enhanced our food safety procedures to ensure that our food is as safe as it can possibly be, we may still be at a higher risk for food-borne illness occurrences than some competitors due to our greater use of fresh, unprocessed produce and meats, our reliance on employees cooking with traditional methods rather than automation, and our avoiding frozen ingredients. Additionally, no food safety protocols can completely eliminate the risk of food-borne illness in any restaurant, including as a result of possible failures by suppliers or restaurant personnel to follow food safety policies and procedures. As a result, our enhanced food safety protocols may not be successful in preventing illness incidents in the future. The risk of illnesses associated with our food might also increase in connection with an expansion of our catering business or other situations in which our food is served in conditions we cannot control. Furthermore, we have seen instances of unsubstantiated reports linking illnesses to Chipotle, and these reports have negatively impacted us. Even if food-borne illnesses are attributed to us erroneously or arise from conditions outside of our control, the negative impact from any such illnesses is likely to be significant. All of these factors could have a further impact on our ability to attract and retain customers.

Our marketing and advertising strategies may not be successful, or may pose risks that could adversely impact our business.

In 2017, we hired a new advertising agency and media buyer, introduced a new advertising campaign and media strategies, including television advertising, and introduced queso, our first significant new menu item in a number of years. We will continue to invest in marketing and advertising strategies that we believe will attract customers or increase their connection with our brand. If these investments do not drive increased restaurant sales, the expense associated with these programs will adversely impact our financial results, and we may not generate the levels of comparable restaurant sales we expect. Additionally, if our marketing and advertising strategies are not successful, we may be forced to engage in additional promotional activities to attract and retain customers, including buy-one get-one offers and other offers for free or discounted food, and any such promotional activities could adversely impact our profitability.

We also plan to continue to emphasize strategies such as remote ordering, new catering options, and delivery in an effort to increase overall sales. These efforts may not increase our sales to the degree we expect, or at all. We may also seek to introduce new menu items that may not generate the sales we expect. Catering and other out-of-restaurant sales options, or new menu items, may also introduce new operating procedures to our restaurants and we may not successfully execute these procedures, which could adversely impact the customer experience in our restaurants and thereby harm our sales and customer perceptions of our brand.

In addition, some of our marketing has incorporated elements intended to encourage customers to question sources or production methods commonly used to produce food. These elements of our marketing could alienate food suppliers and other food industry groups and may potentially lead to an increased risk of disputes or litigation if suppliers or other constituencies believe our marketing is unfair or misleading. Increased costs in connection with any such issues, or any deterioration in our relationships with existing suppliers, could adversely impact us or our reputation. Furthermore, if these messages do not resonate with our customers or potential customers, the value of our brand may be eroded.

Our expansion into international markets has been limited, and may present increased risks due to lower customer awareness of our brand, our unfamiliarity with those markets and other factors. As of December 31, 2017, 37 of our restaurants were located outside of the U.S., with 24 in Canada, six in the United Kingdom, six in France and one in Frankfurt, Germany. Our focus for the present time remains on expanding in North America, which limits our near-term growth potential.

As a result of our small number of restaurants outside the U.S. and the relatively short time we have been operating those restaurants, we have lower brand awareness and less operating experience in these markets, and our average restaurant sales and/or transaction counts may be lower in these markets than in the U.S. The markets in which we've opened restaurants outside the U.S., and any additional new markets we enter outside the U.S. in the future, have different competitive conditions, consumer tastes and discretionary spending patterns than our U.S. markets. As a result, new restaurants outside the U.S. may be less successful than restaurants in our existing markets. Specifically, due to lower consumer familiarity with the Chipotle brand, differences in customer tastes or spending patterns, or for other reasons, sales at restaurants opened outside the U.S. may take longer to ramp up and reach expected sales and profit levels, and may never do so, thereby affecting our overall growth and profitability. To build brand awareness in international markets, we may need to make greater investments in advertising and promotional activity than we originally planned, which could negatively impact the profitability of our operations in those markets.

We may also find it more difficult in international markets to hire, train and keep top performing employees who can successfully deliver excellent customer experiences, and labor costs may be higher in international markets due to increased regulation, higher employment taxes or social benefit costs or local market conditions. In addition, restaurants outside the U.S. have had higher construction, occupancy and food costs than restaurants in existing markets, and we may have difficulty finding reliable suppliers or distributors or ones that can provide us, either initially or over time, with adequate supplies of ingredients meeting our quality standards. Additional costs or difficulties from any of the foregoing factors may adversely impact the operating results of our international markets. Markets outside the U.S. may also have regulatory differences with the U.S. with which we are not familiar, or that subject us to significant additional expense or to which we are not able to successfully adapt, which may have a particularly adverse impact on our sales or profitability in those markets and could adversely impact our overall results. For example, a new privacy regulation in the European Union called the General Data Protection Regulation, or GDPR, is scheduled to become effective in May 2018 and requires companies to meet new requirements regarding the handling of personal data, and failure to meet GDPR requirements could result in penalties of up to 4% of our worldwide revenue. Our overall results may also be negatively affected by currency risk on the transactions in other currencies and translation adjustments resulting from the conversion of our international financial results into the U.S. dollar.

Pizzeria Locale, Tasty Made and other new restaurant concepts may not contribute to our growth.

We believe that the fundamental principles on which our restaurants are based – finding better ingredients, preparing them using classic techniques in front of the customer, and serving them in an interactive format with great teams dedicated to providing an excellent dining experience – can be adapted to cuisines other than the food served at Chipotle. In order to see how our model works when we use different ingredients and a different style of food, we opened a number of ShopHouse Southeast Asian Kitchen restaurants beginning in 2011, and one Tasty Made burger restaurant in Ohio in 2016. We enlisted an equity partner to help us refine the Tasty Made brand in 2017. We also have a majority ownership interest in a company operating seven fast casual Pizzeria Locale restaurants in Denver, Colorado, Kansas City, Missouri and Cincinnati, Ohio, and we plan to assist with the further expansion of Pizzeria Locale in the future. ShopHouse was not able to achieve a level of sales and profitability that made it attractive to us for future investment, and we recognized a $14.5 million non-cash impairment charge, representing substantially all of the value of long-lived assets of ShopHouse, during the year ended December 31, 2016, and closed all of the ShopHouse locations in the first half of 2017. Furthermore, Pizzeria Locale and Tasty Made are new brands and have lower brand awareness, lower sales and less operating experience than most Chipotle restaurants, and may also not achieve restaurant economics that make them attractive for further investment in the future. These concepts also operate in markets in which there are numerous competitors, including a number of large and well-known brands, and a number of other companies or individuals in the restaurant industry have recently opened or invested in fast-casual pizza concepts or so-called "better burger" restaurants.

Notwithstanding our growth plans for Tasty Made, our investment in Pizzeria Locale, and exploration of other restaurant brand opportunities, our immediate focus will remain on thoughtfully growing the Chipotle brand. As a result, we do not expect Pizzeria Locale, Tasty Made or other concepts to contribute to our growth in a meaningful way for at least the next several years. We may also determine not to move forward with any further expansion of Tasty Made or Pizzeria Locale. These decisions would each limit our overall growth potential over the long term as well. Additionally, the expansion of Tasty Made or Pizzeria Locale or investments in other restaurant concepts each might distract our management, which could have an adverse impact on our core Chipotle business.

Our failure to manage our restaurant growth effectively could harm our business and operating results.

As described elsewhere in this report, our plans call for a significant number of new restaurants. Our existing restaurant management systems, financial and management controls, information systems and personnel may be inadequate to support our expansion, and managing our growth effectively will require us to continue to enhance these systems, procedures and controls, as well as to hire, train and retain general managers, crew and corporate staff. We also are continuing to attempt to improve our field management in an effort to improve restaurant operations and develop additional top performing general managers more quickly. We may not respond quickly enough to the changing demands that our restaurant growth imposes on management, crew and existing infrastructure, and changes to our operating structure may result in increased costs or inefficiencies that we cannot currently anticipate. We have also historically placed a great deal of importance on restaurant cultures, which we believe needs to be redirected to focus more on effective training of our team to deliver excellent customer experiences. As we grow our number of restaurants, additional shifts in our cultural or operational focus may harm morale in our restaurants or prove distracting to our restaurant employees, which could adversely impact our business and operating results.

Risks Related to Operating in the Restaurant Industry

Competition could adversely affect us.

The fast-casual, quick-service and casual dining segments of the restaurant industry are highly competitive with respect to, among other things, taste, price, food quality and presentation, service, location, brand reputation, and the ambience and condition of each restaurant. Our competition includes a variety of restaurants in each of these segments, including locally-owned restaurants and national and regional chains. Many of our competitors offer dine-in, carry-out, online, catering and delivery services. Among our main competitors are a number of multi-unit, multi-market Mexican food or burrito restaurant concepts, some of which are expanding nationally. In recent years, competition has also increased significantly from restaurant formats like ours that serve higher quality food quickly and at a reasonable price.

Moreover, we may also compete with companies outside the fast casual and quick service and casual dining segments of the restaurant industry. For example, competitive pressures can come from deli sections and in-store cafés of several major grocery store chains, including those targeted at customers who want higher-quality food, as well as from convenience stores, cafeterias and other dining outlets. Meal kit delivery companies and other eat-at-home options also present some degree of competition for our restaurants. In addition, our strategy includes opening additional restaurants in existing markets, and as we do so sales may decline in our previously-opened restaurants as customers who frequent our established restaurants begin to visit a newly-opened restaurant instead.

We believe that competition from all of the foregoing has made it more challenging to maintain or increase the frequency of our customer visits, and that those competitive pressures will continue or increase in the future.

Many of our competitors have existed longer than we have and may have a more established market presence with substantially greater financial, marketing, personnel and other resources than we have. These and other competitors may attract customers with, among other things, a more diverse menu, lower operating costs and prices, better locations, better facilities, better management, more effective marketing and more efficient operations than we have.

Additionally, although we continue to believe that Chipotle can differentiate itself with our commitment to higher-quality and responsibly-sourced ingredients, competitors have increasingly made claims related to the quality of their ingredients, or distinctions between artificial and natural flavors, colors and preservatives. The increasing use of these claims in the marketplace, even if the substantive basis for some of them may be questionable, may lessen our differentiation and make it more difficult for us to compete. Some of these competitors and other fast casual concepts have sought to duplicate various elements of our business operations, and more chains may copy us to varying degrees in the future.

Several of our competitors also compete by offering menu items that are specifically identified as low in carbohydrates, better for customers or otherwise targeted at particular consumer preferences. Many of our competitors in the fast-casual and quick-service segments of the restaurant industry also emphasize lower-cost, "value meal" menu options, a strategy we do not currently pursue. Our sales may be adversely affected by these and other competing products, or by price competition more generally.

Any of these competitive factors may adversely affect us and reduce our sales and profits.

Our business could be adversely affected by increased labor costs or difficulties in finding, training and retaining top performing employees.
Labor is a primary component of our operating costs, and we believe good managers and crew and outstanding training are key parts of our success. Increased labor costs due to factors such as competition for workers and labor market pressures, increased minimum wage requirements, paid sick leave or vacation accrual mandates, or changes in our restaurant staffing structure have and may continue to adversely impact our operating costs. Many companies, both in the restaurant industry and in other industries with which we compete for employees, have implemented company-wide or targeted increases in starting wages or other enhancements to their compensation and benefit programs, and we may need to act similarly to continue to attract employees. For instance, in 2018 we plan to increase benefits to salaried and hourly managers, including additional paid leave, short term disability coverage, and a one-time cash bonus to all restaurant employees, which will increase our labor costs. These enhancements, and any further increases in labor costs associated with additional market pressures on wages or other factors, will adversely impact our operating results.

Moreover, if our managers do not schedule our restaurant crews efficiently, our restaurants may be overstaffed at some times, which adversely impacts our labor costs as a percentage of revenue, decreasing our operating margins. Efficient staffing may continue to be a challenge in 2018 due to continued volatility and uncertainty in our sales trends. Additional taxes or requirements to incur additional employee benefits expenses could also adversely impact our labor costs. And during 2018, we expect to hire a greater proportion of our restaurant managers from outside our company than we have in the past. These employees may be more expensive to hire and train than managers promoted from crew, and we may not successfully integrate them into our restaurant teams, which could adversely impact our operations.

In addition, our success in delivering excellent customer experiences depends substantially on the energy and skills of our employees and our ability to hire, train, motivate and keep qualified employees, especially general managers and crew members. Turnover among our restaurant crews and managers has been frequent, and we aim to reduce turnover in an effort to keep top performing employees and better realize our investment in training new employees. Failure to do so will adversely impact our operating results by increasing training costs and making it more difficult to deliver outstanding customer experiences. Our failure to find and keep enough high-caliber employees could also delay planned restaurant openings, which would slow our growth.

We use the "E-Verify" program, an Internet-based, free program run by the U.S. government, to verify employment eligibility for all employees throughout our company. However, use of E-Verify does not guarantee that we will successfully identify all applicants who are ineligible for employment. Although we use E-Verify and require all workers to provide us with government-specified documentation evidencing their employment eligibility, some of our employees may, without our knowledge, be unauthorized workers. Unauthorized workers may subject us to fines or penalties, and if we are found to be employing unauthorized workers, we could experience adverse publicity that negatively impacts our brand and may make it more difficult to hire and keep qualified employees. For example, following an audit by the Department of Homeland Security of the work authorization documents of our restaurant employees in Minnesota during 2010, we lost approximately 450 employees, resulting in a temporary increase in labor costs and disruption of our operations, including slower throughput, as we trained new employees, as well as some degree of negative publicity. The resulting broad-based civil and criminal investigations by the U.S. Attorney for the District of Columbia and U.S. Securities and Exchange Commission of our compliance with work authorization requirements and related disclosures and statements resulted in significant legal costs. Termination of a significant number of employees in specific markets or across our company due to work authorization or other regulatory issues would disrupt our operations including slowing our throughput, and could also cause additional adverse publicity and temporary increases in our labor costs as we train new employees. We could also become subject to fines, penalties and other costs related to claims that we did not fully comply with all recordkeeping obligations of federal and state immigration compliance laws. Our reputation and financial performance may be materially harmed as a result of any of these factors. Furthermore, immigration laws have been an area of considerable political focus in recent years, and the U.S. Congress and Department of Homeland Security from time to time consider or implement changes to Federal immigration laws, regulations or enforcement programs. Further changes in immigration or work authorization laws may increase our obligations for compliance and oversight, which could subject us to additional costs and potential liability and make our hiring process more cumbersome, or reduce the availability of potential employees.

Because we do not franchise, risks associated with hiring and maintaining a large workforce, including increases in wage rates or the cost of employee benefits, compliance with laws and regulations related to the hiring, payment and termination of employees, and employee-related litigation, may be more pronounced for us than for restaurant companies at which some or all of these risks are borne by franchisees or other operating contractors.

Changes in food and supply costs could adversely affect our results of operations.

Our profitability depends in part on our ability to anticipate and react to changes in food and supply costs. Like all restaurant companies, we are susceptible to increases in food costs as a result of factors beyond our control, such as general economic conditions, seasonal fluctuations, weather conditions, global demand, food safety concerns, generalized infectious diseases, fluctuations of the U.S. dollar, product recalls and government regulations. The cost of many basic foods for humans and animals, including corn, wheat, rice and cooking oils, has increased markedly in some years, resulting in upward pricing pressures on almost all of our raw ingredients including chicken, beef, tortillas and rice. In 2017, a significant rise in avocado prices adversely impacted our food costs for most of the year, and there could be similar or greater pricing pressure on key ingredients in future periods. Costs have also increased from the enhanced food safety procedures described elsewhere in this report. Additionally, a substantial volume of produce items are grown in Mexico and other countries, and some of our meats and restaurant supplies are sourced from outside the U.S. as well. Any new or increased import duties, tariffs or taxes, or other changes in U.S. trade or tax policy, could result in higher food and supply costs that would adversely impact our financial results.

We could also be adversely impacted by price increases specific to meats raised in accordance with our sustainability and animal welfare criteria or other food items we buy as part of our Food With Integrity focus, the markets for which are generally smaller and more concentrated than the markets for food products that are conventionally raised and grown. Weather related issues, such as freezes or drought, may also lead to temporary spikes in the prices of some ingredients such as produce or meats. Increasing weather volatility or other long-term changes in global weather patterns, including any changes associated with global climate change, could have a significant impact on the price or availability of some of our ingredients. Any increase in the prices of the ingredients most critical to our menu, such as chicken, beef, cheese, avocados, beans, rice, tomatoes and pork, would have a particularly adverse effect on our operating results. Alternatively, in the event of cost increases with respect to one or more of our raw ingredients, we may choose to temporarily suspend serving menu items, such as guacamole or one or more of our salsas, rather than paying the increased cost for the ingredients. Any such changes to our available menu may negatively impact our restaurant traffic and comparable restaurant sales, and could also have an adverse impact on our brand.

Food safety scares could adversely affect customer perceptions of, or the price or availability of, ingredients we use to prepare our food, which may adversely impact our sales.

Past reports linking nationwide or regional incidents of food-borne illnesses such as salmonella, E. coli, hepatitis A, listeria or norovirus to certain produce items have caused us to temporarily suspend serving some ingredients in our foods or to otherwise alter our menu, and have resulted in consumers avoiding certain products for a period of time. Similarly, outbreaks of avian flu, incidents of "mad cow" disease, or similar concerns have also caused consumers to avoid any products that are, or are suspected of being, affected. These problems, and injuries caused by food tampering have had in the past, and could have in the future, an adverse effect on the price and availability of affected ingredients. A decrease in customer traffic as a result of these health concerns or negative publicity, or as a result of a change in our menu or dining experience or a temporary closure of any of our restaurants due to the types of food scares described above, would further adversely impact our restaurant sales and profitability. In addition, if we react to these problems by changing our menu or other key aspects of the Chipotle experience, we may lose customers who do not accept those changes, and may not be able to attract enough new customers to generate sufficient revenue to make our restaurants profitable. Customers may also shift away from us if we choose to pass along to consumers any higher ingredient or operating costs resulting from supply problems or operational changes associated with incidents of food-borne illnesses, which would also have a negative impact on our sales and profitability.

Changes we have made in our operations, or that we make in the future, to further enhance the safety of the food we serve will adversely impact our financial performance and may negatively impact customer perception of our brand.

As a result of the food safety incidents described elsewhere in this report, we have implemented a number of enhancements to our food safety protocols to ensure that our food is as safe as it can be. Many of our enhanced procedures, which go beyond the industry-standard food safety practices that we were previously following, increase the cost of some ingredients or the amount of labor required to prepare and serve our food. If we aren't able to sufficiently increase sales to offset the increased costs resulting from these changes, our margins will fall well short of levels we have historically achieved. Even if we were to restore sales to levels we were achieving prior to the fourth quarter of 2015, the increased costs from these changes are likely to result in lower margins than we were able to achieve in the past.

Additionally, some of the enhanced food safety procedures we have introduced or may introduce in the future rely on increased use of centralized food preparation, additional in-restaurant preparation steps, or new ingredients, some or all of which may be inconsistent with previous customer perceptions of our restaurant operations. To the extent customers perceive any of these developments as a move away from our Food With Integrity strategy and/or towards a more traditional fast food experience, our ability to win back customers may be adversely impacted and our sales may decline or recover more slowly than they otherwise would have. Furthermore, even the most advanced food safety measures cannot eliminate all food safety risks from a restaurant environment. For risks related to any future food safety incidents associated with our restaurants, see "*Risks Related to our Plans to Improve Our Sales and Profitability and Restore our Economic Model — We may continue to be negatively impacted by food safety incidents, and further instances of food-borne or localized illnesses associated with our restaurants would result in increased negative publicity and further adverse impacts on customer perceptions of our brand.*"

Failure to receive frequent deliveries of higher-quality food ingredients and other supplies meeting our specifications could harm our operations.

Our ability to maintain our menu depends in part on our ability to acquire ingredients that meet our specifications from reliable suppliers. Shortages or interruptions in the supply of ingredients caused by unanticipated demand, problems in production or distribution, food contamination (which we may detect more frequently under the microbiological testing protocols we've recently introduced), inclement weather, a supplier ceasing operations or deciding not to follow our required protocols, or other conditions could adversely affect the availability, quality and cost of our ingredients, which could harm our operations. In particular, shortages of one or more of our menu items could force our restaurants to remove items from their menus, which may result in customers choosing to eat elsewhere. If that happens, our affected restaurants could experience significant reductions in sales during the menu item shortage, and potentially thereafter if customers do not return to us after the shortage is resolved. Our focus on a limited menu would make the consequences of a shortage of a key ingredient more severe to us than at other restaurants.

For many of our food ingredients and other supplies we do not have long-term contracts with suppliers, and we have relied largely on a third party distribution network with a limited number of distribution partners. If any of our distributors or suppliers performs inadequately, or our distribution or supply relationships are disrupted for any reason, the risk of ingredient shortages may increase and our business, financial condition, results of operations or cash flows could be adversely affected. We currently depend on a limited number of suppliers for some of our key ingredients, including beef, pork, chicken, tofu, beans, rice, sour cream, cheese, and tortillas. Due to the unique nature of the products we receive from our Food With Integrity suppliers and as described in more detail below under "*Risks Related to Our Unique Business Strategy — Our Food With Integrity philosophy subjects us to risks,*" these suppliers could be more difficult to replace if we were no longer able to rely on them. If we have to seek new suppliers and service providers, we may be subject to pricing or other terms less favorable than those we currently enjoy. If we cannot replace or engage distributors or suppliers who meet our specifications in a short period of time, that could increase our expenses and cause shortages of food and other items at our restaurants, which could cause a restaurant to remove items from its menu. If that were to happen and customers change their dining habits as a result, affected restaurants could experience significant reductions in sales during the shortage or thereafter. Our focus on a limited menu would make the consequences of a shortage of a key ingredient more severe.

In the first quarter of 2015, through our ongoing auditing of suppliers, we identified a pork supplier that was not meeting our standards and suspended purchases of pork from this supplier. Without this supply, we did not have enough pork meeting our specifications for all of our restaurants and a large number of our restaurants were not serving carnitas for a number of months during 2015. We believe our comparable restaurant sales were adversely impacted as a result, as customers chose to eat elsewhere rather than substituting a different one of our menu items for carnitas.

Changes in customer tastes and preferences, spending patterns and demographic trends could cause sales to decline.

Changes in customer preferences, general economic conditions, discretionary spending priorities, demographic trends, traffic patterns and the type, number and location of competing restaurants affect the restaurant industry. Our sales could be impacted by changes in consumer preferences in response to dietary concerns, including preferences regarding items such as calories, sodium, carbohydrates or fat. These changes could result in consumers avoiding our menu items in favor of other foods, and our focus on a limited menu could make the consequences of a change in consumer preferences more severe than our competitors may face. Some customers could also avoid freshly-prepared foods like those we serve, based on concerns regarding food safety. This may be more likely to impact us as a result of the widely-publicized food safety incidents we experienced beginning in the fourth quarter of 2015.

Our success also depends to a significant extent on consumer confidence, which is influenced by general economic conditions and discretionary income levels. Our average restaurant sales may decline during economic downturns or periods of uncertainty, which can be caused by various factors such as high unemployment, increasing taxes, interest rates, or other changes in fiscal or monetary policy, high gasoline prices, declining home prices, tight credit markets or foreign political or economic unrest. Any material decline in consumer confidence or a decline in family "food away from home" spending could cause our sales, operating results, profits, business or financial condition to decline. If we fail to adapt to changes in customer preferences and trends, we may lose customers and our sales may deteriorate.

If we were to experience widespread difficulty renewing existing leases on favorable terms, our revenue or occupancy costs could be adversely affected.

We lease substantially all of the properties on which we operate restaurants, and some of our leases are due for renewal or extension options in the next several years. Some leases are subject to renewal at fair market value, which could involve substantial increases, and a smaller number expire without any renewal option. While we currently expect to pursue the renewal of substantially all of our expiring restaurant leases, any difficulty renewing a significant number of such leases, or any substantial increase in rents associated with lease renewals, could adversely impact us. If we have to close any restaurants due to difficulties in renewing leases, we would lose revenue from the affected restaurants and may not be able to open suitable replacement restaurants. Conversely, substantial increases in rents associated with lease renewals would increase our occupancy costs, reducing our restaurant margins.

Risks Related to our Unique Business Strategy

We may not persuade customers of the benefits of paying our prices for higher-quality food.

Our success depends in large part on our ability to persuade customers that food made with higher-quality ingredients is worth the prices they will pay at our restaurants relative to prices offered by some of our competitors, particularly those in the quick-service restaurant segment. We may not successfully educate customers about the quality of our food, and customers may not care even if they do understand our approach. That could require us to change our pricing, advertising or promotional strategies, which could materially and adversely affect our results of operations or the brand identity that we have tried to create. Additionally, it will likely be more difficult for us to persuade the public about the quality and value of our food following the food-borne illnesses we experienced in 2015 and the associated deterioration of customer perceptions about our brand, and we cannot predict when those perceptions will improve, if ever. If customers are not persuaded that we offer a good value for their money, our restaurant transaction counts could be adversely affected, which would negatively impact our business results.

Our Food With Integrity philosophy subjects us to risks.

The principle of Food With Integrity constitutes a significant part of our business strategy. We use a substantial amount of ingredients grown or raised with an emphasis on practices we believe to be more sustainable or responsible than some conventional practices, and we try to make our food as fresh as we can. We do, however, face challenges associated with pursuing Food With Integrity philosophy. There are higher costs and other risks associated with purchasing ingredients grown or raised with an emphasis on quality, sustainability and other responsible practices. Growth rate and weight gain can be lower for chickens, cattle and pigs that are not fed sub-therapeutic antibiotics and for cattle that are not given growth hormones. Crops grown organically or using other responsible practices can take longer to grow and crop yields can be lower. It can take longer to identify and secure relationships with suppliers that are able to meet our criteria for meat, dairy and produce ingredients. Given the costs associated with what we believe are more responsible farming practices, as well as uncertainty regarding demand due to changing customer perceptions, economic trends and other factors, many large suppliers have not found it economical to pursue business in this area. Although all of our restaurants generally serve meat from animals raised in accordance with criteria we've established in an effort to improve sustainability and promote animal welfare, we may experience shortages of meat meeting these criteria due to suppliers suspending production, market conditions, or other forces beyond our control. In the first quarter of 2015, through our ongoing auditing of suppliers, we identified a pork supplier that was not meeting our standards and suspended purchases of pork from this supplier. Without this supply, we did not have enough pork meeting our specifications for all of our restaurants and a large number of our restaurants were not serving carnitas for a number of months during 2015. We believe our comparable restaurant sales were adversely impacted as a result. We have experienced shortages of beef or chicken meeting our protocols on a periodic basis over the past several years as well, resulting in our serving commodity beef and chicken, which may have a negative impact on customer perceptions of our brand.

If as a result of any of the factors described above we are unable to obtain a sufficient and consistent supply of our preferred ingredients on a cost-effective basis, our food costs could increase, adversely impacting our operating margins. These factors could also cause us difficulties in aligning our brand with our Food With Integrity philosophy, which could make us less popular among our customers and cause sales to decline. Our commitment to the Food With Integrity philosophy may also leave us open to actions against us or criticism from special interest groups whose ideas regarding food issues differ from ours or who believe we should pursue different or additional goals with our Food With Integrity approach. Any adverse publicity that results from such criticism could damage our brand and adversely impact customer traffic at our restaurants. We may also face adverse publicity or liability for false advertising claims if suppliers do not adhere to all of the elements of our Food With Integrity programs, such as responsible meat protocols, requirements for organic or sustainable growing methods, our use of non-GMO ingredients in our food, and similar criteria on which we base our purchasing decisions. If any such supplier failures occur and are publicized, our reputation would be harmed and our sales may be adversely impacted. And our Food With Integrity message may result in customers holding us to a higher standard in terms of food safety as well, which may make it more difficult for us to recover from the food-borne illness incidents discussed elsewhere in this report, as customers who believe we failed to uphold our own standards may decline to return to our restaurants as frequently or at all.

Additionally, in response to increasing customer awareness and demand, some competitors have also begun to advertise their use of meats raised without the use of antibiotics or growth hormones, dairy products from cows not treated with rBGH, and other ingredients similar to those we seek as part of our Food With Integrity philosophy. If competitors become known for using these types of higher-quality or more sustainable ingredients, it could further limit our supply of these ingredients, and may make it more difficult for us to differentiate Chipotle and our restaurants, which could adversely impact our operating results.

Our success may depend on the continued service and availability of key personnel, and upcoming changes in our management team may not provide the benefits we expect.

Our Chairman and Chief Executive Officer Steve Ells founded our company, has been the principal architect of our business strategy, and has led our growth from a single restaurant in 1993 to over 2,400 restaurants today. Jack Hartung, our Chief Financial Officer, has also served with us since early in our company's history, and much of our growth has occurred under his direction as well. Additionally, Mark Crumpacker, our Chief Marketing and Strategy Officer, who has played a role in our marketing and branding efforts for many years and who has been an executive officer since joining us full time in January 2009, has been instrumental in formulating strategies to help us rebuild our business. Curt Garner, who joined us as Chief Information Officer in November 2015, has had a key role in developing and executing our digital/mobile ordering platforms and strategy, and we believe these and other technology innovations will become increasingly important in helping us return to sales and profitability growth. And Scott Boatwright, who joined us as Chief Restaurant Officer in May 2017, has led our recent efforts to improve the guest experience in our restaurants, which we also believe will be critical in attracting new and lapsed customers.

In December 2017, we announced that we have initiated a search for a new Chief Executive Officer, and that Mr. Ells will transition to the role of Executive Chairman of the Board upon the appointment of a new Chief Executive Officer. It may be difficult to identify and attract a Chief Executive Officer candidate who meets our needs and is able to grasp and implement our unique strategic vision. In addition, we believe our current executive officers, each of whom is an at-will employee, are creating a business strategy and culture at our company that will position us for future success, and these features may be difficult to replicate under another management team. If a new Chief Executive Officer does not successfully continue our business strategy or implement new strategies to improve our business, or if the change in Chief Executive Officer or other factors result in other changes to our senior leadership team, our growth prospects or future operating results may be adversely impacted. Additionally, if our company culture or operations were to deteriorate following our upcoming change in leadership, we may be adversely impacted as well.

Regulatory and Legal Risks

Governmental regulation in one or more of the following areas may adversely affect our existing and future operations and results, including by harming our ability to open new restaurants or increasing our operating costs.

Employment and Immigration Regulations

We are subject to various federal, state and local laws governing our relationship with and other matters pertaining to our employees, including wage and hour laws, requirements to provide meal and rest periods or other benefits, family leave mandates, requirements regarding working conditions and accommodations to certain employees, citizenship or work authorization and related requirements, insurance and workers' compensation rules and anti-discrimination laws. Complying with these rules subjects us to substantial expense and can be cumbersome, and can also expose us to liabilities from claims for non-compliance. For example, a number of lawsuits have been filed against us alleging violations of federal and state laws regarding employee wages and payment of overtime, meal and rest breaks, employee classification, employee record-keeping and related practices with respect to our employees. We incur legal costs to defend, and we could suffer losses from, these and similar cases, and the amount of such losses or costs could be significant. In addition, several states and localities in which we operate and the federal government have from time to time enacted minimum wage increases, changes to eligibility for overtime pay, paid sick leave and mandatory vacation accruals, and similar requirements and these changes could increase our labor costs. Changes in U.S. healthcare laws could also adversely impact us if they result in significant new welfare and benefit costs or increased compliance expenses.

We also are audited from time to time for compliance with work authorization requirements, and audit activity and federal criminal and civil investigations in this area are described in more detail above under "*Risks Related to Operating in the Restaurant Industry — Our business could be adversely affected by increased labor costs or difficulties in finding and retaining top performing employees,*" as well as in Note 10. "Commitments and Contingencies" in our consolidated financial statements included in Item 8. "Financial Statements and Supplementary Data." Unauthorized workers may subject us to fines or penalties, and if any of our workers are found to be unauthorized our business may be disrupted as we try to replace lost workers with additional qualified employees. On the other hand, in the event we wrongfully reject work authorization documents, or if our compliance procedures are found to have a disparate impact on a protected class such as a racial minority or based on the citizenship status of applicants, we could be found to be in violation of anti-discrimination laws. We could experience adverse publicity arising from enforcement activity related to work authorization compliance, anti-discrimination compliance, or both, that negatively impacts our brand and may make it more difficult to hire and keep qualified employees. Moreover, as described above under "*Risks Related to Operating in the Restaurant Industry — Our business could be adversely affected by increased labor costs or difficulties in finding and retaining top performing employees,*" the office of the U.S. Attorney for the District of Columbia and the U.S. Securities and Exchange Commission investigated us for possible criminal and civil securities law violations relating to our employee work authorization compliance and related disclosures and statements as well. Any potential future investigations in this area may be expensive and distracting, and could subject us to fines, reputational damage, and other liabilities that could be significant.

Additionally, while we do not currently have any unionized employees, union organizers have engaged in efforts to organize our employees and those of other restaurant companies. If a significant portion of our employees were to become union organized, our labor costs could increase and our efforts to maintain a culture appealing only to top performing employees could be impaired. Potential changes in labor laws, including the possible passage of legislation designed to make it easier for employees to unionize, could increase the likelihood of some or all of our employees being subjected to greater organized labor influence, and could have an adverse effect on our business and financial results by imposing requirements that could potentially increase our costs, reduce our flexibility and impact our employee culture.

Americans with Disabilities Act and Similar State Laws
We are subject to the U.S. Americans with Disabilities Act, or ADA, and similar state laws that give civil rights protections to individuals with disabilities in the context of employment, public accommodations and other areas. We have incurred substantial legal fees in connection with ADA-related complaints in the past, and we may in the future have to modify restaurants, for example by adding access ramps or redesigning certain architectural features, to provide service to or make reasonable accommodations for disabled persons under these laws. The expenses associated with these modifications, or any damages, legal fees and costs associated with litigating or resolving claims under the ADA or similar state laws, could be material.

Nutrition and Food Regulation
In recent years, there has been an increased legislative, regulatory and consumer focus at the federal, state and municipal levels on the food industry including nutrition and advertising practices. Restaurants operating in the quick-service and fast-casual segments have been a particular focus. For example, the State of California, New York City and a number of other jurisdictions around the U.S. have adopted regulations requiring that chain restaurants include calorie information on their menu boards or make other nutritional information available, and nation-wide nutrition disclosure requirements included in the U.S. health care reform law are scheduled to go into effect on May 7, 2018. These nutrition disclosure requirements may increase our expenses or slow customers as they move through the line, decreasing our throughput. These initiatives may also change customer buying habits in a way that adversely impacts our sales, and could subject us to liability if we make errors in calculating or disclosing the required information.

Privacy/Cybersecurity
We are required to collect and maintain personal information about our employees, and we collect information about customers as part of some of our marketing programs as well. The collection and use of such information is regulated at the federal and state levels, and

by the European Union and its member states, and the regulatory environment related to information security and privacy is evolving and increasingly demanding. Significant new privacy regulation in the European Union is further described above under "*Risks Related to our Plans to Improve Our Sales and Profitability and Restore our Economic Model — Our expansion into international markets has been limited, and may present increased risks due to lower customer awareness of our brand, our unfamiliarity with those markets and other factors.*" At the same time, we are relying increasingly on cloud computing and other technologies that result in third parties holding significant amounts of customer or employee information on our behalf. If our security and information systems or those of outsourced third party providers we use to store or process such information are compromised, or if we or such third parties otherwise fail to comply with these laws and regulations, we could face litigation and the imposition of penalties that could adversely affect our financial performance. Our reputation as a brand or as an employer could also be adversely affected from these types of security breaches or regulatory violations, which could impair our sales or ability to attract and keep qualified employees. Additional risks related to cybersecurity are described below under "*General Business Risks-We may be harmed by security risks we face in connection with our electronic processing and transmission of confidential customer and employee information.*"

Local Licensure, Zoning and Other Regulation

Each of our restaurants is also subject to state and local licensing and regulation by health, alcoholic beverage, sanitation, food and workplace safety and other agencies. We may experience material difficulties or failures in obtaining the necessary licenses or approvals for new restaurants, which could delay planned restaurant openings. In addition, stringent and varied requirements of local regulators with respect to zoning, land use and environmental factors could delay or prevent development of new restaurants in particular locations.

Environmental Laws

We are subject to federal, state and local environmental laws and regulations concerning the discharge, storage, handling, release and disposal of hazardous or toxic substances, as well as local ordinances restricting the types of packaging we can use in our restaurants. We have not conducted a comprehensive environmental review of our properties or operations. We have, however, conducted investigations of some of our properties and identified contamination caused by third-party operations. We believe any such contamination has been or should be addressed by the third party. If the relevant third party does not address or has not addressed the identified contamination properly or completely, then under certain environmental laws, we could be held liable as an owner or operator to address any remaining contamination, sometimes without regard to whether we knew of, or were responsible for, the release or presence of hazardous or toxic substances. Any such liability could be material. Further, we may not have identified all of the potential environmental liabilities at our properties, and any such liabilities could have a material adverse effect on our operations or results of operations. We also cannot predict what environmental laws will be enacted in the future, how existing or future environmental laws will be administered or interpreted, or the amount of future expenditures that we may need to make to comply with, or to satisfy claims relating to, environmental laws.

Other Aspects of Regulatory Risk

From time to time we are the target of litigation in connection with various laws and regulations that cover our business. Much of this litigation occurs in California even though currently only about 17% of our restaurants are located there. As we continue to expand in California, or if we are not able to effectively manage the increased litigation risks and expenses we have experienced in California, our business may be adversely impacted to a greater extent than if we did not operate in, or minimized our operations in, California.

Because we do not franchise, the costs of compliance and other risks associated with government regulation of our business, as described above, may be more pronounced for us than for restaurant companies at which some or all of these risks are borne by franchisees or other operating contractors.

Regulatory actions and litigation related to food safety incidents that impacted us beginning in the fourth quarter of 2015 may adversely impact us.

We are facing an ongoing government investigation into food safety incidents and related compliance measures, as described in Note 10. "Commitments and Contingencies" in our consolidated financial statements included in Item 8. "Financial Statements and Supplementary Data." We also have received numerous claims from customers who were or claim to have been impacted by food safety incidents associated with our restaurants, and a number of those claimants have filed lawsuits against us. We are cooperating in the government investigation and with many of the customers impacted by these incidents, but will continue to incur significant legal and other costs in doing so. We have also been sued in a shareholder class action lawsuit in connection with the decline in our stock price in the wake of the food safety incidents, and defending this lawsuit will subject us to significant legal expense. Additionally, the liabilities from customer claims and related litigation expenses may be greater than we anticipate due to the uncertainties inherent in litigation. All of these costs, liabilities and expenses will negatively impact our operating results. Moreover, publicity regarding any legal proceedings related to food safety incidents may increase or prolong consumer awareness of the incidents or otherwise negatively impact perceptions of our brand, which may hamper our ability to regain lost sales or attract new customers to our restaurants.

We could be party to litigation that could adversely affect us by distracting management, increasing our expenses or subjecting us to material money damages and other remedies.

We're subject to numerous claims alleging violations of federal and state laws regarding workplace and employment matters, including wages, work hours, overtime, vacation and family leave, discrimination, wrongful termination, and similar matters, and we could become subject to class action or other lawsuits related to these or different matters in the future. Our customers also occasionally file complaints or lawsuits against us alleging that we're responsible for some illness or injury they suffered at or after a visit to our restaurants, or that we have problems with food quality, operations or our food related disclosure or advertising practices. See "*— Governmental regulation in one or more of the following areas may adversely affect our existing and future operations and results, including by harming our ability to open new restaurants or increasing our operating costs*" above, for additional discussion of these types of claims. From time to time, we also face claims alleging that technology we use in our business infringes patents held by third parties. In addition, the restaurant industry has been subject to a growing number of claims based on the nutritional content of food products sold and disclosure and advertising practices. We have been subject to a number of these actions and may be subject to additional actions of this type in the future. We are also undergoing government investigations and have been sued in a shareholder class action lawsuit, each as described elsewhere in this report, including in Note 10. "Commitments and Contingencies" in our consolidated financial statements included in Item 8. "Financial Statements and Supplementary Data," and these matters may be particularly expensive to defend and/or resolve.

We believe the number of many of the foregoing types of claims has increased as our business has grown and we have become more visible to potential plaintiffs and their lawyers, particularly in California. Regardless of whether any claims against us are valid, or whether we're ultimately held liable for such claims, they may be expensive to defend and may divert time and money away from our operations and hurt our performance. A significant judgment for any claims against us could materially and adversely affect our financial condition or results of operations. Any adverse publicity resulting from these allegations, whether directed at us or at fast casual or quick-service restaurants generally, may also materially and adversely affect our reputation or prospects, which in turn could adversely affect our results.

General Business Risks

We may be harmed by security risks we face in connection with our electronic processing and transmission of confidential customer and employee information.

We accept electronic payment cards for payment in our restaurants. During 2017 approximately 73% of our sales were attributable to credit and debit card transactions, and credit and debit card usage could continue to increase. A number of retailers have experienced actual or potential security breaches in which credit and debit card information may have been stolen, including a number of highly publicized incidents with well-known retailers in recent years.

In April 2017, our information security team detected unauthorized activity on the network that supports payment processing for our restaurants, and immediately began an investigation with the help of leading computer security firms. We also self-reported the issue to payment card processors and law enforcement. Our investigation detected malware designed to access payment card data from cards used at point-of-sale devices at most Chipotle restaurants, primarily in the period from March 24, 2017 through April 18, 2017. We have removed the malware from our systems and continue to work to enhance our security measures. However, we expect to be subject to payment card network assessments and may incur regulatory fines or penalties, for which our insurance coverage is limited, and as a result, we recorded a $30 million estimated liability. We may ultimately be subject to liabilities greater than or less than the amount accrued. See Note 10. "Commitments and Contingencies" included in Item 8. "Financial Statements and Supplementary Data," for further discussion of potential liabilities and pending litigation filed against us in connection with this incident.

We may be subject to additional lawsuits or other proceedings in the future relating to the incident or any future incidents in which payment card data may have been compromised. Proceedings related to theft of credit or debit card information may be brought by payment card providers, banks and credit unions that issue cards, cardholders (either individually or as part of a class action lawsuit) and federal and state regulators. Any such proceedings could distract our management from running our business and cause us to incur significant unplanned losses and expenses. Consumer perception of our brand could also be negatively affected by these events, which could further adversely affect our results and prospects.

We also are required to collect and maintain personal information about our employees, and we collect information about customers as part of some of our marketing programs as well. The collection and use of such information is regulated at the federal and state levels, and by the European Union and its member states, and the regulatory environment related to information security and privacy is increasingly demanding. For example, a new privacy regulation in the European Union called the General Data Protection Regulation, or GDPR, is scheduled to become effective in May 2018 and requires companies to meet new requirements regarding the handling of personal data, including its use, protection and the ability of persons whose data is stored to correct or delete such data about themselves. Failure to meet GDPR requirements could result in penalties of up to 4% of worldwide revenue. At the same time, we are relying increasingly on cloud computing and other technologies that result in third parties holding significant amounts of customer or employee information on our behalf. We have seen an increase over the past several years in the frequency and sophistication of attempts to compromise the security of several of these systems. If the security and information systems that we or our outsourced third party providers use to store or process such information are compromised or if we, or such third parties, otherwise fail to comply with these laws and regulations, we could face litigation and the imposition of penalties that could adversely affect our financial performance. Our reputation as a brand or as an employer could also be adversely affected from these types of security breaches or regulatory violations, which could impair our sales or ability to attract and keep qualified employees.

If we experience a significant failure in or interruption of certain key information technology systems, our business could be adversely impacted.

We use a variety of applications and systems to securely manage the flow of information within each of our restaurants, and within our centralized corporate infrastructure. The services available within our systems and applications include restaurant operations, supply chain, inventory, scheduling, training, human capital management, financial tools, and data protection services. The restaurant structure is based primarily on a point-of-sale system that operates locally at the restaurant and is integrated with other functions necessary to restaurant operations. It records sales transactions, receives out of store orders, and authorizes, batches, and transmits credit card transactions. The system also allows employees to enter time clock information and to produce a variety of management reports. Select information that is captured from this system at each restaurant is collected in the central corporate infrastructure, which enables management to continually monitor operating results. Our ability to efficiently and effectively manage our business depends significantly on the reliability and capacity of these and other systems, and our operations depend substantially on the availability of our point-of-sale system and related networks and applications. These systems may be vulnerable to attacks or outages from security breaches, viruses and other disruptive problems, as well as from physical theft, fire, power loss, telecommunications failure or other catastrophic events. Any failure of these systems to operate effectively, whether from security breaches, maintenance problems, upgrades or transitions to new platforms, or other factors could result in interruptions to or delays in our restaurant or other operations, adversely impacting the restaurant experience for our guests or negatively impacting our ability to manage our business. If our information technology systems fail and our redundant systems or disaster recovery plans are not adequate to address such failures, or if our business interruption insurance does not sufficiently compensate us for any losses that we may incur, our revenues and profits could be reduced and the reputation of our brand and our business could be materially adversely affected. In addition, remediation of any problems with our systems could result in significant, unplanned expenses.

Negative publicity relating to our restaurants or our company could adversely impact our reputation, which may significantly harm us.

We depend significantly on customers' perception of and connection to our brand. In addition to the damage to our reputation from well-publicized food safety incidents during 2015 as described elsewhere in this report, we may experience negative publicity from time to time relating to food quality, customer complaints, restaurant facilities, advertising and other business practices, litigation alleging injuries or improper employee practices, government investigations or other regulatory issues, our suppliers' potential failure to adhere to elements of our Food With

Integrity protocols, other issues regarding the integrity of our suppliers' food processing, employee relationships, customer or employee data breaches, or other matters, regardless of whether the allegations are valid or whether we are held to be responsible. The negative impact of adverse publicity relating to one or more restaurants or any of the foregoing topics may extend far beyond the restaurant(s) involved and affect many more, or even all, of our restaurants. The considerable expansion in the use of social media over recent years can further amplify any negative publicity that may be generated. A similar risk exists with respect to unrelated food service businesses, if consumers associate those businesses with our own operations. And even publicity that could reasonably be viewed as positive may have adverse consequences on our business. For example, positive developments in regards to the food safety issues that have impacted us might have the effect of continuing or increasing customer awareness of the issue.

The adverse impact of publicity on customers' perception of us could have a further negative impact on our sales. If the impact of any such publicity is particularly long-lasting, the value of our brand may suffer and our ability to grow could be diminished. Additionally, negative publicity about our employment practices may affect our reputation among employees and potential employees, which could make it more difficult for us to attract and retain top performing employees. That could adversely impact the quality of the customer experience we can offer and our operations generally, and may increase our labor costs as well.

Our insurance coverage and self-insurance reserves may not cover future claims.

We maintain various insurance policies for employee health, workers' compensation, general liability, property damage and auto liability. We are self-insured for our employee health plans but have third party insurance coverage to limit exposure for both individual and aggregate claim costs. We are also responsible for losses up to a certain limit for workers' compensation, general liability, property damage, employment practices liability and auto liability insurance.

For policies under which we are responsible for losses, we record a liability that represents our estimated cost of claims incurred and unpaid as of the balance sheet date. Our estimated liability is not discounted and is based on a number of assumptions and factors, including historical trends, actuarial assumptions and economic conditions, and is closely monitored and adjusted when warranted by changing circumstances. Our history of claims experience is relatively short and our significant growth during most of our operating history could affect the accuracy of estimates based on historical experience. If a greater amount of claims occurs compared to what we estimated, or if medical costs increase beyond what we expected, our accrued liabilities might not be sufficient and we may be required to record additional expense. Unanticipated changes may also produce materially different amounts of expense than reported under these programs, which could adversely impact our results of operations. It is also possible that losses covered under one or more of our insurance policies may exceed the applicable policy limits, which would subject us to unexpected additional liabilities in an amount that could be significant enough to have a material adverse effect on our financial position.

We may not be able to adequately protect our intellectual property, which could harm the value of our brands and adversely affect our business.

Our ability to successfully implement our business plan depends in part on our ability to further build brand recognition using our trademarks, service marks, trade dress and other proprietary intellectual property, including our name and logos, our Food With Integrity strategy and the unique ambience of our restaurants. If our efforts to protect our intellectual property are inadequate, or if any third party misappropriates or infringes on our intellectual property, either in print or on the internet, the value of our brands may be harmed, which could have a material adverse effect on our business and might prevent our brands from achieving or maintaining market acceptance. We are aware of restaurants in foreign jurisdictions using menu items, logos and other branding that we believe are based on our intellectual property, and our ability to halt these restaurants from using these elements may be limited in jurisdictions in which we are not operating. This could have an adverse impact on our ability to successfully expand into other jurisdictions in the future. We may also encounter claims from prior users of similar intellectual property in areas where we operate or intend to conduct operations. This could harm our image, brand or competitive position and cause us to incur significant penalties and costs.

Our quarterly results may fluctuate significantly and could fall below the expectations of securities analysts and investors due to various factors.

Our quarterly results may fluctuate significantly and could fail to meet the expectations of securities analysts and investors because of factors including:

- changes in comparable restaurant sales and customer visits, including as a result of perceptions about our

brand, competition, changes in consumer confidence or discretionary spending, and other factors listed in these Risk Factors;
- additional negative publicity about the occurrence of food-borne illnesses, the ingredients we use, or other problems at our restaurants;
- fluctuations in supply costs, particularly for our most significant food items, including increased ingredient costs as a result of changes we've made to enhance the safety of our food;
- labor availability and wages of restaurant management and crew, as well as temporary fluctuations in labor costs as a result of large-scale changes in workforce;
- increases in marketing or promotional expenses as we introduce new marketing programs and strategies, or increased spending on existing marketing programs in an effort to drive sales;
- our ability to raise menu prices without adversely impacting customer traffic, particularly if food and labor costs were to increase;
- the timing of new restaurant openings and related revenues and expenses;
- operating costs at newly opened restaurants, which are often materially greater during the first several months of operation;
- the impact of inclement weather, natural disasters and other calamities, such as freezes that have impacted produce crops and droughts that have impacted livestock and the supply of certain meats;
- variations in general economic conditions, including the impact of declining interest rates on our interest income;
- increases in infrastructure costs;
- litigation, settlement costs and related legal expense;
- tax expenses, impairment charges and non-operating costs; and
- potential distraction or unusual expenses associated with our expansion into international markets or initiatives to expand new concepts.

Seasonal factors also cause our results to fluctuate from quarter to quarter. Our restaurant sales are typically lower during the winter months and the holiday season and during periods of inclement weather (because fewer people are eating out) and higher during the spring, summer and fall months (for the opposite reason). Our restaurant sales will also vary as a result of the number of trading days—that is, the number of days in a quarter when a restaurant is open.

As a result of these factors, results for any one quarter are not necessarily indicative of results to be expected for any other quarter or for any year. Average restaurant sales or comparable restaurant sales in any particular future period may decrease. In the future, operating results may fall below the expectations of securities analysts and investors, which could cause our stock price to fall. This risk may continue to be a greater concern during 2018, as analyst and investor expectations for improvements in our business results may be higher than the level of results we actually achieve.

Additionally, we believe the market price of our common stock, which has generally traded at a higher price-earnings ratio than stocks of most or all of our peer companies, has typically reflected high market expectations for our future operating results. The trading market for our common stock has been volatile at times as well, including during the recent past as a result of adverse publicity events. As a result, if we fail to meet market expectations for our operating results in the future, any resulting decline in the price of our common stock could be significant.

Our anti-takeover provisions may delay or prevent a change in control of us, which could adversely affect the price of our common stock.

Certain provisions in our corporate documents and Delaware law may delay or prevent a change in control of us, which could adversely affect the price of our common stock. Our amended and restated certificate of incorporation and amended and restated bylaws contain some provisions that may make the acquisition of control of us without the approval of our board of directors more difficult, including provisions relating to the nomination, election and removal of directors, the structure of the board of directors and limitations on actions by our shareholders. In addition, Delaware law also imposes some restrictions on mergers and other business combinations between us and any holder of 15% or more of our outstanding common stock. Any of these provisions may discourage a potential acquirer from proposing or completing a transaction that may have otherwise presented a premium to our shareholders.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

As of December 31, 2017, there were 2,408 restaurants operated by Chipotle and our consolidated subsidiaries, 2,400 of which were Chipotle restaurants. The table below sets forth the locations (by state or country) of all restaurants in operation.

Alabama	14
Arizona	79
Arkansas	6
California	408
Colorado	76
Connecticut	24
Delaware	6
District of Columbia	20
Florida	149
Georgia	47
Idaho	8
Illinois	134
Indiana	36
Iowa	12
Kansas	26
Kentucky	18
Louisiana	10
Maine	5
Maryland	84
Massachusetts	53
Michigan	35
Minnesota	62
Missouri	38
Mississippi	1
Montana	3
Nebraska	9
Nevada	27
New Hampshire	7
New Jersey	57
New Mexico	7
New York	138
North Carolina	54
North Dakota	1
Ohio	174
Oklahoma	12
Oregon	30
Pennsylvania	82
Rhode Island	7
South Carolina	22
Tennessee	20
Texas	195
Utah	12
Vermont	1
Virginia	97
Washington	39
West Virginia	5
Wisconsin	19
Wyoming	2
Canada	24
France	6
Germany	1
United Kingdom	6
Total	2,408

We categorize our restaurants as end-caps (at the end of a line of retail outlets), in-lines (in a line of retail outlets), free-standing, or other. Of our restaurants in operation as of December 31, 2017, we had 1,523 end-cap locations, 391 free-standing units, 356 in-line locations, and 138 other locations. The average restaurant size is about 2,500 square feet and seats about 56 people. Many of our restaurants also feature outdoor patio space.

Our main office is located at 1401 Wynkoop Street, Suite 500, Denver, Colorado, 80202 and our telephone number is (303) 595-4000. We lease our main office and substantially all of the properties on which we operate restaurants. For additional information regarding the lease terms and provisions, see Note 8. "Leases" in our consolidated financial statements included in Item 8. "Financial Statements and Supplementary Data."

We own 17 properties and operate restaurants on all of them.

ITEM 3. LEGAL PROCEEDINGS

For information regarding legal proceedings, see Note 10. "Commitments and Contingencies" in our consolidated financial statements included in Item 8. "Financial Statements and Supplementary Data."

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

CHIPOTLE MEXICAN GRILL

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The following table describes the per share range of high and low sales prices for shares of our common stock for the quarterly periods indicated, as reported by the New York Stock Exchange ("NYSE"). Our common stock trades on the NYSE under the symbol "CMG."

	High	Low
2016		
First Quarter	$542.50	$ 399.14
Second Quarter	$ 473.17	$384.77
Third Quarter	$ 444.13	$ 386.10
Fourth Quarter	$440.00	$352.96

	High	Low
2017		
First Quarter	$453.08	$ 372.87
Second Quarter	$499.00	$ 410.98
Third Quarter	$ 419.73	$ 295.11
Fourth Quarter	$ 333.33	$263.00

As of February 1, 2018, there were approximately 948 holders of our common stock, as determined by counting our record holders and the number of participants reflected in a security position listing provided to us by the Depository Trust Company. Because such "DTC participants" are brokers and other institutions holding shares of our common stock on behalf of their customers, we do not know the actual number of unique shareholders represented by these record holders.

Purchases of Equity Securities by the Issuer

The table below reflects shares of common stock we repurchased during the fourth quarter of 2017.

	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(1)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs(2)
October	81,953	$ 303.31	81,953	$170,567,974
Purchased 10/1 through 10/31				
November	91,427	$279.97	91,427	$ 144,971,147
Purchased 11/1 through 11/30				
December	86,775	$307.66	86,775	$ 118,274,235
Purchased 12/1 through 12/31				
Total	260,155	$296.56	260,155	$ 118,274,235

(1) Shares were repurchased pursuant to a $100 million repurchase program announced on May 23, 2017.

(2) This column includes $100 million in additional authorized repurchases announced on October 24, 2017. Our authorized repurchase programs have no expiration date, but may be modified, suspended, or discontinued at any time.

Dividend Policy

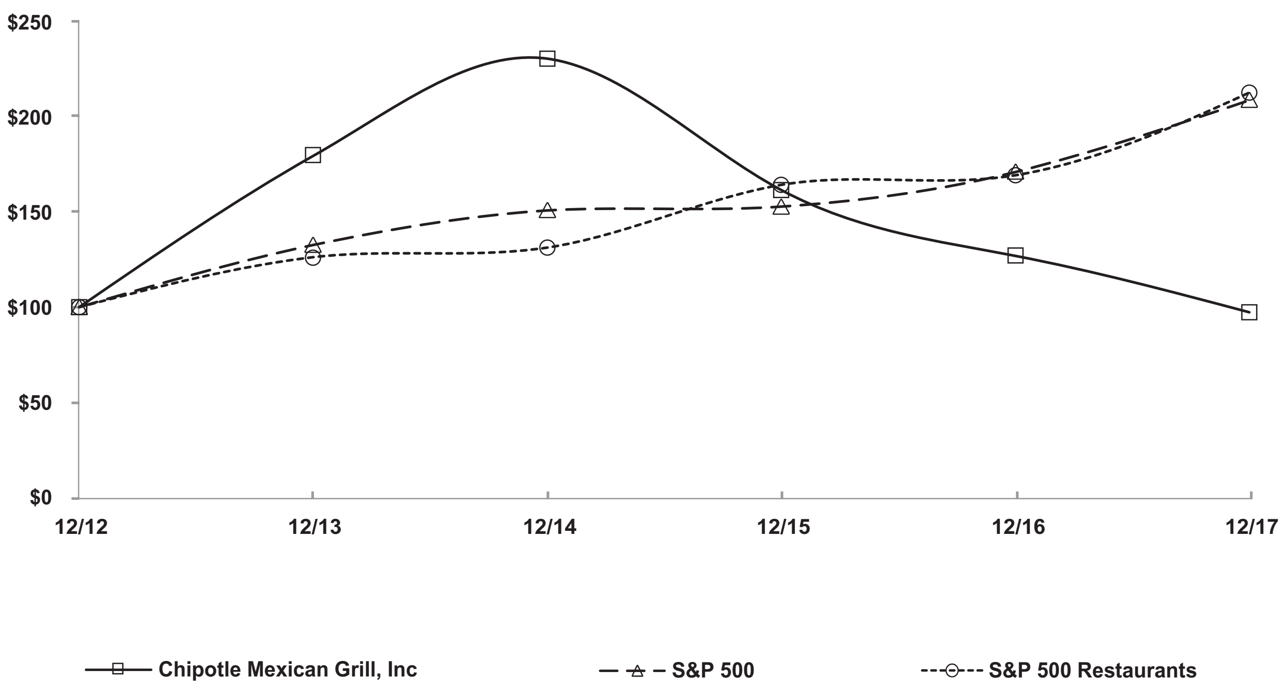
We are not required to pay any dividends and have not declared or paid any cash dividends on our common stock. We intend to continue to retain earnings for use in the operation and expansion of our business and to repurchase shares of common stock (subject to market conditions), and therefore do not anticipate paying any cash dividends on our common stock in the foreseeable future.

COMPARISON OF CUMULATIVE TOTAL RETURN

The following graph compares the cumulative annual stockholders return on our common stock from December 31, 2012 through December 31, 2017 to that of the total return index for the S&P 500 and the S&P 500 Restaurants Index assuming an investment of $100 on December 31, 2012. In calculating total annual stockholder return, reinvestment of dividends, if any, is assumed. The indices are included for comparative purposes only. They do not necessarily reflect management's opinion that such indices are an appropriate measure of the relative performance of our common stock. This graph is not "soliciting material," is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference in any of our filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Chipotle Mexican Grill, Inc, the S&P 500 Index, and the S&P 500 Restaurants Index



*$100 invested on 12/31/12 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

Source data: S&P Capital IQ

ITEM 6. SELECTED FINANCIAL DATA

Our selected consolidated financial data shown below should be read together with Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and respective notes included in Item 8. "Financial Statements and Supplementary Data." The data shown below are not necessarily indicative of results to be expected for any future period (dollar and share amounts in thousands, except per share data).

	Year ended December 31,				
	2017	2016	2015	2014	2013
Statement of Income:					
Revenue	$4,476,412	$3,904,384	$4,501,223	$4,108,269	$3,214,591
Food, beverage and packaging costs	1,535,428	1,365,580	1,503,835	1,420,994	1,073,514
Labor costs	1,205,992	1,105,001	1,045,726	904,407	739,800
Occupancy costs	327,132	293,636	262,412	230,868	199,107
Other operating costs	651,644	641,953	514,963	434,244	347,401
General and administrative expenses	296,388	276,240	250,214	273,897	203,733
Depreciation and amortization	163,348	146,368	130,368	110,474	96,054
Pre-opening costs	12,341	17,162	16,922	15,609	15,511
Loss on disposal of assets	13,345	23,877	13,194	6,976	6,751
Total operating expenses	4,205,618	3,869,817	3,737,634	3,397,469	2,681,871
Income from operations	270,794	34,567	763,589	710,800	532,720
Interest and other income, net	4,949	4,172	6,278	3,503	1,751
Income before income taxes	275,743	38,739	769,867	714,303	534,471
Provision for income taxes	(99,490)	(15,801)	(294,265)	(268,929)	(207,033)
Net income	$ 176,253	$ 22,938	$ 475,602	$ 445,374	$ 327,438
Earnings per share					
Basic	$ 6.19	$ 0.78	$ 15.30	$ 14.35	$ 10.58
Diluted	$ 6.17	$ 0.77	$ 15.10	$ 14.13	$ 10.47
Weighted average common shares outstanding					
Basic	28,491	29,265	31,092	31,038	30,957
Diluted	28,561	29,770	31,494	31,512	31,281

	December 31,				
	2017	2016	2015	2014	2013
Balance Sheet Data:					
Total current assets	$ 629,535	$ 522,374	$ 814,647	$ 859,511	$ 653,095
Total assets	$2,045,692	$2,026,103	$2,725,066	$2,527,317	$1,996,068
Total current liabilities	$ 323,893	$ 281,793	$ 279,942	$ 245,710	$ 199,228
Total liabilities	$ 681,247	$ 623,610	$ 597,092	$ 514,948	$ 457,780
Total shareholders' equity	$1,364,445	$1,402,493	$2,127,974	$2,012,369	$1,538,288

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion together with Item 6. "Selected Financial Data" and our consolidated financial statements and related notes included in Item 8. "Financial Statements and Supplementary Data." The discussion contains forward-looking statements involving risks, uncertainties and assumptions that could cause our results to differ materially from expectations. Factors that might cause such differences include those described in Item 1A. "Risk Factors" and elsewhere in this report.

Overview

Steve Ells, our founder, Chairman and CEO, started Chipotle with the idea that food served fast did not have to be a typical fast food experience. Today, we continue to offer a focused menu of burritos, tacos, burrito bowls, and salads made from fresh, high-quality raw ingredients, prepared using classic cooking methods and served in an interactive style allowing people to get what they want. We seek out extraordinary ingredients that are not only fresh, but that are raised responsibly, with respect for the animals, land, and people who produce them. We prepare our food using real, wholesome ingredients and without the use of artificial colors or flavors typically found in fast food. Chipotle opened with a single restaurant in Denver in 1993 and as of December 31, 2017, we operated 2,408 restaurants.

Sales. Our sales and profitability improved during 2017 as compared to 2016. Comparable restaurant sales increased 6.4% as a result of an increase in the average check, including a 1.2% benefit from menu price increases implemented in about 500 restaurants during the second quarter of 2017 and 900 restaurants during the fourth quarter of 2017. Comparable restaurant sales represent the change in period-over-period sales for restaurants beginning in their 13th full calendar month of operation. Average restaurant sales were $1.940 million as of December 31, 2017, increasing from $1.868 million as of December 31, 2016. We define average restaurant sales as the average trailing 12-month sales for restaurants in operation for at least 12 full calendar months. We expect comparable restaurant sales increases in the low single digits for the full year 2018, including the benefit from extending menu price increases to almost 950 additional restaurants in January 2018. Sales growth from new restaurant openings, however, will be lower in 2018 than in the past due to our planned decrease in new restaurant openings during the year, as discussed below under "Restaurant Development."

During 2017, we invested in improving our digital platforms, including significant improvements to our mobile application and online ordering platform, and equipping select restaurants with an upgraded second make line dedicated to fulfilling out-of-restaurant orders. Sales from out-of-restaurant orders represented 8.3% of our revenue during the year ended December 31, 2017, up from 6.4% of revenue during the year ended December 31, 2016. Additionally, in September 2017 we introduced an all-natural queso, which was ordered in approximately 10% of our transactions in January 2018.

Restaurant Operating Costs. During the full year 2017, our restaurant operating costs (food, beverage and packaging; labor; occupancy; and other operating costs) as a percent of revenue decreased 4.1% compared to the full year 2016. The decrease was attributable to sales leverage, including the benefit of the menu price increases, lower marketing and promotional spend as a percent of revenue, and labor efficiencies, partially offset by higher wages paid to crew and managers.

Restaurant Development. As of December 31, 2017, we had 2,408 restaurants in operation, including 2,363 Chipotle restaurants throughout the United States, with an additional 37 international Chipotle restaurants and eight non-Chipotle restaurants that were consolidated into our financial results. We opened 183 restaurants in 2017, including two relocations, and closed 23 additional restaurants (including 15 ShopHouse Southeast Asian Kitchen restaurants). We intend to open between 130 and 150 restaurants for the full year 2018, as we focus our resources on improving our operations and delivering an outstanding experience to every one of our guests. Most of our 2018 restaurant openings are planned in markets that already have a Chipotle presence established.

Tax Law Changes. In December 2017, the Tax Cuts and Jobs Act was signed into law, and among other changes, the Act lowered the U.S. corporate income tax rate from 35% to 21% beginning in 2018. As a result, we recognized a $6.0 million benefit in our provision for income taxes related to the remeasurement of our deferred tax position at the lower rate.

We expect our 2018 annual effective tax rate to be in the range of 30% to 31%, which includes an underlying effective tax rate of 27% to 28%, and around 3% to 4% related to stock awards. As discussed in Note 1. "Description of Business and Summary of Significant Accounting Policies" included in Item 8. "Financial Statements and Supplementary Data," the adoption of ASU No. 2016-09, "Compensation-Stock Compensation (Topic 718)" will subject our tax rate to quarterly volatility from the effect of stock award exercise and vesting activities. Additionally, we have deferred tax assets related to outstanding non-vested stock awards that contain market conditions. If market conditions are not achieved, then we may not realize the benefit of these deferred tax assets, which would result in a higher effective tax rate in future periods. We believe the stock awards granted in 2015 and 2016 that contain market conditions will increase our tax rate in the first and fourth quarters of 2018, respectively.

During 2018, we expect to use a portion of the savings from the lower federal corporate income tax rate to provide enhanced benefits to our employees, including by making all restaurant managers and crew eligible for a one-time cash bonus, awarding one-time stock bonuses to a broad group of staff employees, and enhancing a number of other benefits such as parental leave and short-term disability. Additionally, we will use a portion of the savings by investing in our existing restaurants. We expect these initiatives to increase labor, other operating, and general and administrative expenses, and to result in higher capital expenditures than we have typically incurred.

Management and Governance. During the second quarter of 2017, we announced that we hired Scott Boatwright as Chief Restaurant Officer, and Scott has assumed oversight of operations for all North American Chipotle restaurants. In the fourth quarter of 2017, we announced that Steve Ells, our Chairman and CEO, will become Executive Chairman following the completion of a search to identify a new CEO. For risks associated with our planned installation of a new CEO, see "*Risks Related to our Unique Business Strategy — Our success may depend on the continued service and availability of key personnel, and upcoming changes in our management team may not provide the benefits we expect*" in Item 1A. "Risk Factors."

Data Security Incident. In April 2017, we detected malware on the network that supports payment processing for our restaurants, and subsequently determined that the malware searched for track data, which may include cardholder name, card number, expiration date, and internal verification codes. We removed the malware from our systems and continue to evaluate ways to enhance our security measures. See "*General Business Risks — We may be harmed by security risks we face in connection with our electronic processing and transmission of confidential customer and employee information" in Item 1A. "Risk Factors," as well as Note 10. "Commitments and Contingencies" in Item 8. "Financial Statements and Supplementary Data," for further discussion of the payment card security incident and related legal proceedings.*

During the year ended December 31, 2017, we recorded a liability of $30.0 million ($18.2 million after tax), or $0.64 per basic and diluted earnings per share, as an estimate of potential losses associated with anticipated claims and assessments by payment card networks. We may ultimately be subject to liabilities greater or less than the amount accrued.

Restaurant Openings, Relocations and Closures

The following table details restaurant unit data for the years indicated.

	Year ended December 31,		
	2017	**2016**	**2015**
Beginning of period	2,250	2,010	1,783
Openings	183	243	229
Relocations/closures	(10)	(3)	(2)
ShopHouse closures	(15)	–	
Total restaurants at end of period	2,408	2,250	2,010

Results of Operations

Our results of operations as a percentage of revenue and period-over-period variances are discussed in the following section. As we open more restaurants and hire more employees, our aggregate restaurant operating costs and depreciation and amortization generally increase.

Revenue

	Year ended December 31,			% increase 2017 over 2016	% increase/ (decrease) 2016 over 2015
	2017	2016	2015		
	(dollars in millions)				
Revenue	$4,476.4	$3,904.4	$4,501.2	14.7%	(13.3%)
Average restaurant sales	$ 1.940	$ 1.868	$ 2.424	3.9%	(22.9%)
Comparable restaurant sales increases (decreases)	6.4%	(20.4%)	0.2%		
Number of restaurants as of the end of the year	2,408	2,250	2,010	7.0%	11.9%
Number of restaurants opened in the year	183	243	229		

The significant factors contributing to the increase in revenue in 2017 were new restaurant openings and comparable restaurant sales increases. Revenue from restaurants not yet in the comparable restaurant base contributed $338.8 million to the revenue increase, of which $149.1 million was attributable to restaurants opened in 2017, and comparable restaurant sales increased $233.2 million. The increase in comparable restaurant sales was attributable to an increase in average check, including a 1.2% benefit from menu price increases.

In 2016, the decrease in revenue was attributable to a decline in comparable restaurant sales, which we attribute primarily to the impact of food safety incidents beginning in late 2015, partially offset by new restaurant openings. Comparable restaurant sales decreased $914.7 million while revenue from restaurants not yet in the comparable restaurant base contributed $323.9 million, of which $156.2 million was attributable to restaurants opened in 2016.

Food, Beverage and Packaging Costs

	Year ended December 31,			% increase 2017 over 2016	% decrease 2016 over 2015
	2017	2016	2015		
	(dollars in millions)				
Food, beverage and packaging	$1,535.4	$1,365.6	$1,503.8	12.4%	(9.2%)
As a percentage of revenue	34.3%	35.0%	33.4%		

Food, beverage and packaging costs decreased as a percentage of revenue in 2017 primarily due to the benefit of the menu price increases taken in select restaurants during the second and fourth quarters of 2017. Food, beverage and packaging costs also benefitted from bringing the preparation of lettuce and bell peppers back into our restaurants after using pre-cut produce during portions of 2016, and cost savings initiatives resulting in lower prices and usage of paper and packaging products. These decreases were partially offset by higher avocado prices. We expect food, beverage and packaging costs as a percentage of revenue in 2018 to be lower than 2017 due to the benefit of menu price increases, and our expectations for stable commodity prices.

Food, beverage and packaging costs increased as a percentage of revenue in 2016 primarily due to increased waste and costs related to new food safety procedures as well as higher avocado prices, partially offset by relief in beef prices. In dollar terms, food, beverage and packaging costs decreased in 2016 due to lower sales.

Labor Costs

	Year ended December 31, 2017	2016	2015	% increase 2017 over 2016	% increase 2016 over 2015
	(dollars in millions)				
Labor costs	$1,206.0	$1,105.0	$1,045.7	9.1%	5.7%
As a percentage of revenue	26.9%	28.3%	23.2%		

Labor costs as a percentage of revenue decreased during the year ended December 31, 2017 due primarily to increased crew efficiency, including the benefit of lower promotional activity during the year, improved manager deployment, and sales leverage, including the impact of menu price increases. The decrease was partially offset by wage inflation. We expect labor costs as a percentage of revenue to be higher in 2018 than 2017 due to labor inflation and the enhanced benefits described above under "Overview – Tax Law Changes."

Labor costs as a percentage of revenue increased in 2016 due primarily to sales deleveraging and wage inflation, partially offset by labor efficiencies resulting from fewer managers and crew in each of our restaurants. Labor costs increased in dollar terms for the year ended December 31, 2016 due to staffing needs for new restaurants.

Occupancy Costs

	Year ended December 31, 2017	2016	2015	% increase 2017 over 2016	% increase 2016 over 2015
	(dollars in millions)				
Occupancy costs	$327.1	$293.6	$262.4	11.4%	11.9%
As a percentage of revenue	7.3%	7.5%	5.8%		

Occupancy costs as a percentage of revenue decreased in 2017 primarily due to sales leverage on a largely fixed-cost base.

Occupancy costs as a percentage of revenue increased in 2016 primarily due to lower average restaurant sales on a largely fixed-cost base. Occupancy costs increased in dollar terms for the year ended December 31, 2016, primarily due to costs associated with new restaurants.

Other Operating Costs

	Year ended December 31, 2017	2016	2015	% increase 2017 over 2016	% increase 2016 over 2015
	(dollars in millions)				
Other operating costs	$651.6	$642.0	$515.0	1.5%	24.7%
As a percentage of revenue	14.6%	16.4%	11.4%		

Other operating costs include, among other items, marketing and promotional costs, bank and credit card fees, and restaurant utilities and maintenance costs. Other operating costs decreased as a percentage of revenue in 2017 due primarily to decreased marketing and promotional spend, sales leverage including the benefit of menu price increases, and decreased kitchen supplies expense. Marketing and promotional spend decreased to 3.5% of revenue in 2017, as compared to 5.1% of revenue in 2016. We expect other operating costs as a percentage of revenue in 2018 to remain consistent with 2017 as planned lower marketing and promotional spend is offset by expected higher maintenance costs from investments in our existing restaurants.

Other operating costs increased as a percentage of revenue in 2016 due primarily to higher marketing and promotional expense as well as sales deleveraging. We increased our marketing and promotional spend in an effort to regain customers, which contributed $98.2 million to the increase.

General and Administrative Expenses

	Year ended December 31,			% increase 2017 over 2016	% increase 2016 over 2015
	2017	2016	2015		
	(dollars in millions)				
General and administrative expense	$296.4	$276.2	$250.2	7.3%	10.4%
As a percentage of revenue	6.6%	7.1%	5.6%		

General and administrative expenses increased in dollar terms in 2017, due to recording a liability of $30.0 million as an estimate of potential losses associated with anticipated claims and assessments by payment card networks for the data security incident that occurred in 2017. Increased bonus costs and higher non-cash stock-based compensation expense also contributed to the increase. The increase was partially offset by lower legal costs, and decreased meeting costs because of the biennial All Managers Conference held in September 2016. The increase in stock-based compensation expense during 2017 was primarily a result of a cumulative reduction of expense in 2016 for performance share awards that were no longer expected to vest. We expect that general and administrative expenses will increase in dollar terms in 2018 due to increased wages and benefits, the biennial All Managers' Conference planned for the third quarter of 2018, and an increase in stock-based compensation expense.

The increase in general and administrative expenses in dollar terms for 2016 primarily resulted from increased legal expense, higher payroll costs as we grew, and expenses associated with our biennial All Managers' Conference held during 2016, partially offset by lower bonus expense and travel costs.

Depreciation and Amortization

	Year ended December 31,			% increase 2017 over 2016	% increase 2016 over 2015
	2017	2016	2015		
	(dollars in millions)				
Depreciation and amortization	$163.3	$146.4	$130.4	11.6%	12.3%
As a percentage of revenue	3.6%	3.7%	2.9%		

Depreciation and amortization decreased as a percentage of revenue in 2017 due to sales leverage on a partially fixed-cost base.

Depreciation and amortization increased as a percentage of revenue in 2016 due to sales deleveraging. The increase in dollar terms was due primarily to depreciation and amortization costs associated with new restaurants.

Loss on Disposal and Impairment of Assets

	Year ended December 31,			% decrease 2017 over 2016	% increase 2016 over 2015
	2017	2016	2015		
	(dollars in millions)				
Loss on disposal and impairment of assets	$13.3	$23.9	$13.2	(44.1%)	81.0%
As a percentage of revenue	0.3%	0.6%	0.3%		

Loss on disposal and impairment of assets during the year ended December 31, 2017 consisted primarily of charges related to the closure of underperforming Chipotle restaurants and the replacement of certain kitchen equipment.

Loss on disposal and impairment of assets increased in 2016 primarily due to a non-cash impairment charge of $14.5 million to write-down substantially all of the value of the long-lived assets of our 15 ShopHouse restaurants.

Income Tax Provision

	Year ended December 31,			% increase 2017 over 2016	% decrease 2016 over 2015
	2017	2016	2015		
	(dollars in millions)				
Provision for income taxes	$99.5	$ 15.8	$294.3	529.6%	(94.6%)
Effective tax rate	36.1%	40.8%	38.2%		

The 2017 annual effective tax rate was lower than the 2016 rate due to the enactment of the Tax Cuts and Jobs Act, resulting in our recording a benefit for the remeasurement of our deferred tax liability, as well as from a lower state tax rate. The decrease in our effective tax rate was partially offset by federal credits on overall higher pre-tax operating income.

The 2016 effective tax rate was higher than 2015 due to a higher state tax rate, not qualifying for the federal research and development tax credit in 2016 whereas we did qualify for the credit in 2015, and other federal credits on overall lower pre-tax operating income.

Quarterly Financial Data/Seasonality

The following table presents data from the consolidated statement of income for each of the eight quarters in the period ended December 31, 2017. The operating results for any quarter are not necessarily indicative of the results for any subsequent quarter.

	2017 Quarters Ended			
	March 31	June 30	September 30	December 31
Revenue	$1,068.8	$1,169.4	$1,128.1	$1,110.1
Operating income	$ 73.2	$ 106.7	$ 30.9	$ 60.0
Net income	$ 46.1	$ 66.7	$ 19.6	$ 43.8
Number of restaurants opened in the quarter, net of relocations/closures	41	48	35	34
Comparable restaurant sales increase	17.8%	8.1%	1.0%	0.9%

	2016 Quarters Ended			
	March 31	June 30	September 30	December 31
Revenue	$834.5	$998.4	$1,037.0	$1,034.6
Operating income (loss)	$ (46.6)	$ 40.9	$ 9.7	$ 30.6
Net income (loss)	$ (26.4)	$ 25.6	$ 7.8	$ 16.0
Number of restaurants opened in the quarter, net of relocations/closures	56	58	54	72
Comparable restaurant sales increase (decrease)	(29.7%)	(23.6%)	(21.9%)	(4.8%)

Seasonal factors cause our profitability to fluctuate from quarter to quarter. Historically our average daily restaurant sales are lower, and net income has generally been lower, in the first and fourth quarters due in part to the holiday season and because fewer people eat out during periods of inclement weather (the winter months) than during periods of mild or warm weather (the spring, summer and fall months). Other factors also have a seasonal effect on our results. For example, restaurants located near colleges and universities generally do more business during the academic year. Seasonal factors, however, might be moderated or outweighed by other factors that may influence our quarterly results, such as unexpected publicity impacting our business in a positive or negative way, as well as fluctuations in food or packaging costs or the timing of menu price increases. The number of trading days in a quarter can also affect our results, although on an overall annual basis, changes in trading days do not have a significant impact.

Our quarterly results are also affected by other factors such as the number of new restaurants opened in a quarter, the amount and timing of non-cash stock-based compensation expense, and anticipated and unanticipated events. New restaurants typically have lower margins following opening as a result of the expenses associated with opening new restaurants and their operating inefficiencies in the months immediately following opening. Accordingly, results for a particular quarter are not necessarily indicative of results to be expected for any other quarter or for any year.

Liquidity and Capital Resources

Our primary liquidity and capital requirements are for new restaurant construction, initiatives to improve the guest experience in our restaurants, working capital, and general corporate needs. As of December 31, 2017, we had a cash and short-term investment balance of $509.0 million that we expect to utilize, along with cash flow from operations, to provide capital to support the growth of our business, to invest in, maintain and refurbish our existing restaurants, to repurchase additional shares of our common stock subject to market conditions, and for general corporate purposes. As of December 31, 2017, there was $118.3 million remaining available under repurchase authorizations previously approved by our Board of Directors. Under the remaining repurchase authorizations, shares may be purchased from time to time in open market transactions, subject to market conditions. We believe that cash from operations, together with our cash and investment balances, will be enough to meet ongoing capital expenditures, working capital requirements and other cash needs for the foreseeable future.

We haven’t required significant working capital because customers generally pay using cash or credit and debit cards and because our operations do not require significant receivables, nor do they require significant inventories due, in part, to our use of various fresh ingredients. In addition, we generally have the right to pay for the purchase of food, beverage and supplies some time after the receipt of those items, generally within ten days, thereby reducing the need for incremental working capital to support our growth.

Our total capital expenditures for 2017 were $216.8 million. In 2017, we spent on average about $835,000 in development and construction costs per new restaurant, or about $735,000 net of landlord reimbursements of $100,000. In 2018, we expect to incur about $300 million in total capital expenditures. We expect the majority of our capital expenditures to consist of investments in existing restaurants, including remodeling and similar improvements, and upgrading our second make lines and other restaurant equipment. We also expect about $120 million in capital expenditures related to our construction of new restaurants, before any reductions for landlord reimbursements. For new restaurants to be opened in 2018, we anticipate average development costs will increase due to initiatives planned in most of our new restaurants such as the addition of the upgraded second make line. Finally, we expect a portion of our capital expenditures for the year to be incurred for additional corporate initiatives.

Contractual Obligations

Our contractual obligations as of December 31, 2017 were as follows:

	Payments Due by Fiscal Year				
	Total	2018	2019-2020	2021-2022	Thereafter
	(in thousands)				
Operating leases[1]	$3,906,253	$ 281,461	$ 569,198	$ 558,431	$ 2,497,163
Purchase obligations[2]	$ 929,242	$409,568	$323,906	$177,408	$ 18,360
Deemed landlord financing[1]	$ 3,472	$ 423	$ 855	$ 908	$ 1,286
Total	$4,838,967	$ 691,452	$893,959	$736,747	$2,516,809

(1) See Note 8. "Leases" of our consolidated financial statements included in Item 8. "Financial Statements and Supplementary Data."

(2) Purchase obligations include agreements to purchase goods or services that are enforceable and legally binding on us and that specify all significant terms. We have excluded agreements that are cancelable without penalty. The majority of our purchase obligations relate to amounts owed for chicken, produce, and other ingredients and supplies, construction contractor agreements, orders submitted for equipment for restaurants under construction and planned remodels, and marketing initiatives and corporate sponsorships.

The above table does not include income tax liabilities for uncertain tax positions for which we are not able to make a reasonably reliable estimate of the amount and period of related future payments. Additionally, we have excluded our estimated loss contingencies related to the data security incident described elsewhere, due to uncertainty regarding the timing and amount of payment. See Note 10. "Commitments and Contingencies" of our consolidated financial statements included in Item 8. "Financial Statements and Supplementary Data."

Off-Balance Sheet Arrangements

As of December 31, 2017 and 2016, we had no off-balance sheet arrangements or obligations.

Inflation

The primary areas of our operations affected by inflation are food, labor, healthcare costs, fuel, utility costs, and materials used in the construction of our restaurants. Although a significant majority of our crew members make more than the federal and applicable state and local minimum wage, increases in the applicable federal or state minimum wage may have an impact on our labor costs by causing wage inflation above the minimum wage level. Additionally, many of our leases require us to pay property taxes, maintenance, and utilities, all of which are generally subject to inflationary increases. In the past we have largely been able to offset inflationary increases with menu price increases. There have been, and there may be in the future, delays in implementing such menu price increases. If we do raise menu prices in the future, general competitive pressures may limit our ability to completely recover cost increases attributable to inflation.

Critical Accounting Estimates

We describe our significant accounting policies in Note 1. "Description of Business and Summary of Significant Accounting Policies" of our consolidated financial statements included in Item 8. "Financial Statements and Supplementary Data." Critical accounting estimates are those that we believe are both significant and that require us to make difficult, subjective or complex judgments, often because we need to estimate the effect of inherently uncertain matters. We base our estimates and judgments on historical experiences and various other factors that we believe to be appropriate under the circumstances. Actual results may differ from these estimates, and we might obtain different estimates if we used different assumptions or factors. We believe that of our critical accounting estimates, the following involve a higher degree of judgement and subjectivity.

Leases

We lease nearly all of our restaurant locations. Our leases typically contain escalating rentals over the lease term as well as optional renewal periods. We have estimated that our lease term, including reasonably assured renewal periods, is the lesser of the lease term or 20 years. We account for our leases by recognizing rent expense on a straight-line basis over the reasonably assured lease term. The majority of our leasehold improvements are also depreciated over the reasonably assured lease term. If the estimate of our reasonably assured lease term was changed, our depreciation and rent expense could differ materially.

Stock-based Compensation

We recognize compensation expense for equity awards over the vesting period based on the award's fair value. We use the Black-Scholes valuation model to determine the fair value of our stock-only stock appreciation rights, or SOSARs, and we use the Monte Carlo simulation model to determine the fair value of stock awards that contain market conditions. Both of these models require assumptions to be made regarding our stock price volatility, the expected life of the award and expected dividend rates. The volatility assumption was based on our historical data and implied volatility, and the expected life assumptions were based on our historical data. Similarly, the compensation expense of performance share awards, and SOSARs with performance-based vesting conditions, is based in part on the estimated probability of our achieving levels of performance associated with particular levels of payout for performance shares and with vesting for performance SOSARs. We determine the probability of achievement of future levels of performance by comparing the relevant performance level with our internal estimates of future performance. Those estimates are based on a number of assumptions, and different assumptions may have resulted in different conclusions regarding the probability of our achieving future levels of performance relevant to the payout levels for the awards. Had we arrived at different assumptions of stock price volatility or expected lives of our SOSARs, or different assumptions regarding the probability of our achieving future levels of performance with respect to performance share awards and performance SOSARs, our stock-based compensation expense and results of operations could have been different. Certain awards that contain service, performance and market conditions have vesting criteria based on Chipotle's relative performance versus a restaurant industry peer group in annual average revenue growth, net income growth, and total shareholder return. Our estimates of Chipotle's future performance and the future performance of the restaurant industry peer group are assumptions that involve a high degree of subjectivity. If we had arrived at different assumptions for revenue growth or net income for Chipotle or the peer group, our stock-based compensation expense and results of operations could have been different.

Insurance Liability

We are self-insured for a significant portion of our risks and associated liabilities with respect to workers' compensation, general liability, employee health, property and auto damage, but have third party insurance coverage to limit exposure to these claims. We record a liability that represents our estimated cost of claims incurred and unpaid as of the balance sheet date. Our estimated liability is not discounted and is based on a number of assumptions and factors, including historical trends, actuarial assumptions and economic conditions, and is closely monitored and adjusted when warranted by changing circumstances. Our history of claims experience is relatively short and our significant growth during most of our operating history could affect the accuracy of estimates based on historical experience. If a greater amount of claims occurs compared to what we have estimated, or if medical costs increase beyond what we expected, our accrued liabilities might not be sufficient and we may be required to record additional expense. Actual claims experience could also be more favorable than estimated, which would result in expense reductions. Unanticipated changes may produce materially different amounts of expense than that reported under these programs. The total estimated insurance liabilities as of December 31, 2017 were $52.0 million.

Reserves/Contingencies for Litigation and Other Matters

We are involved in various claims and legal actions that arise in the ordinary course of business. These actions are subject to many uncertainties, and we cannot predict the outcomes with any degree of certainty. Consequently, we were unable to estimate the ultimate aggregate amount of monetary liability or financial impact with respect to these matters as of December 31, 2017. Although we have recorded liabilities related to a number of legal actions, our estimates used to determine the amount of these liabilities may not be accurate, and there are other legal actions for which we have not recorded a liability. As a result, in the event legal actions for which we have not accrued a liability or for which our accrued liabilities are not accurate are resolved, such resolution may affect our operating results and cash flows.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Commodity Price Risks

We are exposed to commodity price risks. Many of the ingredients we use to prepare our food, as well as our packaging materials and utilities to run our restaurants, are ingredients or commodities that are affected by the price of other commodities, exchange rates, foreign demand, weather, seasonality, production, availability and other factors outside our control. We work closely with our suppliers and use a mix of forward pricing protocols under which we agree with our supplier on fixed prices for deliveries at some time in the future, fixed pricing protocols under which we agree on a fixed price with our supplier for the duration of that protocol, formula pricing protocols under which the prices we pay are based on a specified formula related to the prices of the goods, such as spot prices, and range forward protocols under which we agree on a price range for the duration of that protocol. However, a majority of the dollar value of our purchases is effectively at spot prices. Generally, our pricing protocols with suppliers can remain in effect for periods ranging from one to 24 months, depending on the outlook for prices of the particular ingredient. In several cases, we have minimum purchase obligations. We've tried to increase, where practical, the number of suppliers for our ingredients, which we believe can help mitigate pricing volatility, and we follow industry news, trade issues, exchange rates, foreign demand, weather, crises and other world events that may affect our ingredient prices. Increases in ingredient prices could adversely affect our results if we choose for competitive or other reasons not to increase menu prices at the same rate at which ingredient costs increase, or if menu price increases result in customer resistance.

Changing Interest Rates

We are also exposed to interest rate risk through fluctuations of interest rates on our investments. Changes in interest rates affect the interest income we earn, and therefore impact our cash flows and results of operations. As of December 31, 2017, we had $362.1 million in investments and interest-bearing cash accounts, including insurance-related restricted trust accounts classified in other assets, and $129.3 million in accounts with an earnings credit we classify as interest income, which combined earned a weighted average interest rate of 0.97%.

Foreign Currency Exchange Risk

A portion of our operations consist of activities outside of the U.S. and we have currency risk on the transactions in other currencies and translation adjustments resulting from the conversion of our international financial results into the U.S. dollar. However, a substantial majority of our operations and investment activities are transacted in the U.S., and therefore our foreign currency risk is not material at this date.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of
Chipotle Mexican Grill, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Chipotle Mexican Grill, Inc. (the Company), as of December 31, 2017 and 2016, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2017, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2017 and 2016, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United Stated) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 8, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1997.

Denver, Colorado
February 8, 2018

CHIPOTLE MEXICAN GRILL, INC.
CONSOLIDATED BALANCE SHEET
(in thousands, except per share data)

	December 31,	
	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	$ 184,569	$ 87,880
Accounts receivable, net of allowance for doubtful accounts of $0 and $259 as of December 31, 2017 and 2016, respectively	40,453	40,451
Inventory	19,860	15,019
Prepaid expenses and other current assets	50,918	44,080
Income tax receivable	9,353	5,108
Investments	324,382	329,836
Total current assets	629,535	522,374
Leasehold improvements, property and equipment, net	1,338,366	1,303,558
Long term investments	–	125,055
Other assets	55,852	53,177
Goodwill	21,939	21,939
Total assets	$ 2,045,692	$ 2,026,103
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	$ 82,028	$ 78,363
Accrued payroll and benefits	82,541	76,301
Accrued liabilities	159,324	127,129
Total current liabilities	323,893	281,793
Deferred rent	316,498	288,927
Deferred income tax liability	814	18,944
Other liabilities	40,042	33,946
Total liabilities	681,247	623,610
Shareholders' equity:		
Preferred stock, $0.01 par value, 600,000 shares authorized, no shares issued as of December 31, 2017 and 2016, respectively	–	–
Common stock $0.01 par value, 230,000 shares authorized, and 35,852 and 35,833 shares issued as of December 31, 2017 and 2016, respectively	359	358
Additional paid-in capital	1,305,090	1,238,875
Treasury stock, at cost, 7,826 and 7,019 common shares at December 31, 2017 and 2016, respectively	(2,334,409)	(2,049,389)
Accumulated other comprehensive income (loss)	(3,659)	(8,162)
Retained earnings	2,397,064	2,220,811
Total shareholders' equity	1,364,445	1,402,493
Total liabilities and shareholders' equity	$ 2,045,692	$ 2,026,103

See accompanying notes to consolidated financial statements.

CHIPOTLE MEXICAN GRILL, INC.

CONSOLIDATED STATEMENT OF INCOME
(in thousands, except per share data)

	Year ended December 31,		
	2017	2016	2015
Revenue	$4,476,412	$3,904,384	$4,501,223
Restaurant operating costs (exclusive of depreciation and amortization shown separately below):			
Food, beverage and packaging	1,535,428	1,365,580	1,503,835
Labor	1,205,992	1,105,001	1,045,726
Occupancy	327,132	293,636	262,412
Other operating costs	651,644	641,953	514,963
General and administrative expenses	296,388	276,240	250,214
Depreciation and amortization	163,348	146,368	130,368
Pre-opening costs	12,341	17,162	16,922
Loss on disposal and impairment of assets	13,345	23,877	13,194
Total operating expenses	4,205,618	3,869,817	3,737,634
Income from operations	270,794	34,567	763,589
Interest and other income, net	4,949	4,172	6,278
Income before income taxes	275,743	38,739	769,867
Provision for income taxes	(99,490)	(15,801)	(294,265)
Net income	$ 176,253	$ 22,938	$ 475,602
Earnings per share:			
Basic	$ 6.19	$ 0.78	$ 15.30
Diluted	$ 6.17	$ 0.77	$ 15.10
Weighted average common shares outstanding:			
Basic	28,491	29,265	31,092
Diluted	28,561	29,770	31,494

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(in thousands)

	Year ended December 31,		
	2017	2016	2015
Net income	$176,253	$22,938	$475,602
Other comprehensive income (loss), net of income taxes:			
Foreign currency translation adjustments	4,689	(1,291)	(6,322)
Unrealized gain (loss) on available-for-sale securities	(274)	2,251	(2,468)
Tax benefit (expense)	88	(849)	946
Other comprehensive income (loss), net of income taxes	4,503	111	(7,844)
Comprehensive income	$180,756	$23,049	$467,758

See accompanying notes to consolidated financial statements.

CHIPOTLE MEXICAN GRILL, INC.
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(in thousands)

	Common Stock			Treasury Stock			Accumulated Other Comprehensive Income (Loss)		
	Shares	Amount	Additional Paid-In Capital	Shares	Amount	Retained Earnings	Available-for-Sale Securities	Foreign Currency Translation	Total
Balance, December 31, 2014	35,394	$354	$1,038,932	4,367	$ (748,759)	$ 1,722,271	$ –	$ (429)	$2,012,369
Stock-based compensation			59,465						59,465
Stock plan transactions and other	396	4	(211)						(207)
Excess tax benefit on stock-based compensation			74,442						74,442
Acquisition of treasury stock				839	(485,853)				(485,853)
Net income						475,602			475,602
Other comprehensive income (loss), net of income tax							(1,522)	(6,322)	(7,844)
Balance, December 31, 2015	35,790	$358	$ 1,172,628	5,206	$ (1,234,612)	$ 2,197,873	$(1,522)	$ (6,751)	$ 2,127,974
Stock-based compensation			65,112						65,112
Stock plan transactions and other	43	–	(185)						(185)
Excess tax benefit on stock-based compensation			1,320						1,320
Acquisition of treasury stock				1,813	(814,777)				(814,777)
Net income						22,938			22,938
Other comprehensive income (loss), net of income tax							1,402	(1,291)	111
Balance, December 31, 2016	35,833	$358	$1,238,875	7,019	$(2,049,389)	$ 2,220,811	$ (120)	$(8,042)	$1,402,493
Stock-based compensation			66,396						66,396
Stock plan transactions and other	19	1	(181)						(180)
Acquisition of treasury stock				807	(285,020)				(285,020)
Net income						176,253			176,253
Other comprehensive income (loss), net of income tax							(186)	4,689	4,503
Balance, December 31, 2017	35,852	$359	$1,305,090	7,826	$(2,334,409)	$2,397,064	$ (306)	$ (3,353)	$1,364,445

See accompanying notes to consolidated financial statements.

CHIPOTLE MEXICAN GRILL, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS
(in thousands)

	Year ended December 31,		
	2017	**2016**	**2015**
Operating activities			
Net income	$ 176,253	$ 22,938	$ 475,602
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	163,348	146,368	130,368
Deferred income tax (benefit) provision	(18,026)	(14,207)	11,666
Loss on disposal and impairment of assets	13,345	23,877	13,194
Bad debt allowance	214	(262)	(23)
Stock-based compensation expense	65,255	64,166	57,911
Excess tax benefit on stock-based compensation	–	(1,320)	(74,442)
Other	(218)	(604)	582
Changes in operating assets and liabilities:			
Accounts receivable	(140)	(1,923)	(3,504)
Inventory	(5,250)	(91)	262
Prepaid expenses and other current assets	(6,710)	(4,259)	(5,259)
Other assets	(2,587)	(4,855)	(5,619)
Accounts payable	10,908	(6,734)	19,525
Accrued liabilities	38,574	33,491	(7,440)
Income tax payable/receivable	(4,173)	54,340	32,756
Deferred rent	29,996	37,030	32,911
Other long-term liabilities	6,316	1,287	4,826
Net cash provided by operating activities	467,105	349,242	683,316
Investing activities			
Purchases of leasehold improvements, property and equipment	(216,777)	(258,842)	(257,418)
Purchases of investments	(199,801)	–	(559,372)
Maturities of investments	330,000	45,000	352,650
Proceeds from sale of investments	–	540,648	–
Net cash provided by (used in) investing activities	(86,578)	326,806	(464,140)
Financing activities			
Acquisition of treasury stock	(285,920)	(837,655)	(460,675)
Excess tax benefit on stock-based compensation	–	1,320	74,442
Stock plan transactions and other financing activities	26	52	(207)
Net cash used in financing activities	(285,894)	(836,283)	(386,440)
Effect of exchange rate changes on cash and cash equivalents	2,056	110	(4,196)
Net change in cash and cash equivalents	96,689	(160,125)	(171,460)
Cash and cash equivalents at beginning of year	87,880	248,005	419,465
Cash and cash equivalents at end of year	$ 184,569	$ 87,880	$ 248,005
Supplemental disclosures of cash flow information			
Income taxes paid	$ 119,787	$ 23,862	$ 248,547
Increase (decrease) in purchases of leasehold improvements, property, and equipment accrued in accounts payable and accrued liabilities	$ (7,690)	$ (1,781)	$ (2,870)
Increase (decrease) in acquisition of treasury stock accrued in accrued liabilities	$ (900)	$ (22,778)	$ 25,178

See accompanying notes to consolidated financial statements.

CHIPOTLE MEXICAN GRILL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollar and share amounts in thousands, unless otherwise specified)

1. Description of Business and Summary of Significant Accounting Policies

In this annual report on Form 10-K, Chipotle Mexican Grill, Inc., a Delaware corporation, together with its subsidiaries, is collectively referred to as "Chipotle," "we," "us," or "our."

We develop and operate restaurants that serve a focused menu of burritos, tacos, burrito bowls, and salads, made using fresh, high-quality ingredients. As of December 31, 2017, we operated 2,363 Chipotle restaurants throughout the United States as well as 37 international Chipotle restaurants and eight non-Chipotle restaurants. We transitioned the management of our operations from 11 to nine regions during 2017 and have aggregated our operations to one reportable segment.

Principles of Consolidation and Basis of Presentation

Our consolidated financial statements include our accounts, including wholly and majority owned subsidiaries. All intercompany balances and transactions have been eliminated.

Management Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates under different assumptions or conditions.

Revenue Recognition

We recognize revenue, net of discounts and incentives, when payment is tendered at the point of sale. We recognize a liability for offers of free food by estimating the cost to satisfy the offer based on company–specific historical redemption patterns for similar promotions. These costs are recognized in other operating costs in the consolidated statement of income and in accrued liabilities in the consolidated balance sheet. We report revenue net of sales-related taxes collected from customers and remitted to governmental taxing authorities.

We sell gift cards which do not have an expiration date and we do not deduct non-usage fees from outstanding gift card balances. We recognize revenue from gift cards when: (i) the gift card is redeemed by the customer; or (ii) we determine the likelihood of the gift card being redeemed by the customer is remote (gift card breakage) and there is not a legal obligation to remit the unredeemed gift cards to the relevant jurisdiction. The determination of the gift card breakage rate is based upon company-specific historical redemption patterns. We have determined that 4% of gift card sales will not be redeemed and will be retained. Gift card breakage is recognized in revenue as the gift cards are used on a pro rata basis. During the quarter ended December 31, 2017, we revised the period over which we recognize gift card breakage from six months to eight months from the date of the gift card sale in the consolidated statement of income. Breakage recognized during the years ended December 31, 2017, 2016 and 2015 was $3,590, $3,624 and $4,226, respectively.

During the year ended December 31, 2016, we offered a limited-time frequency program that awarded free food or merchandise to customers based on frequency of monthly visits. We deferred revenue reflecting the portion of original sales allocated to the rewards that were earned by program participants and not redeemed at the end of the year, and recorded a corresponding liability in accrued liabilities on our consolidated balance sheet. The portion of revenue allocated to the rewards was based on the estimated value of the award earned and takes into consideration company-specific historical redemption patterns for similar promotions. Rewards expire according to the loyalty awards terms and conditions. Deferred revenue related to the frequency program was $0 and $5,489 as of December 31, 2017 and December 31, 2016, respectively, and the entire amount that was deferred as of December 31, 2016 was recognized during 2017.

Cash and Cash Equivalents

We consider all highly liquid investment instruments purchased with an initial maturity of three months or less to be cash equivalents. We maintain cash and cash equivalent balances with financial institutions that exceed federally-insured limits. We have not experienced any losses related to these balances and believe the risk to be minimal.

Accounts Receivable

Accounts receivable primarily consists of receivables from third party gift card distributors, tenant improvement receivables, vendor rebates, and interest receivable. The allowance for doubtful accounts is our best estimate of the amount of probable credit losses in our existing accounts receivable based on a specific review of account balances. Account balances are charged against the allowance after all means of collection have been exhausted and the potential for recoverability is considered remote.

Inventory

Inventory, consisting principally of food, beverages, and supplies, is valued at the lower of first-in, first-out cost or net realizable value. Certain key ingredients (beef, pork, chicken, beans, rice, sour cream, cheese, and tortillas) are purchased from a small number of suppliers.

Investments

Investments classified as trading securities are carried at fair value with any unrealized gain or loss being recorded in the consolidated statement of income. Investments classified as available-for-sale are carried at fair value with unrealized gains and losses, net of tax, included as a component of other comprehensive income (loss) on the statement of comprehensive income. Held-to-maturity securities are carried at amortized cost. Impairment charges on investments are recognized in interest and other income, net on the consolidated statement of income when management believes the decline in the fair value of the investment is other-than-temporary.

Leasehold Improvements, Property and Equipment

Leasehold improvements, property and equipment are recorded at cost. Internal costs directly associated with the acquisition, development and construction of a restaurant are capitalized and were $7,507, $8,076 and $9,554 for the years ended December 31, 2017, 2016 and 2015, respectively. Expenditures for major renewals and improvements are capitalized while expenditures for minor replacements, maintenance and repairs are expensed as incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the lease term, which generally includes reasonably assured option periods, or the estimated useful lives of the assets. Upon retirement or disposal of assets, the accounts are relieved of cost and accumulated depreciation and any related gain or loss is reflected in loss on disposal and impairment of assets in the consolidated statement of income.

At least annually, we evaluate, and adjust when necessary, the estimated useful lives of leasehold improvements, property and equipment. The changes in estimated useful lives did not have a material impact on depreciation in any period. The estimated useful lives are:

Leasehold improvements and buildings	3-20 years
Furniture and fixtures	4-7 years
Equipment	3-10 years

Goodwill

Goodwill represents the excess of cost over fair value of net assets of the business acquired. Goodwill is not subject to amortization, but instead is tested for impairment at least annually, and we are required to record any necessary impairment adjustments. Impairment is measured as the excess of the carrying value over the fair value of the goodwill. Based on our analysis, no impairment charges were recognized on goodwill for the years ended December 31, 2017, 2016 and 2015.

Other Assets

Other assets consist primarily of restricted cash assets of $29,601 and $28,490 as of December 31, 2017 and 2016, respectively, a rabbi trust as described further in Note 7. "Employee Benefit Plans," transferable liquor licenses which are carried at the lower of fair value or cost, and rental deposits related to leased properties. Restricted cash assets are primarily insurance-related restricted trust assets.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For the purpose of reviewing restaurant assets to be held and used for potential impairment, assets are grouped together at the market level, or in the case of a potential relocation or closure, at the restaurant level. We manage our restaurants as a group with significant common costs and promotional activities; as such, an individual restaurant's cash flows are not generally independent of the cash flows of others in a market. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized as the amount by which the carrying amount of the asset exceeds the fair value of the asset.

During the years ended December 31, 2017, 2016 and 2015, an aggregate impairment charge of $3,291, $17,394 and $6,675, respectively, was recognized in loss on disposal and impairment of assets in the consolidated statement of income. During the year ended December 31, 2017, the impairment charges resulted primarily from the closure of a small number of underperforming Chipotle restaurants. Impairment charges recognized during the year ended December 31, 2016 resulted primarily from the impairment of ShopHouse Southeast Asian Kitchen restaurants which were closed during 2017. During the year ended December 31, 2015, the impairment charges resulted from an internally developed software program we chose not to implement and the related hardware, the discontinued use of certain kitchen equipment from our restaurants, as well as restaurant relocations. The fair value of restaurants was determined using Level 3 inputs (unobservable inputs) based on a discounted cash flows method. See "Fair Value Measurements" below for a description of level inputs.

Income Taxes

Deferred tax assets and liabilities are recognized at enacted income tax rates for the temporary differences between the financial reporting bases and the tax bases of our assets and liabilities. Any effects of changes in income tax rates or tax laws are included in the provision for income taxes in the period of enactment. The deferred income tax impacts of investment tax credits are recognized as an immediate adjustment to income tax expense. When it is more likely than not that a portion or all of a deferred tax asset will not be realized in the future, we provide a corresponding valuation allowance against the deferred tax asset, except for deferred tax assets related to stock awards when there is sufficient future taxable income to recover the deferred tax assets. When it is more likely than not that a position will be sustained upon examination by a tax authority that has full knowledge of all relevant information, we measure the amount of tax benefit from our position and record the largest amount of tax benefit that is greater than 50% likely of being realized after settlement with a tax authority. Our policy is to recognize interest to be paid on an underpayment of income taxes in interest expense and any related statutory penalties in the provision for income taxes in the consolidated statement of income.

Restaurant Pre-Opening Costs

Pre-opening costs, including rent, wages, benefits and travel for training and opening teams, food and other restaurant operating costs, are expensed as incurred prior to a restaurant opening for business, and are included in operating expenses on the consolidated statement of income.

Insurance Liability

We are self-insured for a significant portion of our risks and associated liabilities with respect to workers' compensation, employee health, general liability, automobile, and property damage. Pursuant to these policies, we are responsible for losses up to varying deductibles and are required to estimate a liability that represents the ultimate exposure for aggregate losses below those limits. This liability is based on our estimates of the ultimate costs to be incurred to settle known claims and, where applicable, claims not reported as of the balance sheet date. The estimated liability is not discounted and is based on a number of assumptions and factors, including historical trends, actuarial assumptions, and economic conditions. If actual trends differ from the estimates, the financial results could be impacted. As of December 31, 2017 and 2016, $37,096 and $35,550, respectively, of the estimated liability was included in accrued payroll and benefits and $14,014 and $13,881, respectively, was included in accrued liabilities in the consolidated balance sheet.

Advertising and Marketing Costs

Advertising and marketing costs are expensed as incurred and totaled $106,345, $102,969 and $69,257 for the years ended December 31, 2017, 2016 and 2015, respectively. Advertising and marketing costs are included in other operating costs in the consolidated statement of income.

Rent

Rent expense for our leases, which generally have escalating rentals over the term of the lease, is recorded on a straight-line basis over the lease term. The lease term is the lesser of 20 years inclusive of reasonably assured renewal periods, or the lease term. The lease term begins when we have the right to control the use of the property, which is typically before rent payments are due under the lease. The difference between the rent expense and rent paid is recorded as deferred rent in the consolidated balance sheet. Pre-opening rent is included in pre-opening costs in the consolidated statement of income. Tenant incentives used to fund leasehold improvements are recorded in deferred rent and amortized as reductions of rent expense over the term of the lease.

Additionally, certain operating leases contain clauses that provide additional contingent rent based on a percentage of sales greater than certain specified target amounts. Contingent rent expense is recognized provided the achievement of that target is considered probable.

Stock-Based Compensation

We issue shares as part of employee compensation pursuant to the Amended and Restated Chipotle Mexican Grill, Inc. 2011 Stock Incentive Plan (the "2011 Incentive

Plan"). Stock only stock appreciation rights ("SOSARs") and stock awards generally vest equally over two and three years and expire after seven years. Stock-based compensation expense is generally recognized on a straight-line basis for each separate vesting portion. Compensation expense related to employees eligible to retire and retain full rights to the awards is recognized over six months which coincides with the notice period. We estimate forfeitures based on historical data when determining the amount of stock-based compensation costs to be recognized in each period. We have also granted SOSARs and stock awards with performance vesting conditions and/or market vesting conditions. Stock awards with performance or market vesting conditions generally vest based on our achievement versus stated targets or criteria over a three-year performance and service period. Compensation expense on SOSARs subject to performance conditions is recognized over the longer of the estimated performance goal attainment period or time vesting period. Compensation expense on stock awards subject to performance conditions, which is based on the quantity of awards we have determined are probable of vesting, is recognized over the longer of the estimated performance goal attainment period or time vesting period. Compensation expense is recognized ratably for awards subject to market conditions regardless of whether the market condition is satisfied, provided that the requisite service has been provided. Some stock-based compensation awards are made to employees involved in our new restaurant development activities, and expense for these awards is recognized as capitalized development and included in leasehold improvements, property and equipment in the consolidated balance sheet.

Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, accounts receivable and accounts payable approximate fair value because of their short-term nature.

Fair Value Measurements

Fair value is the price we would receive to sell an asset or pay to transfer a liability (exit price) in an orderly transaction between market participants. For assets and liabilities recorded or disclosed at fair value on a recurring basis, we determine fair value based on the following:

Level 1: Quoted prices in active markets for identical assets or liabilities that the entity has the ability to access.

Level 2: Observable inputs other than prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated with observable market data.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

Foreign Currency Translation

Our international operations use the local currency as the functional currency. Assets and liabilities are translated at exchange rates in effect as of the balance sheet date. Income and expense accounts are translated at the average monthly exchange rates during the year. Resulting translation adjustments are recorded as a separate component of other comprehensive income (loss) in the consolidated statement of comprehensive income.

Recently Issued Accounting Standards

In November 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-18, "Statement of Cash Flows (Topic 230)", which provides guidance on the classification of restricted cash to be included with cash and cash equivalents when reconciling the beginning of period and end of period total amounts on the statement of cash flows. We will be adopting this pronouncement on January 1, 2018, using a retrospective adoption method. For the years ended December 31, 2017, 2016 and 2015, $29,601, $28,490 and $22,572, respectively, of restricted cash would have been included in cash and cash equivalents and changes in the balance excluded from net cash provided by operating activities in the consolidated statement of cash flows if this new guidance had been adopted as of the respective dates.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)." The pronouncement requires lessees to recognize a liability for lease obligations, which represent the discounted obligation to make future minimum lease payments, and a corresponding right-of-use asset on the balance sheet. The guidance requires disclosure of key information about leasing arrangements which are intended to give financial statement users the ability to assess the amount, timing, and potential uncertainty of cash flows related to leases. We expect to adopt the requirements of the new lease standard effective January 1, 2019. We are currently evaluating the provisions of the new lease standard, including optional practical expedients, and assessing our existing lease portfolio in order to determine the impact to our accounting systems, processes and internal control over financial reporting. The adoption of ASU 2016-02 will have a significant impact on our consolidated balance sheet because we will record material assets and obligations for current operating leases. We are still assessing the expected impact on our consolidated statements of income and cash flows.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)," as amended by multiple standards updates. This guidance requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Additionally, this guidance will require us to enhance our disclosures, including disclosing performance obligations to customers arising from gift cards and certain promotional activity. The pronouncement is effective for reporting periods beginning after December 15, 2017. The adoption is not expected to have an impact on our consolidated financial position or results of operations.

We reviewed all other recently issued accounting pronouncements and concluded that they were either not applicable or not expected to have a significant impact to the consolidated financial statements.

Recently Adopted Accounting Standard

In March 2016, the FASB issued ASU 2016-09, "Compensation-Stock Compensation (Topic 718)." The pronouncement was issued to simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities and classification on the consolidated statement of cash flows.

We adopted ASU 2016-09 on January 1, 2017, prospectively (prior periods have not been restated). The primary impact of adoption was the recognition for the year ended December 31, 2017, of an excess tax benefit of $448, which reduces our provision for income taxes and the classification of these excess tax benefits in operating activities in the consolidated statement of cash flows instead of financing activities.

The presentation requirements for cash flows related to employee taxes paid for withheld shares had no impact to any of the periods presented in the consolidated statement of cash flows, since such cash flows have historically been presented in financing activities. We also elected to continue estimating forfeitures when determining the amount of stock-based compensation costs to be recognized in each period. No other provisions of ASU 2016-09 had a material impact on our financial statements or disclosures.

2. Supplemental Financial Information

Leasehold improvements, property and equipment were as follows:

	December 31,	
	2017	2016
Land	$ 12,943	$ 12,943
Leasehold improvements and buildings	1,677,294	1,572,606
Furniture and fixtures	166,915	157,541
Equipment	460,138	405,937
Leasehold improvements, property and equipment	2,317,290	2,149,027
Accumulated depreciation	(978,924)	(845,469)
Leasehold improvements, property and equipment, net	$1,338,366	$1,303,558

Accrued payroll and benefits were as follows:

	December 31,	
	2017	2016
Workers' compensation liability	$ 34,631	$33,038
Accrued payroll	19,666	22,338
Other accrued payroll and benefits	28,244	20,925
Accrued payroll and benefits	$ 82,541	$ 76,301

Accrued liabilities were as follows:

	December 31,	
	2017	2016
Gift card liability	$ 63,645	$59,438
Transaction tax payable	18,920	20,435
Data security incident liability	30,000	–
Other accrued liabilities	46,759	47,256
Accrued liabilities	$159,324	$127,129

3. Investments

As of December 31, 2017 and 2016, our investments consisted of U.S. treasury notes with maturities up to approximately one year and were classified as available-for-sale. Fair value of U.S. treasury notes is measured on a recurring basis based on Level 1 inputs (quoted prices for identical assets in active markets).

The following is a summary of available-for-sale securities:

	December 31,	
	2017	2016
Amortized cost	$324,875	$455,109
Unrealized gains (losses)	(493)	(218)
Fair value	$324,382	$454,891

The following is a summary of unrealized gains (losses) on available-for-sale securities recorded in other comprehensive income (loss) in the consolidated statement of comprehensive income:

	Year ended December 31,		
	2017	2016	2015
Unrealized gains (losses) on available-for-sale securities	$(274)	$2,251	$(2,468)
Unrealized gains (losses) on available-for-sale securities, net of tax	$ (186)	$1,402	$ (1,522)

Realized gains and losses on available-for-sale securities are recorded in interest and other income on the consolidated statement of income. We had no realized gains or losses for the years ended December 31, 2017 and 2015, and $547 of realized gains on available-for-sale securities for the year ended December 31, 2016. During the year ended December 31, 2015, we recorded an other-than-temporary impairment charge of $244 in interest and other income in the consolidated statement of income in connection with a decline in the fair market value of certain available-for-sale securities.

We have elected to fund certain deferred compensation obligations through a rabbi trust, the assets of which are designated as trading securities, as described further in Note 7. "Employee Benefit Plans."

4. Income Taxes

The components of the provision for income taxes are as follows:

	Year ended December 31,		
	2017	2016	2015
Current tax:			
U.S. Federal	$98,208	$20,765	$244,470
U.S. State	18,639	8,687	37,957
Foreign	669	556	172
	117,516	30,008	282,599
Deferred tax:			
U.S. Federal	(16,201)	(11,596)	11,000
U.S. State	(1,559)	(2,546)	699
Foreign	(496)	(2,470)	(2,288)
	(18,256)	(16,612)	9,411
Valuation allowance	230	2,405	2,255
Provision for income taxes	$99,490	$ 15,801	$294,265

On December 22, 2017, the Tax Cuts and Jobs Act, (the "TCJA") was enacted. The TCJA includes a number of changes to existing U.S. tax laws that impact the Company, most notably a reduction of the U.S. corporate tax rate from 35% to 21%, for tax years beginning after December 31, 2017. We recorded a benefit of $6,047 ($0.21 per basic and diluted earnings per share) in deferred income tax expense for the remeasurement of our net deferred tax liability at the 21% tax rate. The TCJA also provides for acceleration of depreciation for certain assets placed into service after September 27, 2017, as well as prospective changes beginning in 2018, including additional limitations on deductibility of executive compensation and employee meal benefits.

The $6,047 benefit represents what we believe is the impact of the TCJA. As the benefit is based on currently available information and interpretations, which are continuing to evolve, the benefit should be considered provisional. We will continue to analyze additional information and guidance related to the TCJA as supplemental legislation, regulatory guidance, or evolving technical interpretations become available. The final impacts may differ from the recorded amounts as of December 31, 2017, and we will continue to refine such amounts within the measurement period provided by Staff Accounting Bulletin No. 118. We expect to complete our analysis no later than the fourth quarter of 2018.

Actual taxes paid for 2016 and 2015 were less than the current tax expense due to the excess tax benefit on stock-based compensation of $1,320 and $74,442 during the years ended December 31, 2016 and 2015, respectively.

The effective tax rate differs from the statutory tax rates as follows:

	Year ended December 31,		
	2017	2016	2015
Statutory U.S. federal income tax rate	35.0%	35.0%	35.0%
State income tax, net of related federal income tax benefit	4.4	13.3	3.6
Federal credits	(1.5)	(10.1)	(0.4)
Enhanced deduction for food donation	(0.2)	(2.4)	(0.2)
Valuation allowance	0.1	6.0	0.3
Other	1.5	6.2	–
Effects of the TCJA	(2.3)	–	–
Return to provision and other discrete items	(0.9)	(7.2)	(0.1)
Effective income tax rate	36.1%	40.8%	38.2%

The 2017 effective tax rate was lower than the 2016 rate due to the enactment of the TCJA and a lower state tax rate, partially offset by federal credits on overall higher pre-tax operating income. The 2016 effective tax rate was higher than 2015 due to a higher state tax rate, not qualifying for the federal research and development tax credit in 2016, and other federal credits on overall lower pre-tax operating income.

Deferred income tax liabilities are taxes we expect to pay in future periods. Similarly, deferred income tax assets are recorded for expected reductions in taxes payable in future periods. Deferred income taxes arise because of the differences in the book and tax bases of certain assets and liabilities.

Deferred income tax liabilities and assets consist of the following:

	December 31,	
	2017	2016
Deferred income tax liability:		
Leasehold improvements, property and equipment	$140,908	$204,640
Goodwill and other assets	1,339	1,856
Prepaid assets and other	5,191	6,012
Total deferred income tax liability	147,438	212,508
Deferred income tax asset:		
Deferred rent	42,859	63,159
Gift card liability	4,580	5,563
Capitalized transaction costs	324	500
Stock-based compensation and other employee benefits	80,447	101,628
Foreign net operating loss carry-forwards	11,376	9,580
State credits	5,589	4,595
Allowances, reserves and other	13,719	19,359
Valuation allowance	(12,270)	(10,820)
Total deferred income tax asset	146,624	193,564
Net deferred income tax liability	$ 814	$ 18,944

The December 31, 2017, deferred tax liability was measured using a 21% U.S. federal tax rate because of the enactment of TCJA, which reduced the rate from 35%.

As of December 31, 2017, we have $8,468 of deferred tax assets related to outstanding non-vested stock awards that contain market conditions. If market conditions are not achieved, then we may not realize the benefit of these deferred tax assets, which would result in a higher effective tax rate in future periods.

The unrecognized tax benefits are as follows:

	2017	2016	2015
Beginning of year	$ 4,211	$3,776	$ 1,342
Increase resulting from prior year tax position	–	–	402
Increase resulting from current year tax position	4,726	435	2,032
End of year	$8,937	$ 4,211	$3,776

During the years ended December 31, 2017, 2016, and 2015, we recognized $364, $430, and $0, respectively, in interest expense related to uncertain tax positions. We have $794 and $430 for the payment of interest accrued at December 31, 2017, and 2016, respectively. We are open to federal and state tax audits until the applicable statutes of limitations expire. Tax audits by their very nature are often complex and can require several years to complete. We are no longer subject to U.S. federal tax examinations by tax authorities for tax years before 2014. For the majority of states where we have a significant presence, we are no longer subject to tax examinations by tax authorities for tax years before 2014. As of December 31, 2017, we had cumulative gross foreign net operating losses of $50,292, which have no expiration date.

5. Shareholders' Equity

Through December 31, 2017, we had announced authorizations by our Board of Directors of repurchases of shares of common stock, which in the aggregate, authorized expenditures of up to $2,400,000. Under the remaining repurchase authorizations, shares may be purchased from time to time in open market transactions, subject to market conditions.

The following table summarizes common stock repurchases under authorized programs:

	Year ended December 31,		
	2017	2016	2015
Shares of common stock repurchased	805	1,811	839
Total cost of common stock repurchased	$284,318	$813,881	$485,841

As of December 31, 2017, $118,274 was available to be repurchased under the authorized programs. The shares repurchased are being held in treasury until such time as they are reissued or retired, at the discretion of the Board of Directors.

During 2017, 2016, and 2015, shares of common stock were netted and surrendered as payment for minimum statutory tax withholding obligations in connection with the exercise and vesting of outstanding stock awards. We deem shares surrendered by the participants in accordance with the applicable award agreements and plan as repurchased, but do not deem such shares to be part of publicly announced share repurchase programs.

6. Stock-Based Compensation

We issue shares in connection with stock-based compensation pursuant to the Amended and Restated Chipotle Mexican Grill, Inc. 2011 Stock Incentive Plan. For purposes of counting the shares remaining available under the 2011 Incentive Plan, each share issuable pursuant to outstanding full value awards, such as restricted stock units and performance shares, counts as two shares used, whereas each share underlying a stock appreciation right or stock option counts as one share used. Under the 2011 Incentive Plan, 5,560 shares of common stock have been authorized and reserved for issuance to eligible participants, of which 1,786 represent shares that were authorized for issuance but not issued or subject to outstanding awards at December 31, 2017. The 2011 Incentive Plan is administered by the Compensation Committee of the Board of Directors, which has the authority to select the individuals to whom awards will be granted or to delegate its authority under the plan to make grants (subject to certain legal and regulatory restrictions), to determine the type of awards and when the awards are to be granted, the number of shares to be covered by each award, the vesting schedule and all other terms and conditions of the awards. The exercise price for stock awards granted under the 2011 Incentive Plan cannot be less than fair market value at the date of grant.

The following table sets forth stock-based compensation expense, including SOSARs and stock awards:

	Year ended December 31,		
	2017	2016	2015
Stock-based compensation expense	$66,396	$ 65,112	$59,465
Stock-based compensation expense, net of tax	$40,370	$35,974	$36,666
Stock-based compensation expense recognized as capitalized development	$ 1,141	$ 946	$ 1,554
Excess tax benefit on stock-based compensation recognized in provision for income taxes	$ 448	$ –	$ –

The tables below summarize the SOSAR activity under the stock incentive plans (in thousands, except years and per share data):

	2017		2016		2015	
	Shares	Weighted-Average Exercise Price Per Share	Shares	Weighted-Average Exercise Price Per Share	Shares	Weighted-Average Exercise Price Per Share
Outstanding, beginning of year	1,917	$490.06	1,694	$490.70	2,087	$395.46
Granted	304	$ 426.70	460	$ 457.77	379	$ 659.12
Exercised	(35)	$ 307.83	(124)	$ 315.87	(716)	$ 297.25
Forfeited or cancelled	(187)	$ 527.53	(113)	$ 559.25	(56)	$ 554.73
Outstanding, end of year	1,999	$480.09	1,917	$490.06	1,694	$490.70

	Shares	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Years of Contractual Life	Aggregate Intrinsic Value
Outstanding as of December 31, 2017	1,999	$480.09	3.7	$209
Vested and expected to vest as of December 31, 2017	1,957	$ 480.77	3.7	$209
Exercisable as of December 31, 2017	1,130	$ 474.20	2.7	$209

In the past, we have granted SOSARs that included performance conditions. As of December 31, 2017, 278 outstanding SOSARs that included performance conditions were determined to have met the performance conditions. For the remaining 110 outstanding SOSARs that included performance conditions, the financial targets underlying the performance conditions had been satisfied as of December 31, 2017, and vesting of the awards was pending confirmation by the Compensation Committee that the performance conditions were met. The total intrinsic value of options and SOSARs exercised during the years ended December 31, 2017, 2016 and 2015 was $4,296, $15,946 and $260,466. Unearned compensation as of December 31, 2017 was $21,998 for SOSAR awards, and is expected to be recognized over a weighted average period of 1.4 years.

The following table reflects the weighted average assumptions utilized in the Black-Scholes option-pricing model to value SOSAR awards granted for each year:

	2017	2016	2015
Risk-free interest rate	1.6%	1.0%	1.1%
Expected life (years)	3.7	3.5	3.4
Expected dividend yield	0.0%	0.0%	0.0%
Volatility	29.9%	32.2%	30.8%
Weighted-average Black-Scholes fair value per share at date of grant	$105.97	$117.48	$156.32

The risk-free interest rate is based upon U.S. Treasury rates for instruments with similar terms and the expected life assumptions were based on our historical data. We have not paid dividends to date and do not plan to pay dividends in the near future. The volatility assumption was based on our historical data and implied volatility.

A summary of non-vested stock award activity under the 2011 Stock Incentive Plans and prior stock compensation plan is as follows (in thousands, except per share data):

	2017		2016		2015	
	Shares	Weighted Average Grant Date Fair Value Per Share	Shares	Weighted Average Grant Date Fair Value Per Share	Shares	Weighted Average Grant Date Fair Value Per Share
Outstanding, beginning of year	125	$606.24	116	$ 511.88	70	$525.60
Granted	127	$436.36	90	$509.05	47	$785.32
Vested	(8)	$454.84	(7)	$605.83	(1)	$ 413.07
Forfeited or cancelled	(31)	$502.46	(74)	$529.54	–	$534.55
Outstanding, end of year	213	$ 519.62	125	$606.24	116	$ 511.88

There were 141 non-vested stock awards with a weighted average grant date fair value per share of $522.38 that were vested and expected to vest as of December 31, 2017. The aggregate intrinsic value of the shares was $32,829 and the weighted average remaining contractual life was 5.8 years. Unearned compensation for non-vested stock awards we have determined are probable of vesting was $37,962 as of December 31, 2017, and is expected to be recognized over a weighted average period of 1.6 years. The fair value of shares earned as of the vesting date during the year ended December 31, 2017, 2016, and 2015 was $3,524, $2,787, and $634, respectively.

As of December 31, 2017, 133 of the outstanding non-vested stock awards were subject to performance and/or market conditions, in addition to service vesting conditions. During the first quarter of 2017, we awarded 36 performance shares that are subject to service, market and performance vesting conditions. Two-thirds of the shares had a grant date fair value of $485.53 per share and have vesting criteria based on the price of our common stock reaching certain targets for a consecutive number of days during the three-year period starting on the grant date, with the quantity of shares that vest ranging from 0% to 350% of the targeted number of shares. The remaining one-third of the shares had a grant date fair value of $427.61 and have vesting criteria based on reaching certain comparable restaurant sales increases during the three-year period starting on January 1, 2017, with the quantity of shares that vest ranging from 0% to 300% of the targeted number of shares. If the defined minimum targets are not met, then no shares will vest.

During the year ended December 31, 2016, we awarded 73 performance shares, net of cancellations, that are subject to both service and market vesting conditions. The quantity of shares that vest will range from 0% to 400% of a targeted number of shares, and will be determined based on the price of our common stock reaching certain targets for a consecutive number of days during the three-year period starting on the grant date. If the minimum defined stock price target is not met, then no shares will vest.

During the year ended December 31, 2015, we awarded 40 performance shares that were subject to service, performance, and market vesting conditions. The quantity of shares that vest will be determined based on our relative performance versus a restaurant industry peer group in annual average revenue growth, net income growth, and total shareholder return. The quantity of shares that vest will range from 0% to 200% based on the level of achievement of the performance and market conditions. If minimum targets are not met, then no shares will vest. Each performance and market measure will be weighted equally, and performance is calculated over a three-year period beginning January 1, 2015 through December 31, 2017.

During the year ended December 31, 2017, 20 stock awards that were subject to service and performance or market conditions were forfeited.

We adjusted our estimates of the non-vested stock awards expected to vest, which had the following reduction on our expense and earnings per share (dollars in thousands, except per share data) in each of the following years:

	Year ended December 31,		
	2017	2016	2015
Cumulative change in expense	$(1,410)	$(6,031)	$(12,195)
Net of tax impact from cumulative change in expense	$ (857)	$(3,332)	$(7,520)
Impact on basic earnings per share	$ 0.03	$ 0.11	$ 0.25
Impact on diluted earnings per share	$ 0.03	$ 0.11	$ 0.24

Measurement of the grant date fair value of the stock awards with market conditions included a Monte Carlo simulation model, which incorporates into the fair value determination the possibility that the market condition may not be satisfied, using the following assumptions:

	2017	2016	2015
Risk-free interest rate	1.5%	0.9%	1.0%
Expected life (years)	3.0	3.0	2.9
Expected dividend yield	0.0%	0.0%	0.0%
Volatility	29.9%	31.4%	33.7%

The assumptions are based on the same factors as those described for SOSARs, except that the expected life is based on the contractual performance period for the stock awards.

7. Employee Benefit Plans

We maintain the Chipotle Mexican Grill 401(k) Plan (the "401(k) Plan"). We match 100% of the first 3% of pay contributed by each eligible employee and 50% on the next 2% of pay contributed. Employees become eligible to receive matching contributions after one year of service with the Company. For the years ended December 31, 2017, 2016, and 2015, matching contributions totaled approximately $6,072, $5,939 and $4,995, respectively.

We also maintain the Chipotle Mexican Grill, Inc. Supplemental Deferred Investment Plan (the "Deferred Plan") which covers our eligible employees. The Deferred Plan is a non-qualified plan that allows participants to make tax-deferred contributions that cannot be made under the 401(k) Plan because of Internal Revenue Service limitations. Participants' earnings on contributions made to the Deferred Plan fluctuate with the actual earnings and losses of a variety of available investment choices selected by the participant. Total liabilities under the Deferred Plan as of December 31, 2017 and 2016 were $19,887 and $17,843, respectively, and are included in other liabilities in the consolidated balance sheet. We match 100% of the first 3% of pay contributed by each eligible employee and 50% on the next 2% of pay contributed once the 401(k) contribution limits are reached. For the years ended December 31, 2017, 2016, and 2015, we made deferred compensation matches of $199, $225, and $617, respectively, to the Deferred Plan.

We have elected to fund our deferred compensation obligation through a rabbi trust. The rabbi trust is subject to creditor claims in the event of insolvency, but the assets held in the rabbi trust are not available for general corporate purposes. Amounts in the rabbi trust are invested in mutual funds, consistent with the investment choices selected by participants in their Deferred Plan accounts, which are designated as trading securities and carried at fair value, and are included in other assets in the consolidated balance sheet. Fair value of mutual funds is measured using Level 1 inputs (quoted prices for identical assets in active markets), and the fair values of the investments in the rabbi trust were $19,887 and $17,843 as of December 31, 2017 and 2016, respectively. Trading gains and losses are recorded in general and administrative expenses in the consolidated statement of income, along with the offsetting amount related to the increase or decrease in deferred compensation to reflect its exposure of the Deferred Plan liability.

The following table sets forth unrealized gains (losses) on trading securities held in the rabbi trust:

	Year ended December 31,		
	2017	2016	2015
Unrealized gains (losses) on trading securities held in rabbi trust	$1,520	$586	$(571)

We also offer an employee stock purchase plan ("ESPP"). Employees become eligible to participate after one year of service with Chipotle and may contribute up to 15% of their base earnings, subject to an annual maximum dollar amount, toward the monthly purchase of our common stock. Under the ESPP, 250 shares of common stock have been authorized and reserved for issuances to eligible employees, of which 246 represent shares that were authorized for issuance but not issued at December 31, 2017. For each of the years ended December 31, 2017, 2016, and 2015, the number of shares issued under the ESPP were less than 1.

8. Leases

Our restaurants are generally operated in leased premises. Lease terms for traditional shopping center or building leases generally include combined initial and option terms of 20-25 years. Ground leases generally include combined initial and option terms of 30-40 years. The option terms in each of these leases are typically in five-year increments. Typically, the lease includes rent escalation terms every five years including fixed rent escalations, escalations based on inflation indexes, and fair market value adjustments. Certain leases contain contingent rental provisions that include a fixed base rent plus an additional percentage of the restaurant's sales in excess of stipulated amounts. Our leases generally provide for the payment of common area maintenance, property taxes, insurance and various other use and occupancy costs. In addition, we are the lessee under non-cancelable leases covering certain offices.

Contractually required future minimum cash lease payments under existing operating leases as of December 31, 2017 are as follows:

2018	$ 281,461
2019	285,264
2020	283,934
2021	279,816
2022	278,615
Thereafter	2,497,163
Total minimum lease payments	$3,906,253

Minimum lease payments have not been reduced by minimum sublease rentals of $7,359 due in the future under non-cancelable subleases.

Rental expense consists of the following:

	Year ended December 31,		
	2017	2016	2015
Minimum rentals	$278,812	$255,955	$227,602
Contingent rentals	$ 2,317	$ 1,811	$ 4,542
Sublease rental income	$ (2,214)	$ (2,074)	$ (1,879)

We have six sales and leaseback transactions. These transactions do not qualify for sale leaseback accounting because of our deemed continuing involvement with the buyer-lessor due to fixed price renewal options, which results in the transaction being recorded under the financing method. Under the financing method, the assets remain on the consolidated balance sheet and the proceeds from the transactions are recorded as a financing liability. A portion of lease payments are applied as payments of deemed principal and imputed interest. The deemed landlord financing liability was $2,630 and $2,854 as of December 31, 2017, and 2016, respectively, with the current portion of the liability included in accrued liabilities, and the remaining portion included in other liabilities in the consolidated balance sheet.

9. Earnings Per Share

Basic earnings per share is calculated by dividing income available to common shareholders by the weighted-average number of shares of common stock outstanding during each period. Diluted earnings per share ("diluted EPS") is calculated using income available to common shareholders divided by diluted weighted-average shares of common stock outstanding during each period. Potentially dilutive securities include shares of common stock underlying SOSARs and non-vested stock awards (collectively "stock awards"). Diluted EPS considers the impact of potentially dilutive securities except in periods in which there is a loss because the inclusion of the potential common shares would have an anti-dilutive effect. Stock awards are excluded from the calculation of diluted EPS in the event they are subject to performance conditions or antidilutive. The following stock awards were excluded from the calculation of diluted EPS:

	Year ended December 31,		
	2017	2016	2015
Stock awards subject to performance conditions	217	263	266
Stock awards that were antidilutive	1,695	1,316	289
Total stock awards excluded from diluted earnings per share	1,912	1,579	555

The following table sets forth the computations of basic and diluted earnings per share:

	Year ended December 31,		
	2017	2016	2015
Net income	$176,253	$22,938	$475,602
Shares:			
Weighted average number of common shares outstanding	28,491	29,265	31,092
Dilutive stock awards	70	505	402
Diluted weighted average number of common shares outstanding	28,561	29,770	31,494
Basic earnings per share	$ 6.19	$ 0.78	$ 15.30
Diluted earnings per share	$ 6.17	$ 0.77	$ 15.10

10. Commitments and Contingencies

Purchase Obligations

We enter into various purchase obligations in the ordinary course of business, generally of a short term nature. Those that are binding primarily relate to commitments for food purchases and supplies, amounts owed under contractor and subcontractor agreements, orders submitted for equipment for restaurants under construction, and marketing initiatives and corporate sponsorships.

Litigation

Data Security Incident

In April 2017, our information security team detected unauthorized activity on the network that supports payment processing for our restaurants, and immediately began an investigation with the help of leading computer security firms. We also self-reported the issue to payment card processors and law enforcement. Our investigation detected malware designed to access payment card data from cards used at point-of-sale devices at most Chipotle restaurants, primarily in the period from March 24, 2017 through April 18, 2017. The malware searched for track data, which may include cardholder name, card number, expiration date, and internal verification codes; however, no other customer information was affected. We have removed the malware from our systems and continue to evaluate ways to enhance our security measures. We expect that substantially all of our investigation costs will be covered by insurance; however, we may incur legal expenses in excess of our insurance coverage limits associated with the data security incident in future periods. We will recognize these expenses as services are received.

During the year ended December 31, 2017, we recorded an expense of $30,000 ($18,234 after tax), or $0.64 per diluted earnings per share, as an estimate of potential liabilities associated with anticipated claims and assessments by payment card networks in connection with the data security incident. We may ultimately be subject to liabilities greater than or less than the amount accrued. The expense is recorded in general and administrative expenses in our consolidated statement of income and a corresponding liability in accrued liabilities on our consolidated balance sheet.

Litigation Arising from Security Incident

On May 4, 2017, Bellwether Community Credit Union filed a purported class action complaint in the United States District Court for the District of Colorado alleging that we negligently failed to provide adequate security to protect the payment card information of customers of the plaintiffs and those of other similarly situated credit unions, banks and other financial institutions alleged to be part of the putative class, causing those institutions to suffer financial losses. The complaint also claims we were negligent per se based on alleged violations of Section 5 of the Federal Trade Commission Act and similar state laws. The plaintiff seeks monetary damages, injunctive relief and attorneys' fees. On May 26, 2017, Alcoa Community Credit Union filed a purported class action complaint in the U. S. District Court for the District of Colorado making substantially the same allegations as the Bellwether complaint and seeking substantially the same relief. The Bellwether and Alcoa cases have been consolidated and will proceed as a single action.

On June 9, 2017, Todd Gordon filed a purported class action complaint in the U. S. District Court for the District of Colorado alleging that we negligently failed to provide adequate security to protect the payment card information of the plaintiff and other similarly situated customers alleged to be part of the putative class, causing some customers to suffer alleged injuries and others to be at risk of possible future injuries. The complaint also claims we were negligent per se based on alleged violations of Section 5 of the Federal Trade Commission Act and similar state laws, and also alleges breach of contract, unjust enrichment, and violations of the Arizona Consumer Fraud Act. Additionally, on August 21, 2017, Greg Lawson and Judy Conard filed a purported class action complaint in the U. S. District Court for the District of Colorado making allegations substantially similar to those in the Gordon complaint, and stating substantially similar claims as well as claims under the Colorado Consumer Protection Act. The Gordon and Lawson/Conard cases have been consolidated and will proceed as a single action.

We intend to vigorously defend each of the aforementioned cases, but it is not possible at this time to reasonably estimate the outcome of or any potential liability from these cases. Although certain fees and costs associated with the data security incident and the aforementioned litigation to date have been paid or reimbursed by our cyber liability insurer, the ultimate amount of liabilities arising from the litigation may be in excess of the limits of our applicable insurance coverage.

Receipt of Grand Jury Subpoenas

On January 28, 2017, we were served with a Federal Grand Jury Subpoena from the U.S. District Court for the Central District of California in connection with an official criminal investigation being conducted by the U.S. Attorney's Office for the Central District of California, in conjunction with the U.S. Food and Drug Administration's Office of Criminal Investigations. The subpoena requires the production of documents and information related to company-wide food safety matters dating back to January 1, 2013. We received a follow-up subpoena on July 19, 2017 requesting information related to illness incidents associated with a single Chipotle restaurant in Sterling, Virginia. We intend to continue to fully cooperate in the investigation. It is not possible at this time to determine whether we will incur, or to reasonably estimate the amount of, any fines or penalties in connection with the investigation pursuant to which the subpoena was issued.

Shareholder Derivative Actions

On April 6, 2016, Uri Skorski filed a shareholder derivative action in Colorado state court in Denver, Colorado, alleging that our Board of Directors and officers breached their fiduciary duties in connection with our alleged failure to disclose material information about our food safety policies and procedures, and also alleging that our Board of Directors and officers breached their fiduciary duties in connection with allegedly excessive compensation awarded from 2011 to 2015 under our stock incentive plan. On April 14, 2016, Mark Arnold and Zachary Arata filed a shareholder derivative action in Colorado state court in Denver, Colorado, making largely the same allegations as the Skorski complaint. On May 26, 2016, the court issued an order consolidating the Skorski and Arnold/Arata actions into a single case. On August 8, 2016, Sean Gubricky filed a shareholder derivative action the U.S. District Court for the District of Colorado, alleging that our Board of Directors and certain officers failed to institute proper food safety controls and policies, issued materially false and misleading statements in violation of federal securities laws, and otherwise breached their fiduciary duties. On September 1, 2016, Ross Weintraub filed a shareholder derivative action in Colorado state court in Denver, Colorado, making largely the same allegations as the Gubricky complaint. On March 27, 2017, the Weintraub case was consolidated with the Skorski and Arnold/Arata action into a single case. On December 27, 2016, Cyrus Lashkari filed a shareholder derivative action the U.S. District Court for the District of Colorado, making largely the same allegations as the foregoing shareholder derivative complaints. Each of these actions purports to state a claim for damages on our behalf, and is based on statements in our SEC filings and related public disclosures, as well as media reports and company records. We have reached an agreement in principle to settle the foregoing actions, and have recorded a corresponding liability in accrued liabilities on our consolidated balance sheet; the proposed settlement has been preliminarily approved by the U.S. District Court for the District of Colorado, with a final approval hearing set for March 15, 2018.

On July 28, 2017, Mark Blau filed a shareholder derivative action in the U.S. District Court for the District of Colorado, making allegations similar to those of the several shareholder derivative actions described above, and adding further allegations related to the Board's investigation of the foregoing matters, as well as customer illnesses and operational issues associated with two Chipotle restaurants in July 2017. The action purports to state claims for damages on our behalf, and is based on statements in our SEC filings and related public disclosures, as well as media reports and company records. On February 2, 2018, the Court stayed this matter pending the outcome of the March 15, 2018 settlement approval hearing in the consolidated Gubricky actions described above.

Shareholder Class Actions

On January 8, 2016, Susie Ong filed a complaint in the U.S. District Court for the Southern District of New York on behalf of a purported class of purchasers of shares of our common stock between February 4, 2015 and January 5, 2016. The complaint purports to state claims against us, each of the co-Chief Executive Officers serving during the claimed class period and the Chief Financial Officer under Sections 10(b) and 20(a) of the Exchange Act and related rules, based on our alleged failure during the claimed class period to disclose material information about our quality controls and safeguards in relation to consumer and employee health. The complaint asserts that those failures and related public statements were false and misleading and that, as a result, the market price of our stock was artificially inflated during the claimed class period. The complaint seeks damages on behalf of the purported class in an unspecified amount, interest, and an award of reasonable attorneys' fees, expert fees and other costs. On March 8, 2017, the court granted our motion to dismiss the complaint, with leave to amend. The plaintiff filed an amended complaint on April 7, 2017. On June 7, 2017, Chipotle filed a motion to dismiss the amended complaint, and briefing on that motion was completed on September 6, 2017. Additionally, on July 20, 2017, Elizabeth Kelley filed a complaint in the U.S. District Court for the District of Colorado on behalf of a purported class of purchasers of shares of our common stock between February 5, 2016 and July 19, 2017, with claims and factual allegations similar to the Ong complaint, based primarily on media reports regarding illnesses associated with a Chipotle restaurant in Sterling, Virginia. A response to the amended complaint in that matter is due on February 12, 2018. We intend to defend these cases vigorously, but it is not possible at this time to reasonably estimate the outcome of or any potential liability from the cases.

Miscellaneous

We are involved in various other claims and legal actions that arise in the ordinary course of business. We do not believe that the ultimate resolution of these actions will have a material adverse effect on our financial position, results of operations, liquidity or capital resources. However, a significant increase in the number of these claims, or one or more successful claims under which we incur greater liabilities than we currently anticipate, could materially and adversely affect our business, financial condition, results of operations and cash flows.

11. Quarterly Financial Data (Unaudited)

Summarized unaudited quarterly financial data:

	2017			
	March 31	June 30	September 30	December 31
Revenue	$1,068,829	$1,169,409	$1,128,074	$1,110,100
Operating income	$ 73,173	$ 106,725	$ 30,867	$ 60,029
Net income	$ 46,120	$ 66,730	$ 19,610	$ 43,793
Basic earnings per share	$ 1.60	$ 2.33	$ 0.69	$ 1.56
Diluted earnings per share	$ 1.60	$ 2.32	$ 0.69	$ 1.55

	2016			
	March 31	June 30	September 30	December 31
Revenue	$834,459	$998,383	$1,036,982	$1,034,560
Operating income (loss)	$ (46,604)	$ 40,895	$ 9,726	$ 30,550
Net income (loss)	$ (26,432)	$ 25,596	$ 7,799	$ 15,975
Basic earnings (loss) per share	$ (0.88)	$ 0.88	$ 0.27	$ 0.55
Diluted earnings (loss) per share	$ (0.88)	$ 0.87	$ 0.27	$ 0.55

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) that are designed to ensure that information required to be disclosed in Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Evaluation of Disclosure Controls and Procedures

As of December 31, 2017, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this annual report.

Changes in Internal Control over Financial Reporting

There were no changes during the fiscal quarter ended December 31, 2017 in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

Management's Annual Report on Internal Control over Financial Reporting

The management of Chipotle Mexican Grill, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2017, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control—Integrated Framework (the "2013 framework"). Based on that assessment, management concluded that, as of December 31, 2017, our internal control over financial reporting was effective based on the criteria established in the 2013 framework.

Our independent registered public accounting firm, Ernst & Young LLP, has issued an attestation report on the effectiveness of our internal control over financial reporting as of December 31, 2017. This report follows.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Chipotle Mexican Grill, Inc.

Opinion on Internal Control over Financial Reporting

We have audited Chipotle Mexican Grill, Inc.'s internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Chipotle Mexican Grill, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2017, and the related notes, of the Company and our report dated February 8, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Denver, Colorado
February 8, 2018

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Incorporated by reference from the definitive proxy statement for our 2018 annual meeting of shareholders, which will be filed no later than 120 days after December 31, 2017.

ITEM 11. EXECUTIVE COMPENSATION

Incorporated by reference from the definitive proxy statement for our 2018 annual meeting of shareholders, which will be filed no later than 120 days after December 31, 2017.

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

Securities Authorized for Issuance Under Equity Compensation Plans

The following table presents information regarding options and rights outstanding under our equity compensation plans as of December 31, 2017. All options/SOSARs reflected are options to purchase common stock.

	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options and Rights[1]	(b) Weighted-Average Exercise Price of Outstanding Options and Rights[1]	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in column (a))[2]
Equity Compensation Plans Approved by Security Holders	2,211,600	$480.09	2,032,484
Equity Compensation Plans Not Approved by Security Holders	None	N/A	None
Total	2,211,600	$480.09	2,032,484

(1) Includes shares issuable in connection with awards with performance and market conditions, which will be issued based on achievement of performance criteria associated with the awards, with the number of shares issuable dependent on our level of performance. The weighted-average exercise price in column (b) includes the weighted-average exercise price of SOSARs only.

(2) Includes 1,786,198 shares remaining available under the Amended and Restated Chipotle Mexican Grill, Inc. 2011 Stock Incentive Plan, and 246,286 shares remaining available under the Chipotle Mexican Grill, Inc. Employee Stock Purchase Plan. In addition to being available for future issuance upon exercise of SOSARs or stock options that may be granted after December 31, 2017, all of the shares available for grant under the Amended and Restated Chipotle Mexican Grill, Inc. 2011 Stock Incentive Plan may instead be issued in the form of restricted stock, restricted stock units, performance shares or other equity-based awards. Each share underlying a full value award such as restricted stock, restricted stock units or performance shares counts as two shares used against the total number of securities authorized under the plan.

Additional information for this item is incorporated by reference from the definitive proxy statement for our 2018 annual meeting of shareholders, which will be filed no later than 120 days after December 31, 2017.

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

Incorporated by reference from the definitive proxy statement for our 2018 annual meeting of shareholders, which will be filed no later than 120 days after December 31, 2017.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Incorporated by reference from the definitive proxy statement for our 2018 annual meeting of shareholders, which will be filed no later than 120 days after December 31, 2017.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

1. All Financial statements

Consolidated financial statements filed as part of this report are listed under Item 8. "Financial Statements and Supplementary Data."

2. Financial statement schedules

No schedules are required because either the required information is not present or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements or the notes thereto.

3. Exhibits

Exhibit Number	Exhibit Description	Description of Exhibit Incorporated Herein by Reference				
		Form	File No.	Filing Date	Exhibit Number	Filed Herewith
3.1	Amended and Restated Certificate of Incorporation of Chipotle Mexican Grill, Inc.	10-Q	001-32731	October 26, 2016	3.1	
3.2	Chipotle Mexican Grill, Inc. Amended and Restated Bylaws	8-K	001-32731	October 6, 2016	3.1	
4.1	Form of Stock Certificate for Shares of Common Stock	10-K	001-32731	February 10, 2012	4.1	
10.1†	Amended and Restated Chipotle Mexican Grill, Inc. 2006 Stock Incentive Plan	10-K	001-32731	February 17, 2011	10.2	
10.1.1†	Form of 2011 Stock Appreciation Rights Agreement	10-K	001-32731	February 17, 2011	10.2.10	
10.1.2†	Form of 2011 Performance-Based Stock Appreciation Rights Agreement	10-K	001-32731	February 17, 2011	10.2.11	
10.2†	Amended and Restated Chipotle Mexican Grill, Inc. 2011 Stock Incentive Plan	10-Q	001-32731	October 26, 2016	10.1	
10.2.1†	Form of Board Restricted Stock Units Agreement	10-Q	001-32731	July 22, 2014	10.1	
10.2.2†	Form of Stock Appreciation Rights Agreement	10-Q	001-32731	April 20, 2012	10.1	
10.2.3†	Form of Performance-Based Stock Appreciation Rights Agreement	10-Q	001-32731	April 20, 2012	10.2	
10.2.4†	Form of 2014 Stock Appreciation Rights Agreement	10-K	001-32731	February 7, 2017	10.2.4	
10.2.5†	Form of 2014 Performance-Based Stock Appreciation Rights Agreement	10-K	001-32731	February 7, 2017	10.2.5	
10.2.6†	Form of 2015 Performance Share Agreement	10-Q	001-32731	April 22, 2015	10.2	
10.2.7†	Form of 2016 Stock Appreciation Rights Agreement	10-Q	001-32731	April 27, 2016	10.1	
10.2.8†	Form of 2016 Performance Share Agreement	10-Q	001-32731	April 27, 2016	10.2	
10.2.8.1†	Amendment to 2016 Performance Share Agreement	8-K	001-32731	March 30, 2017	10.1	

Exhibit Number	Exhibit Description	Description of Exhibit Incorporated Herein by Reference				
		Form	File No.	Filing Date	Exhibit Number	Filed Herewith
10.2.9†	Form of 2017 Stock Appreciation Rights Agreement	–	–	–	–	X
10.2.10†	Form of 2017 Restricted Stock Units Agreement	–	–	–	–	X
10.2.11†	Form of 2017 Performance Share Agreement	10-Q	001-32731	July 26, 2017	10.2	
10.2.12†	Form of Staff Restricted Stock Units Agreement	–	–	–	–	X
10.3	Amended and Restated Registration Rights Agreement dated January 31, 2006 among Chipotle Mexican Grill, Inc., McDonald's Corporation and certain shareholders	10-K	001-32731	March 17, 2006	10.6	
10.4†	Board Pay Policies	10-Q	001-32731	July 26, 2017	10.1	
10.5†	Chipotle Mexican Grill, Inc. Supplemental Deferred Investment Plan	10-K	001-32731	February 23, 2007	10.11	
10.5.1†	Amendment No. 1 to Chipotle Mexican Grill, Inc. Supplemental Deferred Investment Plan	10-Q	001-32731	August 1, 2007	10.1	
10.5.2†	Amendment No. 2 to Chipotle Mexican Grill, Inc. Supplemental Deferred Investment Plan	10-Q	001-32731	October 31, 2007	10.1	
10.6†	Form of Director and Officer Indemnification Agreement	8-K	001-32731	March 21, 2007	10.1	
10.7†	Chipotle Mexican Grill, Inc. Employee Stock Purchase Plan	10-K	001-32731	February 10, 2012	10.11	
10.8†	Chipotle Mexican Grill, Inc. 2014 Cash Incentive Plan	10-Q	001-32731	July 19, 2013	10.1	
10.10	Investor Agreement dated December 14, 2016 between Chipotle Mexican Grill, Inc. and Pershing Square Capital Management, L.P.	8-K	001-32731	December 19, 2016	10.1	
10.11	Registration Rights Agreement dated February 3, 2017, between Chipotle Mexican Grill, Inc. and Pershing Square Capital Management, L.P.	10-K	001-32731	February 7, 2017	10.11	
10.12	Executive Agreement dated May 29, 2017 between Chipotle Mexican Grill, Inc. and Scott Boatwright	8-K	001-32731	September 15, 2017	10.1	
10.13	Executive Chairman Agreement dated November 28, 2017 between Chipotle Mexican Grill, Inc. and Steve Ells	8-K	001-32731	December 1, 2017	10.1	
21.1	Subsidiaries of Chipotle Mexican Grill, Inc.	–	–	–	–	X
23.1	Consent of Ernst & Young LLP (as the independent registered public accounting firm of Chipotle Mexican Grill, Inc.)	–	–	–	–	X
24.1	Power of Attorney (included on signature page of this report)	–	–	–	–	X

Exhibit Number	Exhibit Description	Description of Exhibit Incorporated Herein by Reference				
		Form	File No.	Filing Date	Exhibit Number	Filed Herewith
31.1	Certification of Chief Executive Officer of Chipotle Mexican Grill, Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	–	–	–	–	X
31.2	Certification of Chief Financial Officer of Chipotle Mexican Grill, Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	–	–	–	–	X
32.1	Certification of Chief Executive Officer and Chief Financial Officer of Chipotle Mexican Grill, Inc. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	–	–	–	–	X
101	The following financial statements, formatted in XBRL: (i) Consolidated Balance Sheet as of December 31, 2017 and December 31, 2016, (ii) Consolidated Statement of Income for the years ended December 31, 2017, 2016 and 2015, (iii) Consolidated Statement of Comprehensive Income for the years ended December 31 2017, 2016 and 2015, (iv) Consolidated Statement of Shareholders' Equity for the years ended December 31, 2017, 2016 and 2015, (v) Consolidated Statements of Cash Flows for the years ended December 31, 2017, 2016 and 2015; and (vi) Notes to the Consolidated Financial Statements	–	–	–	–	X

ITEM 16. FORM 10-K SUMMARY

None.

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.

CHIPOTLE MEXICAN GRILL, INC.

By: /s/ JOHN R. HARTUNG
Name: **John R. Hartung**
Title: **Chief Financial Officer**

Date: February 8, 2018

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Steve Ells and John Hartung, and each of them, his or her true and lawful attorneys-in-fact, each with full power of substitution, for him or her in any and all capacities, to sign any amendments to this report on Form 10-K and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact or their substitute or substitutes may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Date	Title
/s/ STEVE ELLS **Steve Ells**	February 8, 2018	Chief Executive Officer and Chairman of the Board of Directors (principal executive officer)
/s/ JOHN R. HARTUNG **John R. Hartung**	February 8, 2018	Chief Financial Officer (principal financial and accounting officer)
/s/ ALBERT S. BALDOCCHI **Albert S. Baldocchi**	February 8, 2018	Director
/s/ PAUL CAPPUCCIO **Paul Cappuccio**	February 8, 2018	Director
/s/ NEIL W. FLANZRAICH **Neil W. Flanzraich**	February 8, 2018	Director
/s/ ROBIN S. HICKENLOOPER **Robin S. Hickenlooper**	February 8, 2018	Director
/s/ KIMBAL MUSK **Kimbal Musk**	February 8, 2018	Director
/s/ ALI NAMVAR **Ali Namvar**	February 8, 2018	Director
/s/ MATTHEW PAULL **Matthew Paull**	February 8, 2018	Director

CHIPOTLE
MEXICAN GRILL

Chipotle Mexican Grill, Inc.
1401 Wynkoop Street, Suite 500
Denver, CO 80202

April 2, 2018

DEAR SHAREHOLDER:

You are cordially invited to attend the annual meeting of shareholders of Chipotle Mexican Grill, Inc., which will be held on May 22, 2018 at 8:00 a.m. local time at The Westin Denver Downtown, 1672 Lawrence Street, Denver, Colorado. Details of the business to be conducted at the annual meeting are given in the notice of meeting and proxy statement that follow.

Please vote promptly by following the instructions in this proxy statement or in the Notice of Internet Availability of Proxy Materials that was sent to you.

Sincerely,

/s/ Brian Niccol
Chief Executive Officer

CHIPOTLE MEXICAN GRILL

NOTICE OF MEETING

The 2018 annual meeting of shareholders of Chipotle Mexican Grill, Inc. will be held on May 22, 2018 at 8:00 a.m. local time at The Westin Denver Downtown, 1672 Lawrence Street, Denver, Colorado.

Shareholders will consider and take action on the following matters:

1. Election of the nine directors named in this proxy statement, Al Baldocchi, Paul Cappuccio, Steve Ells, Neil Flanzraich, Robin Hickenlooper, Kimbal Musk, Ali Namvar, Brian Niccol and Matthew Paull, each to serve a one-year term;
2. An advisory vote to approve the compensation of our executive officers as disclosed in this proxy statement (or "say-on-pay");
3. Ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the year ending December 31, 2018;
4. A proposal to approve the Amended and Restated Chipotle Mexican Grill, Inc. 2011 Stock Incentive Plan, to authorize the issuance of an additional 1,270,000 shares of common stock under the plan and make other changes to the terms of the plan;
5. A shareholder proposal, if properly presented at the meeting; and
6. Such other business as may properly come before the meeting or any adjournments or postponements of the meeting.

Information with respect to the above matters is set forth in the proxy statement that accompanies this notice.

The record date for the meeting has been fixed by the Board of Directors as the close of business on March 23, 2018. Shareholders of record at that time are entitled to vote at the meeting.

If you would like to attend the meeting in person, you will need to obtain an admission ticket in advance. You can obtain a ticket by following the instructions beginning on page 60.

By order of the Board of Directors

/s/ Steve Ells
Executive Chairman of the Board

April 2, 2018

Please execute your vote promptly by following the instructions included on the Notice of Internet Availability of Proxy Materials that was sent to you, or as described under "How do I vote?" beginning on page 1 of the accompanying proxy statement.

Proxy Statement Summary

MATTERS TO BE VOTED ON AT THE ANNUAL MEETING AND BOARD RECOMMENDATIONS	
1. Election of nine Directors (page 6)	For
2. Say on Pay (page 21)	For
3. Ratification of Ernst & Young LLP as independent auditors (page 22)	For
4. Approval of Amended and Restated 2011 Stock Incentive Plan (page 25)	For
5. Shareholder proposal (page 32)	AGAINST

2018 BOARD HIGHLIGHTS

NAME	YEARS OF SERVICE	INDEPENDENT	BOARD RECOMMENDATION	AUDIT COMMITTEE	COMPENSATION COMMITTEE	NOMINATING & CORPORATE GOVERNANCE COMMITTEE
Albert Baldocchi	21	Yes	FOR	Chairperson†		
Paul T. Cappuccio	1	Yes	FOR	✓		Chairperson
Steve Ells *Executive Chairman*	22	No	FOR			
Neil Flanzraich *Lead Independent Director*	11	Yes	FOR		Chairperson	✓
Robin Hickenlooper	1	Yes	FOR	✓		
Kimbal Musk	5	Yes	FOR			
Brian Niccol	-	No	FOR			
Ali Namvar	1	Yes	FOR		✓	✓
Matthew Paull	1	Yes	FOR		✓	

† - Designated as "Audit Committee Financial Expert" under SEC rules.

TIMELINE OF SHAREHOLDER ENGAGEMENT, GOVERNANCE ENHANCEMENTS AND COMPENSATION HIGHLIGHTS

■ = Compensation
■ = Governance

2013

Management discussions with a number of large shareholders regarding compensation issues, a number of whom supported our performance-based approach.

- **May 2013** (Compensation): 73.2% Say-on-pay approval

2014

Board and management discussions following outreach to approximately 2/3rds of outstanding shares; in response, eliminated SOSARs for officers in 2015 and moved to performance shares vesting on performance relative to peer group.

- **May 2014** (Compensation): 23.4% Say-on-pay approval
- **May 2014** (Governance): Began phase-out of classified Board.

2015

Board and management discussions with holders totaling approximately half of outstanding shares; in response, revised performance share awards for 2016 to incentivize restoration of stock price.

- **Feb 2015** (Compensation): Grant of performance shares, with substantial reduction in grant date value of awards to officers.
- **May 2015** (Compensation): 95.4% Say-on-pay approval
- **May 2015** (Governance): Eliminated provisions requiring supermajority vote for shareholders to approve certain actions.
- **Sept 2015** (Governance): Implemented majority voting for election of directors.

2016

Board and management outreach to holders totaling approximately 60% of outstanding shares; in response, revised performance share awards for 2017 to add a comparable restaurant sales goal.

- **Feb 2016** (Compensation): Grant of performance shares with aggressive stock price performance goals.
- **May 2016** (Compensation): 71.8% Say-on-pay approval
- **May 2016** (Governance):
  - Completed phase-out of classified Board.
  - Implemented right of shareholders to call special meetings.
- **Sep 2016** (Governance): Implemented market-standard proxy access bylaw.
- **Dec 2016** (Governance):
  - Streamlined management by eliminating co-CEO structure.
  - Appointed four new independent directors, including two designated shareholder appointees.

2017

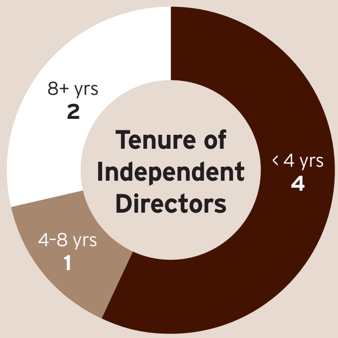
Board and management discussions with holders totaling over half of outstanding shares.

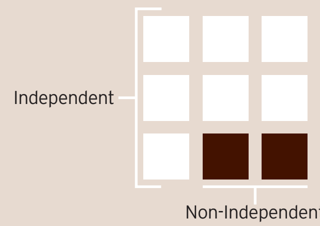
- **Feb 2017** (Compensation): Grant of performance shares with aggressive stock price performance goals, addition of comparable restaurant sales goal, and reduced grant date value of awards to officers.
- **May 2017** (Compensation): 93.3% Say-on-pay approval
- **May 2017** (Governance): Board succession and refreshment continued, with departures of four primarily longer-tenured Board members.
- **Nov 2017** (Governance): Announced planned CEO succession.

2018

- **Jan 2018** (Compensation): Grant of Executive Chairman award of SOSARs with substantial pricing premium, and entered into retention agreements with officers.
- **Feb 2018** (Governance): Announced appointment of Brian Niccol as CEO.

The graphics below represent a snapshot of the overall independence and tenure of our Board.





SUMMARY OF CORPORATE GOVERNANCE HIGHLIGHTS
Seven of the nine members on our Board of Directors are independent.
Independent directors are led by an independent Lead Director.
All directors are up for re-election on an annual basis.
Adoption of bylaws permitting proxy access for qualifying shareholders to nominate directors.
Directors are elected by majority vote in uncontested elections rather than plurality.
Independent Board members meet in executive session at each quarterly Board meeting.
Board performance is reviewed in an annual self-assessment by each director, with reporting to and evaluation by the full Board.
Each independent director is subject to Board stock ownership requirements and prohibitions on hedging/pledging of shares owned.
No shareholder rights plan or "poison pill."
Adoption of bylaws permitting holders of at least 25% of our outstanding common stock to call special meetings of shareholders.
See also pages 39 and 40 for significant compensation policies and procedures we employ to motivate our employees to build shareholder value, while protecting the interests of all our shareholders.

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CHIPOTLE MEXICAN GRILL

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(continued)

Annual Meeting Information

ANNUAL MEETING INFORMATION

This proxy statement contains information related to the annual meeting of shareholders of Chipotle Mexican Grill, Inc. to be held on Tuesday, May 22, 2018, beginning at 8:00 a.m. at The Westin Denver Downtown, 1672 Lawrence Street, Denver, Colorado. This proxy statement was prepared under the direction of Chipotle's Board of Directors to solicit your proxy for use at the annual meeting. It will be made available to shareholders on or about April 2, 2018.

Who is entitled to vote and how many votes do I have?

If you were a shareholder of record of our common stock on March 23, 2018, you are entitled to vote at the annual meeting, or at any postponement or adjournment of the annual meeting. On each matter to be voted on, you may cast one vote for each share of common stock you hold. As of March 23, 2018, there were 27,835,850 shares of common stock outstanding and entitled to vote.

What am I voting on?

You will be asked to vote on five proposals:

		Board Recommendation:
PROPOSAL 1 -	Election of nine directors: Al Baldocchi, Paul T. Cappuccio, Steve Ells, Neil Flanzraich, Robin Hickenlooper, Kimbal Musk, Ali Namvar, Brian Niccol and Matthew Paull.	FOR
PROPOSAL 2 -	An advisory vote to approve the compensation of our executive officers as disclosed in this proxy statement ("say-on-pay").	FOR
PROPOSAL 3 -	Ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the year ending December 31, 2018.	FOR
PROPOSAL 4 -	Approval of the Amended and Restated Chipotle Mexican Grill, Inc. 2011 Stock Incentive Plan, to authorize the issuance of an additional 1,270,000 shares of common stock under the plan and make other changes to the terms of the plan.	FOR
PROPOSAL 5 -	A shareholder proposal, if properly presented at the meeting, requesting that the Board of Directors implement changes to Chipotle's governing documents to allow shareholders to take action by written consent without a meeting.	AGAINST

The Board of Directors is not aware of any other matters to be presented for action at the meeting.

How does the Board of Directors recommend I vote on the proposals?

The Board of Directors recommends a vote **FOR** each candidate for director, **FOR** Proposals 2, 3 and 4, and **AGAINST** Proposal 5.

How do I vote?

If you hold your shares through a broker, bank, or other nominee in "street name," you need to submit voting instructions to your broker, bank or other nominee in order to cast your vote. In most instances you can do this over the Internet. The Notice of Internet Availability of Proxy Materials that was provided to you has specific instructions for how to submit your vote, or if you have received or request a hard copy of this proxy statement you may mark, sign, date and mail the accompanying voting instruction form in the postage-paid envelope provided. Your vote is revocable by following the procedures outlined in this proxy statement. However, since you are not a shareholder of record you may not vote your shares in person at the meeting without obtaining authorization from your broker, bank or other nominee.

If you are a shareholder of record, you can vote your shares over the Internet as described in the Notice of Internet Availability of Proxy Materials that was provided to you, or if you have received or request a hard copy of this proxy statement and accompanying form of proxy card you may vote by telephone as described on the proxy card, or by mail by marking, signing, dating and mailing your proxy card in the postage-paid envelope provided. Your designation of a proxy is revocable by following the procedures outlined in this proxy statement. The method by which you vote will not limit your right to vote in person at the annual meeting.

If you receive hard copy materials and sign and return your proxy card without specifying choices, your shares will be voted as recommended by the Board of Directors.

Will my shares held in street name be voted if I do not provide voting instructions?

Under the rules of the New York Stock Exchange, or NYSE, on voting matters characterized by the NYSE as "routine," NYSE member firms have the discretionary authority to vote shares for which their customers do not provide voting instructions. On non-routine proposals, such "uninstructed shares" may not be voted by member firms. Only the proposal to ratify the appointment of our independent registered public accounting firm is considered a routine matter for this purpose. None of the other proposals presented in this proxy statement are considered routine matters. Accordingly, if you hold your shares through a brokerage firm and do not provide timely voting instructions, your shares will be voted, if at all, only on Proposal 3. **We strongly encourage you to exercise your right to vote in the election of directors and other matters to be voted on at the annual meeting.**

Can I change my vote or revoke my proxy?

You can change your vote or revoke your proxy at any time before it is voted at the annual meeting by:

- re-submitting your vote on the Internet;
- if you are a shareholder of record, by sending a written notice of revocation to our corporate Secretary at our principal offices, 1401 Wynkoop Street, Suite 500, Denver, Colorado, 80202; or
- if you are a shareholder of record, by attending the annual meeting and voting in person.

Attendance at the annual meeting will not by itself revoke your proxy. If you hold shares in street name and wish to cast your vote in person at the meeting, you must contact your broker, bank or other nominee to obtain authorization to vote.

What do I need to attend the meeting?

To attend the meeting, you must be a shareholder on the record date and obtain an admission ticket in advance by following the instructions set forth beginning on page 60. Tickets will be available to registered and beneficial owners and to one guest accompanying each registered or beneficial owner. Requests for admission tickets will be processed in the order in which they are received and must be requested no later than May 21, 2018. Please note that seating is limited and requests for tickets will be accepted on a first-come, first-served basis. On the day of the meeting, each shareholder will be required to present valid picture identification such as a driver's license or passport with their admission ticket. Seating will begin at 7:30 a.m. and the meeting will begin at 8:00 a.m. Cameras (including cell phones with photographic capabilities), recording devices and other electronic devices will not be permitted at the meeting. You may be required to enter through a security check before being granted access to the meeting.

What constitutes a quorum?

A quorum is necessary to conduct business at the annual meeting. At any meeting of our shareholders, the holders of a majority in voting power of our outstanding shares of common stock entitled to vote at the meeting, present in person or by proxy, constitutes a quorum for all purposes. You are part of the quorum if you have voted by proxy. Abstentions, broker non-votes and votes withheld from director nominees count as "shares present" at the meeting for purposes of determining whether a quorum exists.

What is a "broker non-vote"?

A broker non-vote occurs when a broker, bank or other nominee who holds shares for another does not vote on a particular item because the nominee has not received instructions from the owner of the shares and does not have discretionary voting authority for that item. See "Will my shares held in street name be voted if I do not provide voting instructions?" above for more information.

What vote is required to approve each proposal?

Proposal 1 – Re-election of each nominee for director requires that such nominee receive a majority of the votes cast regarding his or her election. Abstentions and broker non-votes are not counted as votes cast and will have no effect on the outcome of the election of directors.

Proposals 2 through 5 – The say-on-pay vote and ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the year ending December 31, 2018, approval of the Amended and Restated 2011 Stock Incentive Plan, and approval of the shareholder proposal (if properly presented at the meeting), all require the affirmative vote of a majority of the voting power present at the annual meeting and entitled to vote in order to be approved. Abstentions represent shares entitled to vote, and therefore will have the same effect as a vote "AGAINST" a proposal. Broker non-votes are not counted as entitled to vote and therefore will have no effect on the outcome of any of these proposals.

Because the say-on-pay vote (Proposal 2) and the vote on the shareholder proposal (Proposal 5) are advisory, they will not be binding on the Board or Chipotle. However, the Board will review the voting results and take them into consideration when making future decisions regarding executive compensation and the subject matter of the shareholder proposal. Ratification of our appointment of independent auditors is not required and therefore the vote on Proposal 3 is also advisory only. See Proposal 3 for additional information about the effect of the voting outcome on this proposal.

What if a nominee for director does not receive a majority of votes cast regarding his or her election?

Such director(s) would be required to submit an irrevocable resignation to the Nominating and Governance Committee of the Board, and the committee would make a recommendation to the Board as to whether to accept or reject the resignation or whether other action should be taken. The Board would then act on the resignation, taking into account the committee's recommendation, and publicly disclose (by a press release and filing an appropriate disclosure with the SEC) its decision regarding the resignation, and if such resignation is rejected the rationale behind the decision, within 90 days following certification of the election results. The committee in making its recommendation and the Board in making its decision each may consider any factors and other information that they consider appropriate and relevant.

How is this proxy statement being delivered?

We have elected to deliver our proxy materials electronically over the Internet as permitted by rules of the Securities and Exchange Commission, or SEC. As required by those rules, we are distributing to our shareholders of record and beneficial owners as of the close of business on March 23, 2018 a Notice of Internet Availability of Proxy Materials. On the date of distribution of the notice, all shareholders and beneficial owners will have the ability to access all of the proxy materials at the URL address included in the notice. These proxy materials are also available free of charge upon request at 1-800-690-6903, or by e-mail at sendmaterial@proxyvote.com, or by writing to Chipotle Mexican Grill, Inc., c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717. Requests by e-mail or in writing should include the control number included on the notice you received. If you would like to receive the Notice of Internet Availability of Proxy Materials via e-mail rather than regular mail in future years, please follow the instructions on the notice, or enroll on the Investors page of our web site at www.chipotle.com. Delivering future notices by e-mail will help us reduce the cost and environmental impact of our annual meeting.

Who is bearing the cost of this proxy solicitation?

We will bear the cost of preparing, assembling and mailing the Notice of Internet Availability of Proxy Materials; of making these proxy materials available on the Internet and providing hard copies of the materials to shareholders who request them; and of reimbursing brokers, nominees, fiduciaries and other custodians for the out-of-pocket and clerical expenses of transmitting copies of the Notice of Internet Availability of Proxy Materials and the proxy materials themselves to beneficial owners of our shares. A few of our officers and employees may participate in the solicitation of proxies, without additional compensation, by telephone, e-mail or other electronic means or in person. We have also engaged Alliance Advisors, LLC to assist us in the solicitation of proxies, for which we have agreed to pay a fee of $22,500 plus reimbursement of customary expenses.

Beneficial Ownership of our Common Stock

BENEFICIAL OWNERSHIP OF OUR COMMON STOCK

The following tables set forth information as of March 23, 2018 as to the beneficial ownership of shares of our common stock by:

- each person (or group of affiliated persons) known to us to beneficially own more than 5 percent of our common stock;
- each of the executive officers listed in the Summary Compensation Table appearing later in this proxy statement;
- each of our directors; and
- all of our current executive officers and directors as a group.

The number of shares beneficially owned by each shareholder is determined under SEC rules and generally includes shares for which the holder has voting or investment power. The information does not necessarily indicate beneficial ownership for any other purpose. The percentage of beneficial ownership shown in the following tables is based on 27,835,850 outstanding shares of common stock as of March 23, 2018. For purposes of calculating each person's or group's percentage ownership, shares of common stock issuable pursuant to the terms of stock options, stock appreciation rights or restricted stock units exercisable or vesting within 60 days after March 23, 2018 are included as outstanding and beneficially owned for that person or group, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person or group.

Name of Beneficial Owner	Total Shares Beneficially Owned	Percentage of Class Beneficially Owned
Beneficial holders of 5% or more of outstanding common stock		
Pershing Square Capital Management, L.P.[1]	2,882,463	10.36%
The Vanguard Group, Inc.[2]	2,688,770	9.66%
BlackRock, Inc.[3]	1,559,197	5.60%
FMR LLC[4]	1,519,913	5.46%
Susquehanna Securities[5]	1,499,536	5.39%
Directors and named executive officers		
Steve Ells[6]	383,339	1.37%
Brian Niccol	–	–
John Hartung[7]	145,272	*
Mark Crumpacker[8]	46,461	*
Curt Garner[9]	5,500	*
Scott Boatwright	–	–
Albert Baldocchi[10][11]	73,887	*
Paul Cappuccio	500	–
Neil Flanzraich[10]	4,146	*
Robin Hickenlooper	–	–
Kimbal Musk[12]	501	*
Ali Namvar[13]	3,000	*
Matthew Paull	400	*
All directors and current executive officers as a group (12 people)[14]	616,545	2.19%

* Less than one percent.

(1) Based solely on a report on Schedule 13D/A filed by Pershing Square Capital Management, L.P., PS Management GP, LLC, and William A. Ackman (collectively, "Pershing Square") on February 7, 2017. The address of Pershing Square is 888 Seventh Avenue, 42nd Floor, New York, New York, 10019.

(2) Based solely on a report on Schedule 13G/A filed on February 9, 2018. The address of The Vanguard Group, Inc. is 100 Vanguard Blvd., Malvern, Pennsylvania, 19355.

(3) Based solely on a report on Schedule 13G/A filed on January 29, 2018. The address of BlackRock, Inc. is 55 East 52nd Street, New York, New York, 10022.

(4) Based solely on a report on Schedule 13G/A filed on February 13, 2018. Various persons have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, the shares of common stock reflected as beneficially owned by FMR LLC. The address of FMR LLC is 245 Summer Street, Boston, Massachusetts 02210.

(5) Based solely on a report on Schedule 13G filed on February 9, 2018. The address of Susquehanna Securities is 401 E. City Avenue, Suite 220, Bala Cynwyd, Pennsylvania, 19004.

(6) Shares beneficially owned by Mr. Ells include 175,000 shares underlying vested stock appreciation rights.

(7) Shares beneficially owned by Mr. Hartung include: 19,782 shares in a revocable trust for Mr. Hartung's benefit and of which his spouse is the trustee; 35 shares beneficially owned by his children; and 110,000 shares underlying vested stock appreciation rights. Mr. Hartung disclaims beneficial ownership of the shares beneficially owned by his children.

(8) Shares beneficially owned by Mr. Crumpacker include 40,000 shares underlying vested stock appreciation rights. Mr. Crumpacker's employment terminated on March 15, 2018.

(9) Shares beneficially owned by Mr. Garner include 5,500 shares underlying vested stock appreciation rights.

(10) Shares beneficially owned by Messrs. Baldocchi and Flanzraich include 704 shares underlying unvested restricted stock units, which are deemed to be beneficially owned because each such director is retirement-eligible and the vesting of the awards accelerates in the event of the director's retirement.

(11) Shares beneficially owned by Mr. Baldocchi include 69,648 shares owned jointly by Mr. Baldocchi and his spouse.

(12) Shares beneficially owned by Mr. Musk include 189 shares underlying unvested restricted stock units which will vest on May 13, 2018.

(13) Mr. Namvar disclaims beneficial ownership of the shares beneficially owned by Pershing Square Capital Management L.P., PS Management GP, LLC and William A. Ackman, and accordingly such shares are not reported above as beneficially owned by Mr. Namvar.

(14) See Notes (6) through (13), except that shares beneficially owned by Mr. Crumpacker are excluded because he was not employed as of March 23, 2018.

Election of Directors

Our Board of Directors currently has nine members. At the annual meeting, shareholders will be asked to vote on the nine nominees named below, each of whom will be elected on an annual basis, and each of whom is an incumbent member of the Board. Each of the nominees was nominated by the Board upon the recommendation of the Nominating and Corporate Governance Committee, and has consented to serve if elected. If any nominee is unable to serve or will not serve for any reason, the persons designated on the accompanying form of proxy will vote for other candidates in accordance with their judgment. We are not aware of any reason the nominees would not be able to serve if elected.

Re-election of each nominee for director requires that such nominee receive a majority of the votes cast regarding his or her election. Abstentions and broker non-votes are not counted as votes cast and will have no effect on the outcome of any of these proposals.

The Board of Directors recommends a vote FOR the election of Ms. Hickenlooper and Messrs. Baldocchi, Cappuccio, Ells, Flanzraich, Musk, Namvar, Niccol and Paull as directors.

INFORMATION REGARDING THE BOARD OF DIRECTORS

Biographical Information

The following is biographical information about each nominee, including a description of the experience, qualifications and skills that have led the Board to determine that each nominee should serve on the Board. The respective current terms of all directors expire as of the date of next year's annual meeting of shareholders or continue until their successors are elected and have qualified.

DIRECTORS WHOSE TERMS EXPIRE AT THE 2018 ANNUAL MEETING OF SHAREHOLDERS AND WHO ARE NOMINEES FOR TERMS EXPIRING AT THE 2019 ANNUAL MEETING

Albert S. Baldocchi

Age: 63
Director Since: 1997

Background:
Mr. Baldocchi has been self-employed since 2000 as a financial consultant and strategic advisor for, and investor in, a variety of privately-held companies. He holds a Bachelor of Science degree in chemical engineering from the University of California at Berkeley and an MBA from Stanford University.

Qualifications:
Mr. Baldocchi's extensive involvement with restaurant companies for more than 25 years has given him an in-depth knowledge of restaurant company finance, operations and strategy. He also has considerable experience with high-growth companies in the restaurant industry and in other industries, and his experience as a senior investment banker at a number of prominent institutions, including Morgan Stanley, Solomon Brothers and Montgomery Securities, helped him develop solid capabilities in accounting and finance as well.

DIRECTORS WHOSE TERMS EXPIRE AT THE 2018 ANNUAL MEETING OF SHAREHOLDERS AND WHO ARE NOMINEES FOR TERMS EXPIRING AT THE 2019 ANNUAL MEETING (CONT'D)

Paul T. Cappuccio

Age: 56
Director Since: 2016

Background:
Mr. Cappuccio has served as Executive Vice President and General Counsel of Time Warner since 2001. In this capacity, he oversees the worldwide management of Time Warner's legal functions, collaborating with all of its operating businesses. From 1999 to 2001, Mr. Cappuccio was Senior Vice President and General Counsel at America Online. Before joining AOL, he was a partner at the Washington, DC office of law firm Kirkland & Ellis LLP, where he specialized in telecommunications law, appellate litigation, and negotiation with government agencies. From 1991 to 1993, Mr. Cappuccio was Associate Deputy Attorney General at the United States Department of Justice. Prior to his service at the DOJ, Mr. Cappuccio served as law clerk at the United States Supreme Court for Justices Antonin Scalia and Anthony M. Kennedy, and as a law clerk to Judge Alex Kozinski of the United States Court of Appeals for the Ninth Circuit. Mr. Cappuccio earned a law degree from Harvard Law School and a Bachelor's degree from Georgetown University, and serves on the board of directors of Central European Media Enterprises Ltd. (NasdaqGS: CETV).

Qualifications:
Mr. Cappuccio's contributions to the Board include strong experience in legal and regulatory compliance, risk management, and public company corporate governance.

Steve Ells

Age: 52
Director Since: 1996

Background:
Mr. Ells founded Chipotle in 1993. He was Chief Executive Officer until Mr. Niccol was appointed to that role in March 2018, at which time Mr. Ells became Executive Chairman. From 2009 through 2016 Mr. Ells served as Co-Chief Executive Officer and Chairman. Prior to launching Chipotle, Mr. Ells worked for two years at Stars restaurant in San Francisco. Mr. Ells's vision – that food served fast doesn't have to be low quality and that delicious food doesn't have to be expensive – is the foundation on which Chipotle is based. Mr. Ells graduated from the University of Colorado with a Bachelor of Arts degree in art history, and is also a graduate of the Culinary Institute of America.

Qualifications:
Mr. Ells's visionary thinking has led Chipotle to extraordinary accomplishments, such as growing from a single restaurant to over 2,400, and leading us to become the only national restaurant brand to prepare its food with no added flavors, colors or preservatives. This progressive thinking has also resulted in Mr. Ells remaining a principal driving force behind making our company innovative and striving for constant improvement, and he continues to provide important leadership to our executive officers, management team, and Board. He is also one of the largest individual shareholders of our company.

DIRECTORS WHOSE TERMS EXPIRE AT THE 2018 ANNUAL MEETING OF SHAREHOLDERS AND WHO ARE NOMINEES FOR TERMS EXPIRING AT THE 2019 ANNUAL MEETING (CONT'D)

Neil W. Flanzraich

Age: 74
Director Since: 2007

Background:
Mr. Flanzraich is the Executive Chairman of Cantex Pharmaceuticals, Inc. (formerly ParinGenix, Inc.), a privately-owned biotech company, where he previously served as CEO and Chairman, and additionally, he has been a private investor since February 2006. From 1998 through its sale in January 2006 to TEVA Pharmaceuticals Industries, Ltd., he served as Vice Chairman and President of IVAX Corporation, an international pharmaceutical company. From 1995 to 1998, Mr. Flanzraich served as Chairman of the Life Sciences Legal Practice Group of Heller Ehrman LLP, a law firm, and from 1981 to 1994, served as the Senior Vice President and Chief Counsel and member of the Operating and Executive Committees of Syntex Corporation, an international pharmaceutical company. He was a director of Equity One Inc. (NYSE:EQY) until it was acquired on March 1, 2017. Mr. Flanzraich also previously served as a director of a number of additional publicly-traded companies. He received an A.B. from Harvard College and a J.D. from Harvard Law School.

Qualifications:
Mr. Flanzraich's executive experience has helped him develop outstanding skills in leading and managing strong teams of employees, and in oversight of the growth and financing of businesses in a rapidly-evolving market. His legal background also is valuable to us in the risk management area, and Mr. Flanzraich brings to us extensive experience serving as an independent director of other public and privately-held companies.

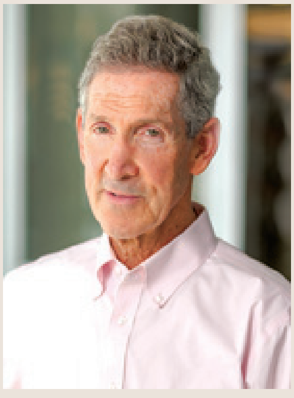
Robin Hickenlooper

Age: 39
Director Since: 2016

Background:
Ms. Hickenlooper is Senior Vice President of Corporate Development at Liberty Media Corporation and has served in senior corporate development roles at Liberty Media and its affiliates since 2010. Prior to joining Liberty Media in 2008, Ms. Hickenlooper worked at Del Monte Foods and in investment banking at Thomas Weisel Partners. Ms. Hickenlooper serves on the board of directors of FTD Companies, Inc. (Nasdaq: FTD). She earned an MBA from Kellogg School of Management at Northwestern University and a Bachelor's degree in Public Policy from Duke University.

Qualifications:
Ms. Hickenlooper brings to the Board significant experience in marketing and new media, as well as public company corporate governance.

DIRECTORS WHOSE TERMS EXPIRE AT THE 2018 ANNUAL MEETING OF SHAREHOLDERS AND WHO ARE NOMINEES FOR TERMS EXPIRING AT THE 2019 ANNUAL MEETING (CONT'D)		
 **Kimbal Musk** **Age:** 45 **Director Since:** 2013	**Background:** Mr. Musk is an entrepreneur and restaurateur who has had a role in founding and advising several companies and non-profits including: The Kitchen Restaurant Group, a restaurant company with restaurants in Colorado, Illinois and Tennessee; The Kitchen Community; Zip2 Corporation (acquired by Compaq Computer Corporation); PayPal, Inc. (acquired by eBay Inc.); Everdream Corporation (acquired by Dell Inc.); Tesla Motors, Inc.; Space Exploration Technologies Corp. (SpaceX); OneRiot (acquired by Wal-Mart Stores, Inc.) and SolarCity Corporation. Mr. Musk has been Chief Executive Officer of The Kitchen Restaurant Group since April 2004, and Executive Director of The Kitchen Community, a non-profit organization that creates learning gardens in schools across the United States, since November 2010. After success in the technology business, Mr. Musk decided to pursue his passion for food and cooking and attended the French Culinary Institute in New York City. He is a member of the board of directors of Tesla Motors, Inc. (Nasdaq:TSLA) as well as a number of privately-held companies and charitable organizations. He has served as an Adjunct Professor at New York University, and is a graduate of Queen's Business School in Canada and the French Culinary Institute.	**Qualifications:** Mr. Musk's extensive experience with fast-growing and innovative companies, as well as restaurants and other retail operations, and his experience on numerous boards of directors, are an asset to our Board.
 **Ali Namvar** **Age:** 48 **Director Since:** 2016	**Background:** Mr. Namvar is a private investor, and until April 1, 2018 was an active Partner and senior member of the investment team at Pershing Square Capital Management, L.P., currently our largest shareholder. Prior to joining Pershing Square in 2006, Mr. Namvar held positions at Blackstone Group and Goldman Sachs Group, Inc. Mr. Namvar holds a Bachelor of Arts degree from Columbia University and an MBA from the Wharton School at the University of Pennsylvania.	**Qualifications:** Mr. Namvar has significant experience with investments in the restaurant industry as well as the overall consumer goods sector, and also brings to the Board a deep knowledge of finance, strategic transactions and investor relations.

DIRECTORS WHOSE TERMS EXPIRE AT THE 2018 ANNUAL MEETING OF SHAREHOLDERS AND WHO ARE NOMINEES FOR TERMS EXPIRING AT THE 2019 ANNUAL MEETING (CONT'D)		
 **Brian Niccol** **Age:** 43 **Director Since:** 2018	**Background:** Mr. Niccol was appointed to our Board effective March 5, 2018, at the same time he became our Chief Executive Officer. Mr. Niccol previously served from January 1, 2015 as Chief Executive Officer of Taco Bell, a division of Yum! Brands, Inc. He joined Taco Bell in 2011 as Chief Marketing and Innovation Officer and served as President from 2013 to 2014. Prior to his service at Taco Bell, from 2005 to 2011 he served in various executive positions at Pizza Hut, another division of Yum! Brands, including General Manager and Chief Marketing Officer. Before joining Yum! Brands, Mr. Niccol spent 10 years at Procter & Gamble Co., serving in various brand management positions. Mr. Niccol holds an undergraduate degree from Miami University and an MBA from the University of Chicago Booth School of Business. He serves as a director of Harley-Davidson, Inc. (NYSE: HOG)	**Qualifications:** Mr. Niccol brings us extensive experience in brand management, marketing and operations, as well as a proven track record of driving outstanding results at multiple restaurant brands. He also adds to the Board's experience in corporate governance and public company oversight.
 **Matthew H. Paull** **Age:** 66 **Director Since:** 2016	**Background:** Mr. Paull was Senior Vice President and Chief Financial Officer of McDonald's Corp. from 2001 until he retired from that position in 2008. Prior to joining McDonald's in 1993, Mr. Paull was a Partner at Ernst & Young, LLP. Mr. Paull currently serves on the boards of directors of Air Products and Chemicals, Inc. (NYSE: APD), Canadian Pacific Railway Limited (NYSE: CP) and KapStone Paper and Packaging Corp. (NYSE: KS). Mr. Paull previously served as a member of the board of WMS Industries, Inc. until 2013, and Best Buy Co. until 2013. He also serves on the advisory board of Pershing Square Capital Management, L.P. Mr. Paull holds a Bachelor's degree and a Master's degree in Accounting from the University of Illinois.	**Qualifications:** Mr. Paull brings to our Board expert knowledge in finance, accounting, and public company corporate governance.

Board Qualifications, Skills and Attributes

In addition to the specific qualifications, skills and experience described above, each incumbent director has demonstrated a strong work ethic and dedication to Chipotle, including coming prepared to meetings, supporting our strategic vision while asking constructive questions and challenging management in a productive way, and otherwise providing valuable oversight of our business on behalf of our shareholders. We also believe that each director, through their personal accomplishments and in their service to Chipotle, has demonstrated high integrity, strong intellectual acumen, solid business judgment, and strategic vision.

The graphic below depicts a number of the key skills, experiences and attributes our Board believes to be important to have represented on the Board, and identifies the number of continuing directors having those skills, experiences and attributes.

SKILLS, EXPERIENCE AND ATTRIBUTES

LEADERSHIP
7/9 DIRECTORS
(CEO; LEADERSHIP OF LARGE ORGANIZATIONS; PUBLIC COMPANY BOARD SERVICE)

RESTAURANT INDUSTRY
6/9 DIRECTORS
(SOURCING & SUPPLY; FOOD SAFETY; QUALITY ASSURANCE)

HR/PEOPLE MANAGEMENT
3/9 DIRECTORS
(RECRUITING; TALENT DEVELOPMENT & MOTIVATION; COMPLIANCE)

FINANCE/ACCOUNTING
6/9 DIRECTORS
(ACCOUNTING SYSTEMS; PUBLIC REPORTING; INTERNAL CONTROLS)

RISK MANAGEMENT
3/9 DIRECTORS
(OVERSIGHT & EVALUATION)

BRANDING/MARKETING
5/9 DIRECTORS
(CUSTOMER RELATIONS; BRAND INNOVATION)

TECHNOLOGY
1/9 DIRECTORS
(BUSINESS EFFICIENCY; REVENUE OPPORTUNITIES; CYBERSECURITY)

REAL ESTATE
4/9 DIRECTORS
(SITE SELECTION; PROPERTY ADMINISTRATION)

INTERNATIONAL
5/9 DIRECTORS
(FOREIGN JURISDICTIONS; ORGANIZATIONAL & TAX STRUCTURE)

SUSTAINABILITY
2/9 DIRECTORS
(ENVIRONMENTAL, SOCIAL & GOVERNANCE ISSUES)

GOVERNMENT RELATIONS
3/9 DIRECTORS
(REGULATION, INVESTIGATIONS & COMPLIANCE)

INVESTOR RELATIONS
6/9 DIRECTORS
(ENGAGEMENT REGARDING STRATEGY, COMPENSATION, AND CORPORATE GOVERNANCE)

DIVERSITY
1/9 DIRECTORS
(GENDER; ETHNIC/NATIONAL ORIGIN)

The Board of Directors held seven meetings in 2017. Each director attended at least 75 percent of the meetings of the Board and of committees of which they were members during the time in which they served as a member of the Board in 2017. The Board has requested that each of its members attend our annual shareholder meetings absent extenuating circumstances, and all directors serving on the Board following the date of the 2017 annual meeting attended the meeting.

A Majority of our Board Members Are Independent

Our Board of Directors, under direction of the Nominating and Corporate Governance Committee, reviews the independence of our directors to determine whether any relationships, transactions or arrangements involving any director or any family member or affiliate of a director may be deemed to compromise the director's independence from us, including under the independence standards contained in the rules of the NYSE. Based on that review, in March 2018 the Board determined that none of our directors have any relationships, transactions or arrangements that would compromise their independence, except that Mr. Ells is not an independent director as a result of his employment with us as Chief Executive Officer until March 2018, and as Executive Chairman thereafter. Additionally, Mr. Niccol is not an independent director as a result of his employment with us as Chief Executive Officer since March 2018.

In making its determination as to the independence of members of the Board, the Board determined that the following transactions do not constitute relationships that would create material conflicts of interest or otherwise compromise the independence of the directors in attending to their duties as Board members: (i) the registration rights granted to Mr. Baldocchi as described below under "Certain Relationships and Related Party Transactions;" and (ii) our agreements with Pershing Square Capital Management, L.P., in which Mr. Namvar was a partner until April 1, 2018, and for which Mr. Paull serves on the advisory board. Accordingly, the Board concluded that each director other than Mr. Ells and Mr. Niccol qualifies as an independent director.

Committees of the Board

Our Board of Directors has three standing committees: (1) the Audit Committee, (2) the Compensation Committee, and (3) the Nominating and Corporate Governance Committee, each composed entirely of persons the Board has determined to be independent as described above. Each member of the Audit Committee has also been determined by the Board to be independent under the definition included in SEC Rule 10A-3(b)(1), and each member of the Compensation Committee has been determined to be independent under NYSE Rule 303A.02(a)(ii). Each committee operates pursuant to a written charter adopted by our Board of Directors which sets forth the committee's role and responsibilities and provides for an annual evaluation of its performance. The charters of all three standing committees are available on the Investors page of our corporate website at *ir.chipotle.com* under the Corporate Governance link.

Audit Committee

In accordance with its charter, the Audit Committee acts to oversee the integrity of our financial statements and system of internal controls, the annual independent audit of our financial statements, the performance of our internal audit services function (including review of audit plans, budget and staffing), our compliance with legal and regulatory requirements, the implementation and effectiveness of our disclosure controls and procedures, and the evaluation and oversight of risk issues, and also acts to ensure open lines of communication among our independent auditors, accountants, internal audit and financial management. The committee's responsibilities also include review of the qualifications, independence and performance of the independent auditors, who report directly to the Audit Committee. The committee regularly holds executive sessions with the audit partner for continued assessment of the performance, effectiveness and independence of the independent audit firm. The committee also retains, determines the compensation of, evaluates, and when appropriate replaces our independent auditors and pre-approves audit and permitted non-audit services provided by our independent auditors. The Audit Committee has adopted the "Policy Relating to Pre-Approval of Audit and Permitted Non-Audit Services" under which audit and non-audit services to be provided to us by our independent auditors are pre-approved. This policy is summarized beginning on page 23 of this proxy statement. The committee determined that the fees paid to the independent auditor in 2017, including in connection with non-audit services, were appropriate, necessary and cost-efficient in the management of our business, and did not present a risk of compromising the auditor's independence. The committee has also adopted and annually reviews compliance with the company's Hiring Policy for Former Employees of Independent Auditor Firm, which further ensures that the independence of the independent audit firm is not impaired.

As required by law, the Audit Committee has established procedures to handle complaints received regarding our accounting, internal controls or auditing matters. It is also required to ensure the confidentiality of employees who have provided information or expressed concern regarding questionable accounting or auditing practices. The committee also fulfills the oversight function of the Board with respect to risk management, as described under "Corporate Governance – Role of the Board of Directors in Risk Oversight." The committee may retain independent advisors at our expense that it considers necessary for the completion of its duties. The Audit Committee held eight meetings in 2017. The members of the Audit Committee are Messrs. Baldocchi (Chairperson) and Cappuccio and Ms. Hickenlooper. Our Board of Directors has determined that all of the Audit Committee members meet the enhanced independence standards required of audit committee members by regulations of the SEC, and are financially literate as defined in the listing standards of the NYSE. The Board has further determined that Mr. Baldocchi qualifies as an "Audit Committee Financial Expert" as defined in SEC regulations.

No member of the Audit Committee served on more than three audit or similar committees of publicly held companies, including Chipotle, in 2017. A report of the Audit Committee is found under the heading "Audit Committee Report" on page 23.

Compensation Committee

The Compensation Committee oversees our executive compensation policies and programs. In accordance with its charter, the committee determines the compensation of our Chief Executive Officer based on an evaluation of his performance, and approves the compensation level of our other executive officers following an evaluation of their performance and recommendation by the Chief Executive Officer. The manner in which the committee makes determinations as to the compensation of our executive officers is described in more detail below under "Executive Officers and Compensation – Compensation Discussion and Analysis."

The Compensation Committee charter also grants the committee the authority to: review and make recommendations to the Board with respect to the establishment of any new incentive compensation and equity-based plans; review and approve the terms of written employment agreements and post-service arrangements for executive officers; review our compensation programs generally to confirm that those plans provide reasonable benefits to us; recommend compensation to be paid to our outside directors; review disclosures to be filed with the SEC and distributed to our shareholders regarding executive compensation and recommend to the Board the filing of such disclosures; assist the Board with its functions relating to our compensation and benefits programs generally; and other administrative matters with regard to our compensation programs and policies. The committee may delegate any of its responsibilities to a subcommittee comprised of one or more members of the committee, except where such delegation is not allowed by legal or regulatory requirements.

The Compensation Committee has also been appointed by the Board to administer our Amended and Restated 2011 Stock Incentive Plan and to make awards under the plan, including as described below under "Executive Officers and Compensation – Compensation Discussion and Analysis – 2017 Compensation Program – Long-Term Incentives – 2017 Performance Share Award Design." The committee has for several years, including 2017, delegated its authority under the plan to our executive officers to make grants to non-executive officer level employees, within limitations specified by the committee in its delegation of authority.

The Compensation Committee retained Pay Governance, LLC, an independent executive compensation consulting firm, to provide the committee with advice regarding compensation matters for 2017 and for the equity compensation awards made to our executive officers in February 2017. All of the fees paid to Pay Governance during 2017 were in connection with the firm's work on executive compensation matters on behalf of the committee; no fees were paid to the firm for any other work. Pay Governance was retained pursuant to an engagement letter with the Compensation Committee, and the committee determined that the firm's service to Chipotle did not and does not give rise to any conflict of interest, and considers Pay Governance to have sufficient independence from our company and executive officers to allow it to offer objective advice.

The Compensation Committee held six meetings in 2017. Additionally, the Chairman of the committee held a number of discussions with shareholders regarding executive compensation and related matters. A report of the committee is found under the heading "Executive Officers and Compensation – Compensation Discussion and Analysis – Compensation Committee Report" on page 52.

Compensation Committee Interlocks and Insider Participation

The members of the Compensation Committee are Messrs. Flanzraich (Chairperson), Namvar and Paull. There are no relationships between the members of the committee and our executive officers of the type contemplated in the SEC's rules requiring disclosure of "compensation committee interlocks." None of the members of the committee is our employee and no member has been an officer of our company at any time. The Board has determined that each member of the committee qualifies as a "Non-Employee Director" under SEC Rule16b-3 and as an "Outside Director" under Section 162(m) of the Internal Revenue Code, and that each member satisfies the standards of NYSE Rule 303A.02(a)(ii) regarding independence of compensation committee members. No member of the committee nor any organization of which any member of the committee is an officer or director received any payments from us during 2017, other than the payments disclosed under "– Director Compensation" below.

Nominating and Corporate Governance Committee

The responsibilities of the Nominating and Corporate Governance Committee include reviewing, at least annually, the adequacy of our corporate governance principles and recommending to the Board any changes to such principles as deemed appropriate, and recommending to the Board appropriate guidelines and criteria to determine the qualifications to serve and continue to serve as a director. The Nominating and Corporate Governance Committee identifies and reviews the qualifications of, and recommends to the Board, (i) individuals to be nominated by the Board for election to the Board at each annual meeting, (ii) individuals to be nominated and elected to fill any vacancy on the Board which occurs for any reason (including increasing the size of the Board) and (iii) appointments to committees of the Board.

The committee, at least annually, reviews the size, composition and organization of the Board and its committees and recommends any policies, changes or other action it deems necessary or appropriate, including recommendations to the Board regarding retirement age, resignation or removal of a director, independence requirements, frequency of Board meetings and terms of directors. A number of these matters are covered in our Corporate Governance Guidelines, which the committee also reviews at least annually. The committee also reviews the nomination by our shareholders of candidates for election to the Board if such nominations are within the time limits and meet other requirements established by our bylaws. The committee oversees the annual evaluation of the performance of the Board and its committees and reviews and makes recommendations regarding succession plans for positions held by executive officers.

The Nominating and Corporate Governance Committee held four meetings in 2017. The members of the committee are Mr. Cappuccio (Chairperson), Flanzraich and Namvar.

Special Committees

In addition to the standing committees described above, in May 2016 the Board established a Demand Review Committee in response to requests from two individual shareholders that the Board investigate potential violations of law in connection with food safety matters. In 2017, the scope of the committee's authority was broadened to also encompass a demand from a shareholder that the Board investigate potential violations of law in connection with payment card security matters. As of December 31, 2017, the Demand Review Committee consisted of Messrs. Flanzraich and Cappuccio.

Additionally, in September 2017, the Board established a Special Litigation Committee to review and approve the terms of settlement of certain shareholder derivative litigation. As of December 31, 2017, the Special Litigation Committee consisted of Messrs. Cappuccio, Namvar and Paull and Ms. Hickenlooper.

Director Compensation

Directors who are also employees of Chipotle do not receive compensation for their services as directors. Directors who are not employees of Chipotle received an annual retainer during 2017 of $195,000, of which $75,000 was paid in cash and $120,000 was paid in restricted stock units representing shares of our common stock, based on the closing price of the stock on the grant date, which is the date of our annual shareholders meeting each year. Each director who is not an employee of Chipotle also received a $2,000 cash payment for each meeting of the Board of Directors he or she attended and $1,500 for each meeting of a committee of the Board of Directors he or she attended ($750 in the case of telephonic attendance at an in-person committee meeting). Annual cash retainers are paid to the chairperson of each committee of the Board of Directors, in the following amounts for 2017: $20,000 for the Audit Committee Chairperson, $15,000 for the Compensation Committee Chairperson, $10,000 for the Nominating and Corporate Governance Committee Chairperson, and $5,000 for the chairperson of any other committee established by the Board of Directors unless otherwise specified by the Board. We also pay an annual retainer to the Lead Director; in March 2017, the Board (with Mr. Flanzraich recusing himself) approved an increase in the annual Lead Director retainer to $50,000. Additionally, directors are reimbursed for expenses incurred in connection with their service as directors, including travel expenses for meetings.

The Compensation Committee of the Board reviews and makes recommendations to the Board on compensation provided to non-employee directors, as required by its charter. The committee reviews the non-employee director compensation program no less than biennially. At the request of the committee, in May 2017 Pay Governance conducted an assessment of the competitiveness of our non-employee director compensation program as compared to the 2017 peer group disclosed on page 44, an additional group of consumer brand companies that had a median market capitalization approximating that of Chipotle, and a general industry group of approximately 300 companies with annual revenues between $2.5 billion and $10 billion. Upon review and consideration, the committee recommended, and the Board approved, that no further changes would be made to the non-employee director compensation for 2017.

We have also adopted a requirement that each non-employee director is expected to own Chipotle common stock with a market value of five times the annual cash retainer within five years of the director's appointment or election to the Board. All continuing directors other than Mr. Musk, who was appointed to the Board in September 2013, and Messrs. Cappuccio, Namvar and Paull and Ms. Hickenlooper, each of whom was appointed to the Board in December 2016, met this requirement as of December 31, 2017. Mr. Namvar met the stock ownership requirement as of March 23, 2018, the record date for the meeting. Unvested restricted stock units received as compensation for Board service count as shares owned for purposes of this requirement.

Mr. Namvar waived his right to receive compensation as a member of the Board for 2017.

The compensation of each of our non-employee directors in 2017 is set forth below.

NAME	FEES EARNED OR PAID IN CASH	STOCK AWARDS(1)	TOTAL
Albert S. Baldocchi	$ 118,750	$120,348	$239,098
Paul T. Cappuccio	$107,800	$120,348	$ 228,148
John S. Charlesworth(2)	$ 41,781	$ 48,620	$ 90,401
Neil W. Flanzraich	$174,250	$120,348	$294,598
Patrick J. Flynn(2)	$ 50,981	$ 48,620	$ 99,601
Darlene J. Friedman(2)	$ 46,281	$ 48,620	$ 94,901
Stephen Gillett(2)	$ 42,531	$ 48,620	$ 91,151
Robin Hickenlooper	$ 95,750	$120,348	$ 216,098
Kimbal Musk	$ 85,250	$120,348	$205,598
Ali Namvar(3)	–	–	–
Matthew H. Paull	$ 92,750	$120,348	$ 213,098

(1) Reflects the grant date fair value under FASB Topic 718 of restricted stock units awarded for the equity portion of each director's annual retainer. Restricted stock units in respect of 250 shares of common stock were granted to non-employee directors Messrs. Baldocchi, Cappuccio, Flanzraich, Musk and Paull and Ms. Hickenlooper on May 25, 2017, and restricted stock units in respect of 101 shares of common stock were granted to non-employee directors Messrs. Charlesworth, Flynn and Gillett and Ms. Friedman on the same date. The restricted stock units were valued at $481.39, the closing price of our common stock on May 25, 2017. The restricted stock units vest on the third anniversary of the grant date subject to the director's continued service as a director through that date. Vesting accelerates in the event of the retirement of a director who has served for a total of six years (including any breaks in service), or in the event the director leaves the Board following certain changes in control of Chipotle. Directors may elect in advance to defer receipt upon vesting of the shares underlying the restricted stock units. As of December 31, 2017, Messrs Baldocchi, Flanzraich and Musk each held 704 unvested restricted stock units, and Messrs. Cappuccio, and Paull and Ms. Hickenlooper each held 266 unvested restricted stock units as of that date.

(2) Ms. Friedman and Messrs. Charlesworth and Flynn retired from the Board, and Mr. Gillett resigned from the Board, effective May 25, 2017. On May 24, 2017, the Compensation Committee approved the acceleration of vesting of 518 restricted stock units held by Mr. Gillett as of the date of his resignation.

(3) Mr. Namvar waived his right to receive compensation as an outside director for 2017.

CORPORATE GOVERNANCE

Our Board of Directors has adopted a number of policies to support our values and provide for good corporate governance, including our Corporate Governance Guidelines, which set forth our principles of corporate governance; our Board committee charters; the Chipotle Mexican Grill, Inc. Code of Conduct, which applies to all Chipotle officers, directors and employees; and separate Codes of Ethics for our directors, our Chief Executive Officer and our Chief Financial Officer/principal accounting officer. The Corporate Governance Guidelines, Code of Conduct, and each of the Codes of Ethics are available on the Investors page of our corporate website at ir.chipotle.com under the Corporate Governance link.

If we make any substantive amendment to, or grant a waiver from, a provision of the Code of Conduct or our Codes of Ethics that apply to our executive officers, we intend to satisfy the applicable SEC disclosure requirement by promptly disclosing the nature of the amendment or waiver on the Investors page of our website at ir.chipotle.com under the Corporate Governance link.

Chairman of the Board

Mr. Ells, our founder and Executive Chairman, serves as Chairman of the Board. The Chairman of the Board presides at meetings of the Board and exercises and performs such other powers and duties as may be periodically assigned to him in that capacity by the Board or prescribed by our bylaws. We believe it is not only appropriate but also important for Mr. Ells to serve as Chairman. As the founder of our company, he has since our inception been the principal architect of our corporate strategy and vision, and continues to be a primary driving force to keep our company innovative and striving for constant improvement. The Board believes that its oversight responsibilities can be most effectively fulfilled if the Board is led by that same driving force, and also believes that it is appropriate for Mr. Ells to lead the Board due to his being one of the largest individual shareholders of our company. The Board also believes that in light of recent changes on the Board as part of our ongoing Board refreshment efforts, as well as the recent appointment of Mr. Niccol as Chief Executive Officer and as a member of the Board, the continuity of vision and strategy that is inherent in having the company founder lead the Board will be valuable as new Board members are assimilated onto our Board and Mr. Niccol assimilates as Chief Executive Officer of our company.

The Board, particularly the Lead Director and the chairperson of the Nominating and Corporate Governance Committee, as well as each member of the Board through our annual Board evaluation program, carefully considers the Board's leadership structure, and acknowledges that at some point there may be a need for a different Board leadership structure. At the present time, however, the Board is confident that the leadership structure of Mr. Ells as Chairman of the Board, and Mr. Niccol as Chief Executive Officer and as a member of the Board, is in the best interests of Chipotle and our shareholders.

Lead Director

Mr. Flanzraich was appointed Lead Director in September 2014. The Board believes that maintaining a Lead Director position held by an independent director ensures that our outside directors remain independent of management and provide objective oversight of our business and strategy. The responsibilities of the Lead Director as provided in our Corporate Governance Guidelines are as follows: (i) chairing any Board meetings during executive session without employee directors present, which are held at least quarterly; (ii) consulting with the Chief Executive Officer and Chief Financial Officer on business issues and with the Nominating and Corporate Governance Committee on Board management; (iii) coordinating activities of the other independent directors and serving as a liaison between the Chairman and independent directors; (iv) calling meetings of the independent directors when determined to be necessary or appropriate; (v) reviewing and approving the agenda for each Board meeting; (vi) interviewing, along with the Chairman and the Chair and members of the Nominating and Corporate Governance Committee, candidates for director positions and making recommendations to the Nominating and Corporate Governance Committee; (vii) working in collaboration with the Chair of the Nominating and Corporate Governance Committee to complete the annual Board performance self-evaluation process; (viii) advising the Nominating and Corporate Governance Committee on the composition of Board committees and selection of committee chairs; (ix) providing leadership to the Board if circumstances arise in which the Chairman may have, or may be perceived to have, a conflict of interest; (x) considering Board succession planning matters; (xi) together with the chair of the Compensation Committee, leading the annual performance evaluation of the Chief Executive Officer; (xii) participating in shareholder outreach efforts relating to executive compensation and corporate governance matters; and (xiii) writing an annual letter to shareholders to be included in the proxy statement for our annual meeting of shareholders each year.

Board Performance Self-Evaluation Process

The Chairman of the Nominating and Corporate Governance Committee oversees an annual evaluation process during which each director evaluates the Board as a whole and their individual contributions to the Board, and each member of the standing committees of the Board evaluates the committees on which he or she serves.

The individual director evaluations consider, among other factors, (i) the extent to which directors understand our products, markets and business initiatives, (ii) the extent to which individual director experience, information and insight contribute to the effectiveness of the Board, and (iii) the availability of training and development opportunities, if necessary, to enhance individual contributions to the Board. The Board self-evaluations consider whether and how the Board has performed the responsibilities in our Corporate Governance Guidelines, evaluates the composition of the Board and its committees, and assesses the quality of meetings, agendas, presentations and meeting materials in relation to the Board's role of overseeing management's execution of our corporate strategies. The committee self-evaluations consider whether and how well each committee has performed the responsibilities in its charter, whether the committee members possess the right skills and experience to perform their responsibilities, whether the meeting materials are effective in communicating important information and enabling the committees to meet their responsibilities, and other matters.

For 2017, the Chairman of the Nominating and Corporate Governance Committee conducted an interview with each director to discuss the matters described above, and to conduct individual director self-evaluations and identify any other issues regarding Board or committee performance. The results of these discussions were then compiled and presented in discussions with the full Board. In some years, the Board self-evaluation also results in changes to the Board's policies, procedures and priorities in order to best enable the Board to discharge its oversight responsibilities.

How to Contact the Board of Directors

Any shareholder or other interested party may contact the Board of Directors, including the Lead Director or the non-employee directors as a group, or any individual director or directors, by writing to the intended recipient(s) in care of Chipotle Mexican Grill, Inc., 1401 Wynkoop Street, Suite 500, Denver, Colorado, 80202, Attention: Corporate Secretary. Any communication to report potential issues regarding accounting, internal controls and other auditing matters will be directed to the Audit Committee. Our corporate Secretary or general counsel, or their designees, will review and sort communications before forwarding them to the addressee(s), although communications that do not, in the opinion of the Secretary, our general counsel or their designees, deal with the functions of the Board or a committee or do not otherwise warrant the attention of the addressees may not be forwarded.

Executive Sessions

Our independent directors met in executive session without management present at the end of each regularly-scheduled Board meeting during 2017. The independent directors also typically hold an executive session prior to each regularly-scheduled Board meeting as well. The Lead Director chaired the non-employee executive sessions of the Board held during 2017. The Board expects to continue to conduct executive sessions of the independent directors at each regularly-scheduled Board meeting during 2018, and independent directors may schedule additional sessions in their discretion.

At regularly-scheduled meetings of the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee, executive sessions are scheduled at the end of each meeting, with only the committee members or the committee members and their advisors present, to discuss any topics the committee members deem necessary or appropriate.

Director Nomination Process

The Nominating and Corporate Governance Committee is responsible for establishing criteria for nominees to serve on our Board, screening candidates, and recommending for approval by the full Board candidates for vacant Board positions and for election at each annual meeting of shareholders. The committee's policies and procedures for consideration of Board candidates are described below. Each member of the Board is a nominee for election as a director at this year's annual meeting, and was recommended to the Board as a nominee by the Nominating and Corporate Governance Committee.

The committee considers candidates suggested by its members, other directors, senior management and shareholders. The committee is also authorized under its charter to retain, at our expense, search firms, consultants, and any other advisors it may deem appropriate to identify and screen potential candidates. The committee may also retain a search firm to evaluate and perform background reviews on director candidates, including those recommended by shareholders. Any advisors retained by the committee will report directly to the committee.

Candidate Qualifications and Considerations

The committee seeks to identify candidates of high integrity who have a strong record of accomplishment and who display the independence of mind and strength of character necessary to make an effective contribution to the Board and to represent the interests of all shareholders. Candidates are selected for their ability to exercise good judgment and to provide practical insights and diverse perspectives. In addition to considering the Board's and Chipotle's needs at the time a particular candidate is being considered, the committee considers candidates in light of the entirety of their credentials, including:

- Their integrity and business ethics;
- Their strength of character and judgment;
- Their ability and willingness to devote sufficient time to Board duties;
- Their potential contribution to the diversity and culture of the Board;
- Their educational background;

- Their business and professional achievements and experience and industry background, particularly in light of our principal business and strategies, and from the standpoint of alignment with our vision and values;
- Their independence from management, including under requirements of applicable law and listing standards, and any potential conflicts of interest arising from their other business activities; and
- Relevant provisions of our Corporate Governance Guidelines.

These factors may be weighted differently depending on the individual being considered or the needs of the Board at the time. We do not have a particular policy regarding the diversity of nominees or Board members. The Board does believe that diverse membership with varying perspectives and breadth of experience is an important attribute of a well-functioning Board. Accordingly, diversity (whether based on factors commonly associated with diversity such as race, gender, national origin, religion, or sexual orientation or identity, as well as on broader principles such as diversity of perspective and experience) is one of many elements that will be considered in evaluating a particular candidate. Search firms with which we work to identify potential Board nominees will be instructed to specifically focus on identifying candidates that would, in addition to bringing particular skills and experience to the Board, also add to the gender and/or ethnic diversity on the Board.

Consideration of Shareholder-Recommended Candidates and Procedure for Shareholder Nominations

Shareholders wishing to recommend candidates to be considered by the Nominating and Corporate Governance Committee must submit to our corporate Secretary the following information: a recommendation identifying the candidate, including the candidate's contact information; a detailed resume of the candidate and an autobiographical statement explaining the candidate's interest in serving on our Board; and a statement of whether the candidate meets applicable law and listing requirements pertaining to director independence. Candidates recommended by shareholders for consideration will be evaluated in the same manner as any other candidates, as described below under "– Candidate Evaluation Process," and in view of the qualifications and factors identified above under "– Candidate Qualifications and Considerations."

Under our bylaws, shareholders may also nominate candidates for election as a director at our annual meeting. To do so, a shareholder must comply with the provisions of our bylaws regarding shareholder nomination of directors, including compliance with the deadlines described under "Other Business and Miscellaneous – Shareholder Proposals and Nominations for 2019 Annual Meeting – Bylaw Requirements for Shareholder Submission of Nominations and Proposals" on page 60. Our bylaws also permit qualified shareholders or groups of shareholders to include nominations for election as a director in our proxy materials. To do so, a shareholder must comply with the proxy access provisions in our bylaws.

Candidate Evaluation Process

The Nominating and Corporate Governance Committee initially evaluates candidates in view of the qualifications and factors identified above under "– Candidate Qualifications and Considerations," and in doing so may consult with the Chairman, the Lead Director, other directors, senior management or outside advisors regarding a particular candidate. The committee also takes into account the results of recent Board and Board committee self-evaluations and the current size and composition of the Board, including expected retirements and anticipated vacancies. In the course of this evaluation, some candidates may be eliminated from further consideration because of conflicts of interest, unavailability to attend Board or committee meetings or other reasons. Following the initial evaluation, the committee would arrange for interviews of candidates deemed worthy of further consideration. To the extent feasible, candidates are interviewed by the Chairman, the Lead Director, and the members of the Nominating and Corporate Governance Committee, and potentially other directors as well. The results of these interviews would be considered by the committee in its decision to recommend a candidate to the Board. Those candidates approved by the Board as nominees are named in the proxy statement for election by the shareholders at the annual meeting (or, if between annual meetings, one or more nominees may be elected by the Board itself if needed to fill vacancies, including vacancies resulting from an increase in the number of directors).

Investor Agreement Regarding Board Nominations

On December 14, 2016, we and Pershing Square Capital Management, L.P. (together with funds it advises, "Pershing Square") entered into a letter of agreement (which we refer to as the "Investor Agreement") regarding nominations to the Board and a number of related matters.

The Investor Agreement provides for the nominations of Ali Namvar and Matthew Paull for election to Chipotle's Board at the 2017 annual meeting of shareholders and the 2018 annual meeting of shareholders, a procedure for replacing Mr. Namvar with a successor director in certain cases, and specified voting obligations of Pershing Square with respect to Chipotle's annual shareholder meetings. In accordance with the Investor Agreement, Pershing Square has further agreed to cause the resignation of Mr. Namvar from Chipotle's Board in the event Pershing Square's ownership of Chipotle's outstanding common stock falls below 5%.

Under the Investor Agreement, Pershing Square is also subject to specified standstill restrictions lasting generally until the later of a specified period before the advance notice period for nominating directors at Chipotle's 2019 annual meeting of shareholders, and a specified period after Pershing Square ceases to have any representatives serving on Chipotle's Board. For further details regarding the Investor Agreement and related agreements, see "Certain Relationships and Related Party Transactions."

Policies and Procedures for Review and Approval of Transactions with Related Persons

We recognize that transactions in which our executive officers, directors or principal shareholders, or family members or other associates of our executive officers, directors or principal shareholders, have an interest may raise questions as to whether those transactions are consistent with the best interests of Chipotle and our shareholders. Accordingly, our Board has adopted written policies and procedures requiring the Audit Committee to approve in advance, with limited exceptions, any transactions in which any person or entity in the categories named above has any material interest, whether direct or indirect, unless the value of all such transactions in which a related party has an interest during a year total less than $10,000. We refer to such transactions as "related person transactions." Current related person transactions to which we are a party are described on page 59.

A related person transaction will only be approved by the Audit Committee if the committee determines that the related person transaction is beneficial to us and the terms of the related person transaction are fair to us. No member of the Audit Committee may participate in the review, consideration or approval of any related person transaction with respect to which such member or any of his or her immediate family members is the related person.

Role of the Board of Directors in Risk Oversight

While our executive officers and various other members of management are responsible for the day-to-day management of risk, the Board of Directors and its standing committees exercise an oversight role with respect to risk issues facing our company. The following table summarizes the role of the Board and each of its committees in overseeing risk:

Governing Body	Role in Risk Oversight
Board	• Ongoing review of strategic plans, including associated risks • Regular review and analysis with management of most significant business risks as identified by the Board, the Audit Committee, and/or management
Audit Committee	• Oversees our risk management framework and the process for identifying, assessing and monitoring key business risks • Conducts annual review of internal risk assessment and mitigation plans • Discusses with management, our internal auditors and independent auditors major financial, operating and other risk exposures, as well as the adequacy and effectiveness of steps management has taken to monitor and control such exposures • Oversees compliance with legal and regulatory requirements and the Company's Code of Conduct • Oversees financial risks, including risks relating to key accounting policies • Reviews internal controls with management • Evaluates and oversees related person transactions • Meets regularly with representatives of the independent auditors

Governing Body	Role in Risk Oversight
Compensation Committee	• Oversees risks relating to our compensation programs • Employs an independent compensation consultant to assist in reviewing compensation programs, including potential risks created by the programs
Nominating and Corporate Governance Committee	• Oversees risks relating to corporate governance matters and processes • Oversees compliance with key corporate governance documents, including our Corporate Governance Guidelines • Conducts annual succession plan reviews to ensure the Company maintains appropriate succession plans for its senior officers

Board Leadership Structure and Risk Oversight

The Board believes our current leadership structure facilitates the oversight of risk by combining independent leadership through the Lead Director, independent Board committees, and majority independent Board, with an experienced Executive Chairman who has intimate knowledge of our business, industry and challenges. The Executive Chairman's in-depth understanding of these matters has also been bolstered through the appointment of our new Chief Executive Officer, who also has extensive operating, leadership and risk management experience from his prior roles. The experience and operating expertise that our Executive Chairman and our Chief Executive Officer bring to the Board, combined with the independent leadership of our Lead Director, allow the Board to promptly identify and raise key risks, hold special meetings of the Board when necessary to address critical issues, and focus management's attention on areas of concern. Additionally, the Board's independent committees, or the independent directors as a whole, can objectively assess the risks identified by the Board or by management, as well as management's effectiveness in managing such risks.

An Advisory Vote to Approve the Compensation of our Executive Officers as Disclosed in this Proxy Statement

As required by Section 14A of the Securities Exchange Act of 1934, we are asking shareholders to cast an advisory vote to approve the compensation of our executive officers as disclosed in this proxy statement. This proposal, commonly known as a "say-on-pay" proposal, gives shareholders the opportunity to endorse or not endorse our executive compensation programs and policies and the compensation paid to our executive officers. We have committed to holding say-on-pay votes at each year's annual meeting until at least the next shareholder vote on the frequency of say-on-pay votes in 2023.

Executive Compensation Disclosures

Detailed discussion and analysis of our executive compensation begins on page 35. See, in particular, the disclosures under "Executive Officers and Compensation – Compensation Discussion and Analysis – Executive Summary" for a concise description of shareholder outreach in which we've engaged in regards to the compensation of our executive officers, compensation decisions the Compensation Committee made for 2017, and measures we've taken to ensure that executive compensation is aligned with company performance and the creation of shareholder value.

Say-on-Pay Resolution

The Compensation Committee of our Board of Directors believes that our executive compensation programs continue to emphasize performance-oriented components that encourage and reward strong operating and financial performance and stock price gains, and that have aligned the interests of our officer team with those of shareholders. Accordingly, our Board asks that you vote in favor of the following shareholder resolution:

> "RESOLVED, that the compensation of the executive officers of Chipotle Mexican Grill, Inc. as disclosed pursuant to the Securities and Exchange Commission's compensation disclosure rules, including the Compensation Discussion and Analysis section, compensation tables and related material in the company's proxy statement, are hereby approved."

The say-on-pay vote is advisory and therefore will not be binding on the Compensation Committee, the Board of Directors, or Chipotle. However, the Compensation Committee and Board will review the voting results and take them into consideration when making future decisions regarding executive compensation.

The Board of Directors recommends a vote FOR the say-on-pay proposal.

Ratification of Appointment of Ernst & Young LLP as Independent Registered Public Accounting Firm

The Audit Committee, which is responsible for the appointment, compensation and oversight of our independent auditors, has engaged Ernst & Young LLP as independent auditors to audit our consolidated financial statements for the year ending December 31, 2018 and to perform other permissible, pre-approved services. As a matter of good corporate governance, we are requesting that shareholders ratify the committee's appointment of Ernst & Young as independent auditors. If shareholders do not ratify the appointment of Ernst & Young, the committee will reevaluate the appointment. Even if the selection is ratified, the committee in its discretion may select a different independent registered public accounting firm at any time during fiscal 2018 if it determines that such a change would be in the best interests of Chipotle and our shareholders.

The Audit Committee annually evaluates the performance of our independent registered public accounting firm, including the senior audit engagement team, and determines whether to reengage the current independent auditors or consider other audit firms. Factors considered by the committee in deciding whether to retain include:

- Ernst & Young's capabilities considering the scope and complexity of our business, and the resulting demands placed on Ernst & Young in terms of technical expertise and knowledge of our industry and business;
- the quality and candor of Ernst & Young's communications with the committee and management;
- Ernst & Young's independence;
- the quality and efficiency of the services provided by Ernst & Young, including input from management on Ernst & Young's performance and how effectively Ernst & Young demonstrated its independent judgment, objectivity and professional skepticism;
- external data on audit quality and performance, including recent Public Company Accounting Oversight Board (PCAOB) reports on Ernst & Young and its peer firms; and
- the appropriateness of Ernst & Young's fees, tenure as our independent auditor, including the benefits of a longer tenure, and the controls and processes in place that help ensure Ernst & Young's continued independence.

Based on this evaluation, the Audit Committee and the Board believe that retaining Ernst & Young to serve as our independent registered public accounting firm for the fiscal year ending December 31, 2018, is in the best interests of Chipotle and our shareholders.

The Audit Committee also oversees the process for, and ultimately approves, the selection of our independent registered public accounting firm's lead engagement partner at the five-year mandatory rotation period. Prior to the mandatory rotation period, at the committee's instruction, Ernst & Young will select candidates to be considered for the lead engagement partner role, who are then interviewed by members of our management. After considering the candidates recommended by Ernst & Young, management makes a recommendation to the committee regarding the new lead engagement partner. After discussing the qualifications of the proposed lead engagement partner with the current lead engagement partner, the members of the committee, individually and/or as a group, will interview the leading candidate, and the committee then considers the appointment and approves the selection as a committee. A new lead engagement partner was appointed for the 2016 audit; the next change in lead engagement partner after the current five-year rotation period will occur for the 2021 audit.

The Audit Committee has adopted a policy which sets out procedures that the committee must follow when retaining the independent auditor to perform audit, review and attest engagements and any engagements for permitted non-audit services. This policy is summarized below under "– Policy for Pre-Approval of Audit and Permitted Non-Audit Services" and will be reviewed by the committee periodically, but no less frequently than annually, for purposes of assuring continuing compliance with applicable law. All services performed by Ernst & Young for the years ended December 31, 2017 and 2016 were pre-approved by the Audit Committee in accordance with this policy, following a determination by the committee that the fees to be paid to Ernst & Young in each year, including in connection with non-audit services, were appropriate, necessary and cost-efficient in the management of our business, and did not present a risk of compromising the independence of Ernst & Young as our independent auditors.

Ernst & Young has served as our independent auditors since 1997. Representatives of Ernst & Young are expected to be present at the annual meeting and will have an opportunity to make a statement if they desire to do so, and are expected to be available to respond to appropriate questions.

INDEPENDENT AUDITORS' FEE

The aggregate fees and related reimbursable expenses for professional services provided by Ernst & Young for the years ended December 31, 2017 and 2016 were:

Fees for Services	2017	2016
Audit Fees(1)	$943,578	$783,808
Audit-Related Fees	–	–
Tax Fees(2)	37,451	168,426
All Other Fees	–	–
Total Fees	$ 981,129	$ 952,234

(1) Includes fees and expenses related to the fiscal year audit and interim reviews, notwithstanding when the fees and expenses were billed or when the services were rendered. Audit fees also include fees and expenses, if any, related to SEC filings, comfort letters, consents, SEC comment letters and accounting consultations.

(2) Represents fees for tax consulting and advisory services.

The Board of Directors recommends a vote FOR the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the year ending December 31, 2018.

AUDIT COMMITTEE REPORT

With regard to the fiscal year ended December 31, 2017, the Audit Committee (i) reviewed and discussed with management our audited consolidated financial statements as of December 31, 2017 and for the year then ended; (ii) discussed with Ernst & Young LLP, the independent auditors, the matters required by the Auditing Standards 1301, Communication with Audit Committees; (iii) received the written disclosures and the letter from Ernst & Young LLP required by applicable requirements of the PCAOB regarding Ernst & Young LLP's communications with the Audit Committee regarding independence; and (iv) discussed with Ernst & Young LLP their independence.

Based on the review and discussions described above, the Audit Committee recommended to our Board of Directors that our audited consolidated financial statements be included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 for filing with the SEC.

The Audit Committee:
Albert S. Baldocchi, Chairperson
Paul Cappuccio
Robin Hickenlooper

POLICY FOR PRE-APPROVAL OF AUDIT AND PERMITTED NON-AUDIT SERVICES

The Board of Directors has adopted a policy for the pre-approval of all audit and permitted non-audit services proposed to be provided to Chipotle by its independent auditors. This policy provides that the Audit Committee must pre-approve all audit, review and attest engagements and may do so on a case-by-case basis or on a class basis if the relevant services are predictable and recurring. Any internal control-related service may not be approved on a class basis, but must be individually pre-approved by the committee. The policy prohibits the provision of any services that the auditor is prohibited from providing under applicable law or the standards of the PCAOB.

Pre-approvals on a class basis for specified predictable and recurring services are granted annually at or about the start of each fiscal year. In considering all pre-approvals, the committee may take into account whether the level of non-audit services, even if permissible under applicable law, is appropriate in light of the independence of the auditor. The committee reviews the scope of services to be provided within each class of services and imposes fee limitations and budgetary guidelines in appropriate cases.

The committee may pre-approve a class of services for the entire fiscal year. Pre-approval on an individual service basis may be given or effective only up to six months prior to commencement of the services.

The committee periodically reviews a schedule of fees paid and payable to the independent auditor by type of covered service being performed or expected to be provided. Our Chief Financial Officer is also required to report to the committee any non-compliance with this policy of which he becomes aware. The committee may delegate pre-approval authority for individual services or a class of services to any one of its members, provided that delegation is not allowed in the case of a class of services where the aggregate estimated fees for all future and current periods would exceed $500,000. Any class of services projected to exceed this limit or individual service that would cause the limit to be exceeded must be pre-approved by the full committee. The individual member of the committee to whom pre-approval authorization is delegated reports the grant of any pre-approval by the individual member at the next scheduled meeting of the committee.

Approval of the Amended and Restated Chipotle Mexican Grill, Inc. 2011 Stock Incentive Plan

Introduction

We are requesting that shareholders approve the amendment and restatement of our Amended and Restated 2011 Stock Incentive Plan, as preliminarily approved by the Board of Directors on March 13, 2018, subject to shareholder approval at the annual meeting. If this proposal is approved:

- 1,270,000 shares will be added to the number of shares authorized for issuance under the 2011 Stock Incentive Plan;
- Plan provisions regarding incentive awards subject to performance goals will be modified in light of the repeal of the "performance-based compensation" exemption under Section 162(m) of the Internal Revenue Code;
- the term of the Plan would be extended by approximately two years; and
- various administrative changes and clarifications will be made or authorized as discussed below.

If this amendment and restatement is not approved by shareholders at the annual meeting, no new shares will be added and equity awards will continue to be granted under the 2011 Stock Incentive Plan as currently in effect.

The 2011 Stock Incentive Plan is our only plan for providing equity incentive compensation to our employees, other than our tax-qualified Employee Stock Purchase Plan that allows employees to purchase our stock at a discount. The Board believes that our 2011 Stock Incentive Plan is in the best interests of shareholders and Chipotle, as equity awards granted under this plan help to attract, motivate, and retain key talent, align employee and shareholder interests, link employee compensation to company performance and maintain a culture based on employee stock ownership. Equity is a significant component of total compensation for many of our key employees.

The following discussion and summary of the 2011 Stock Incentive Plan as proposed to be amended and restated is qualified in its entirety by reference to the actual text of the plan document. A copy of the 2011 Stock Incentive Plan as proposed to be amended and restated, marked to show proposed changes versus the plan as currently in effect, is attached as Appendix A to this proxy statement.

Significant Changes in the Amended and Restated 2011 Stock Incentive Plan

We are requesting that shareholders approve the Amended and Restated 2011 Stock Incentive Plan to include the following significant changes:

Increase to Share Reserve

The Board has determined that the 2011 Stock Incentive Plan does not have sufficient shares of common stock under it to support our intended compensation programs. The Board believes that our success is largely dependent on our ability to attract and retain highly-qualified employees, non-employee directors and other key service providers. The Board strongly believes in aligning the interests of our key service providers with those of our shareholders. As such, we are proposing to amend the 2011 Stock Incentive Plan to increase the number of shares of our common stock subject thereto from 5,560,000 shares to 6,830,000 shares.

Changes Relating to the Repeal of Section 162(m)'s Performance-Based Compensation Exception

The recently-enacted Tax Cuts and Jobs Act repealed the "performance-based compensation" exemption from the limits on deductibility under Section 162(m) for awards granted after November 2, 2017. While there is no federal tax advantage to granting compensation in the form of "performance-based compensation" going forward, we remain committed to granting awards based on achievement of performance goals tied to our success. If the shareholders approve the amendment and restatement, performance goals may be based on, among other things, achievement of revenue, income and return goals and other financial or operational criteria the Compensation Committee of our Board determines to be appropriate. The committee will also be able to reduce award payouts under certain circumstances and have additional flexibility to grant awards subject to performance goals and to establish the length of performance periods.

95% of Time-Vested Shares Must Have a Vesting Schedule of One Year or More

The 2011 Stock Incentive Plan as proposed to be amended and restated requires that at least 95% of shares that vest based on continued employment cannot vest before the first anniversary of their grant date.

Share Withholding for Tax Purposes In Excess of Statutory Minimum

The proposed amendments to the 2011 Stock Incentive Plan would allow the committee to permit participants who incur a tax obligation in connection with an award under the plan to have Chipotle satisfy associated tax withholding obligations by withholding shares with a value greater than the statutory minimum (currently, 22% of the amount of the related tax obligation).

Corporate Governance Aspects of the 2011 Stock Incentive Plan

The 2011 Stock Incentive Plan includes several provisions that promote best practices by reinforcing alignment with shareholders' interests. These provisions include, but are not limited to, the following:

- No Discounted Options or Stock Appreciation Rights: Stock options and stock appreciation rights may not be granted with exercise prices lower than the market value of the underlying shares on the grant date.
- No Repricing without Shareholder Approval: Other than in connection with corporate reorganizations or restructurings, at any time when the purchase price of a stock option or stock appreciation right is above the market value of a share, Chipotle will not, without shareholder approval, reduce the purchase price of such stock option or stock appreciation right and will not exchange such stock option or stock appreciation right for a new award with a lower (or no) purchase price or for cash.
- No Liberal Share Recycling: Shares used to pay the exercise price or withholding taxes related to an equity award under the plan, unissued shares resulting from the net settlement of any such equity awards, and shares purchased by us in the open market using the proceeds of option exercises, do not become available for issuance as future equity awards under the plan.
- No Transferability: Equity awards generally may not be transferred, except by will or the laws of descent and distribution, unless approved by the Compensation Committee.
- No Evergreen Provision: The 2011 Stock Incentive Plan does not contain an "evergreen" feature pursuant to which the shares authorized for issuance under the plan can be automatically replenished.
- No Automatic Grants: The 2011 Stock Incentive Plan does not provide for automatic grants to any participant.
- No Tax Gross-ups: The 2011 Stock Incentive Plan does not provide for any tax gross-ups.

Key Terms of the 2011 Stock Incentive Plan

Eligible Persons

Currently, executive officers, officers, other employees, consultants, advisors and non-employee directors of Chipotle and our subsidiaries are eligible to participate in the plan. As of March 23, 2018, this group includes seven non-employee directors and approximately 72,600 employees, consultants and advisors, including our five executive officers.

Types of Awards

The 2011 Stock Incentive Plan authorizes the Compensation Committee to grant non-qualified and incentive stock options, stock appreciation rights and full value awards, including restricted stock, restricted stock units, performance shares, deferred share units, phantom stock or share-denominated performance units. No grants of equity awards are permitted under the plan after March 16, 2023.

Share Reserve

The initial share reserve was 3,360,000 shares of common stock, which was increased to 5,560,000 shares in May 2015, and if the amendment and restatement is approved by shareholders would be increased by an additional 1,270,000 shares to 6,830,000 total shares. As of January 5, 2018, 1,557,994 shares remained authorized but unissued under the plan; as a result, if this proposal is approved, a total of 2,827,994 shares would have been available for issuance under the plan as of that date. Shares issued with respect to full value awards are counted as two shares for every share that is actually issued. For example, if 100 shares are issued with respect to a restricted stock unit award granted under this plan, 200 shares will be counted against the share reserve. A share subject to a stock option or stock appreciation right issued under the 2011 Stock Incentive Plan only counts as one share against the share reserve.

Share Counting Rules

The following rules apply for counting shares against the applicable share limits of the 2011 Stock Incentive Plan:

- To the extent that an equity award is settled in cash or a form other than shares, the shares that would have been delivered had there been no such cash or other settlement will not be counted against the shares available for issuance under the 2011 Stock Incentive Plan.

- To the extent that shares are delivered pursuant to the exercise of a stock appreciation right or stock option, the number of underlying shares to which the exercise related shall be counted against the applicable share limits, as opposed to the number of shares actually issued. For example, if a stock option relates to 1,000 shares and is fully exercised at a time when the payment due to the participant is 150 shares (such as due to a net exercise feature or a participant tendering shares to exercise a stock option), 1,000 shares shall nevertheless be the net charge against the applicable share limit. Shares that are exchanged by a participant to pay the exercise price of an option or stock appreciation right granted under the plan, as well as any shares exchanged or withheld to satisfy the tax withholding obligations related to any option or stock appreciation right, will not be available for subsequent awards under the plan.
- Except as otherwise provided below, shares that are subject to awards that expire or for any reason are cancelled or terminated, are forfeited, fail to vest, or for any other reason are not paid or delivered under the 2011 Stock Incentive Plan will again be available for subsequent awards under the 2011 Stock Incentive Plan. Any such shares subject to full value awards will become available taking into account the two to one share counting rule, discussed above, for these types of awards. For example, if a 100 share restricted stock unit award is made under the plan, the award would count as 200 shares against the plan's share limit after giving effect to the two to one share counting rule. If the award is later forfeited before it vests, the 200 shares that were originally counted against the plan's share limit would again be available for subsequent awards under the plan.
- Shares that are withheld to satisfy the tax withholding obligations related to any award will not be available for subsequent awards under the 2011 Stock Incentive Plan.
- Chipotle may not increase the applicable share limits of the 2011 Stock Incentive Plan by repurchasing shares of our common stock on the market (including by using cash received through the exercise of stock options or otherwise).
- Shares issued in connection with awards that are granted by or become obligations of Chipotle through the assumption of awards (or in substitution for awards) in connection with an acquisition of another company will not count against the shares available for issuance under the 2011 Stock Incentive Plan, and such awards may reflect the original terms of the related award being assumed or substituted for and need not comply with other specific terms of the plan.

Award Limits

The maximum number of shares that may be covered by awards granted under the 2011 Stock Incentive Plan to any single participant during any calendar year is 700,000.

The maximum number that may be covered by "incentive stock options" within the meaning of Section 422 of the Internal Revenue Code may not exceed 300,000.

Vesting and Exercise of Stock Options and Stock Appreciation Rights

The exercise price of stock options granted under the 2011 Stock Incentive Plan may not be less than the fair market value of our common stock on the date of grant. The fair market value is generally the closing price of our common stock on a specified date, although the Compensation Committee is permitted to determine fair market value using any valuation method permitted under the stock rights exemption available under IRS regulations. The maximum exercise period may not be longer than ten years. The committee determines when each stock option becomes exercisable, including the establishment of performance vesting criteria, if any. The award agreement specifies the consequences under the stock option of a recipient's termination of employment, service as a director or other relationship between us and the participant. Unless otherwise specified in an award agreement for a particular option, unvested stock options vest in full in the event of a participant's termination without cause or resignation for good reason (as defined in the 2011 Stock Incentive Plan) within two years following a change in control (as defined in the plan). Similar terms and limitations apply to stock appreciation rights under the plan.

Vesting of Full Value Awards

The Compensation Committee may make the grant, issuance, retention, or vesting of full value awards contingent upon continued employment with Chipotle, the passage of time, or such performance criteria and the level of achievement against such criteria as it deems appropriate. A full value award may, among other things, involve the transfer of actual shares of common stock, either at the time of grant or thereafter, or payment in cash or otherwise of amounts based on the value of shares of common stock and be subject to performance-based and/or service-based conditions. Unless otherwise specified in an award agreement for a particular award, unvested full value awards vest in full in the event of a participant's termination without cause or resignation for good reason (as defined in the 2011 Stock Incentive Plan) within two years following a change in control (as defined in the plan).

Administration
The Compensation Committee administers the 2011 Stock Incentive Plan, and has broad authority to do all things necessary or desirable, in its sole discretion, in connection with plan administration. The committee will select who will receive equity awards; determine the number of shares covered thereby; and, subject to the terms and limitations expressly set forth in the plan, establish the terms, conditions, and other provisions of the equity awards. The committee may interpret the 2011 Stock Incentive Plan and establish, amend, and rescind any rules related to the plan, and make remedial changes to the terms of an outstanding equity award to comply with applicable laws, regulations and listing requirements and to avoid unintended consequences resulting from unexpected events. The committee has the discretion to permit the automatic exercise of vested in-the-money stock options and stock appreciation rights, and can delegate this authority to Chipotle's management. The committee has the authority to toll the exercise period for stock options and stock appreciation rights if such awards held by a former employee cannot be exercised due to trading or other legal restrictions, but not beyond the maximum expiration date of the stock options or stock appreciation rights.

Claw-back Provision for Executive Officers
Equity awards granted to a participant who is determined by the Board to be an "executive officer" shall be subject to any right that Chipotle may have under any recoupment policy or other agreement with such participant, including any provisions that may be adopted regarding the recovery of "incentive-based compensation" under the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Amendments Requiring Shareholder Approval
The Board may terminate, amend, or suspend the 2011 Stock Incentive Plan, provided that no action may be taken by the Board (except those described in "Adjustments" below) without shareholder approval to:

- increase the number of shares that may be issued under the 2011 Stock Incentive Plan;
- reprice, repurchase, or exchange underwater stock options or stock appreciation rights;
- amend the maximum number of shares that may be granted to a participant within a single calendar year;
- extend the term of the 2011 Stock Incentive Plan;
- change the class of persons eligible to participate in the 2011 Stock Incentive Plan; or
- otherwise implement any amendment required to be approved by shareholders under exchange listing rules as in effect from time to time.

Adjustments
In the event of a stock dividend, recapitalization, stock split, combination of shares, extraordinary dividend of cash or assets, reorganization, or exchange of our common stock, or any similar equity restructuring transaction (as that term is used in Financial Accounting Standards Board Accounting Standards Codification Topic 718) affecting our common stock, the Compensation Committee will equitably adjust the number and kind of shares available for grant under the 2011 Stock Incentive Plan, the number and kind of shares subject to the award limitations set forth in the plan, the number and kind of shares subject to outstanding awards under the plan, and the exercise price of outstanding stock options and of other awards.

The impact of a merger or other reorganization of Chipotle on outstanding stock options, stock appreciation rights and full value awards granted under the 2011 Stock Incentive Plan shall be determined in the Compensation Committee's sole discretion. Permitted adjustments include assumption of outstanding equity awards, accelerated vesting, or accelerated expiration of outstanding equity awards, or settlement of outstanding awards in cash.

The Compensation Committee also has the discretion to modify or waive the performance goals of an outstanding performance-based award in the event that an unanticipated change in circumstances renders them unsuitable.

U.S. Tax Consequences under the 2011 Stock Incentive Plan

The following summary sets forth the tax events generally expected for United States citizens under current United States federal income tax laws in connection with equity awards under the 2011 Stock Incentive Plan. This summary omits the tax laws of any municipality, state, or foreign country in which a participant resides.

Stock Options
A participant will realize no taxable income, and we will not be entitled to any related deduction, at the time a stock option that does not qualify as an "incentive stock option" under the Internal Revenue Code (or the "Code") is granted under the 2011 Stock Incentive Plan. At the time of exercise of such a non-qualified stock option, the participant will realize ordinary income, and we will be entitled to a deduction (subject to the limitations of Section 162(m) of

the Code), equal to the excess of the fair market value of the stock on the date of exercise over the option price. Upon disposition of the shares, any additional gain or loss realized by the recipient will be taxed as a capital gain or loss, long-term or short-term, based upon how long the shares are held.

For stock options that qualify for treatment as "incentive stock options" under the Code, a participant will realize no taxable income, and we will not be entitled to any related deduction, at the time an incentive stock option is granted. If certain statutory employment and holding period conditions are satisfied before the participant disposes of shares acquired pursuant to the exercise of such an option, then no taxable income will result upon the exercise of such option, and we will not be entitled to any deduction in connection with such exercise. Upon disposition of the shares after expiration of the statutory holding periods, any gain or loss realized by a participant will be a long-term capital gain or loss. We will not be entitled to a deduction with respect to a disposition of the shares by a participant after the expiration of the statutory holding periods. Except in the event of death, if shares acquired by a participant upon the exercise of an incentive stock option are disposed of by such participant before the expiration of the statutory holding periods, such participant will be considered to have realized as compensation, taxable as ordinary income in the year of disposition, an amount, not exceeding the gain realized on such disposition, equal to the difference between the exercise price and the fair market value of the shares on the date of exercise of the option. We will be entitled to a deduction at the same time and in the same amount as the participant is deemed to have realized ordinary income, subject to the limitations of Section 162(m) of the Code. Any gain realized on the disposition in excess of the amount treated as compensation or any loss realized on the disposition will constitute capital gain or loss, respectively. Such capital gain or loss will be long-term or short-term based upon how long the shares were held. The foregoing discussion applies only for regular tax purposes. For alternative minimum tax purposes, an incentive stock option will be treated as if it were a non-qualified stock option.

Stock Appreciation Rights; Performance Shares

In general, (a) the participant will not realize income upon the grant of a stock appreciation right or performance shares; (b) the participant will realize ordinary income, and we will be entitled to a corresponding deduction (subject to the limitations of Section 162(m) of the Code), in the year cash or shares of common stock are delivered to the participant upon exercise of a stock appreciation right or in payment of the performance shares; and (c) the amount of such ordinary income and deduction will be the amount of cash received plus the fair market value of the shares of common stock received on the date of issuance. The federal income tax consequences of a disposition of unrestricted shares received by the participant upon exercise of a stock appreciation right or in payment of a performance shares award are the same as described below with respect to a disposition of unrestricted shares.

Restricted Stock; Restricted Stock Units

Unless the participant files an election to be taxed under Section 83(b) of the Code: (a) the participant will not realize income upon the grant of restricted stock; (b) the recipient will realize ordinary income, and we will be entitled to a corresponding deduction (subject to the limitations of Section 162(m) of the Code), when the restrictions have been removed or expire; and (c) the amount of such ordinary income and deduction will be the fair market value of the restricted stock on the date the restrictions are removed or expire. If the participant files an election to be taxed under Section 83(b) of the Code, the tax consequences to the recipient will be determined as of the date of the grant of the restricted stock rather than as of the date of the removal or expiration of the restrictions.

A participant will not realize income upon the grant of restricted stock units, but will realize ordinary income, and we will be entitled to a corresponding deduction (subject to the limitations of Section 162(m) of the Code), when the restricted stock units have vested and been settled in cash and/or shares of our common stock. The amount of such ordinary income and deduction will be the amount of cash received plus the fair market value of the shares of our common stock received on the date of issuance.

When the participant disposes of shares of stock received in respect of an award of restricted stock or restricted stock units, the difference between the amounts received upon such disposition and the fair market value of such shares on the date the recipient realizes ordinary income will be treated as a capital gain or loss, long-term or short-term, based upon how long the shares are held.

Section 409A

Section 409A of the Code provides additional tax rules governing non-qualified deferred compensation. Generally, Section 409A will not apply to awards granted under the 2011 Stock Incentive Plan, but may apply in some cases to restricted stock unit, performance shares, deferred share units, phantom stock or share-denominated performance units. For such awards subject to Section 409A, certain officers of the company may experience a delay of up to six months in the settlement of the awards in shares of company stock.

Withholding

The 2011 Stock Incentive Plan permits us to withhold from awards an amount sufficient to cover withholding taxes. In lieu of cash, the committee may permit a participant to cover withholding obligations through a reduction in the number of shares to be delivered to such participant or by delivery of shares already owned by the participant.

$1 Million Employer Deduction Limit under Section 162(m)

For tax years beginning prior to January 1, 2018, compensation that qualifies as "performance-based compensation" is excluded from the $1 million deduction limit under Section 162(m) of the Code, and therefore remains fully deductible by Chipotle. This deduction limitation under pre-2018 law applies to the chief executive officer and the three other most highly compensated employees employed at the end of the fiscal year other than the chief executive officer and chief financial officer. Generally, options and stock appreciation rights granted by the committee with an exercise price at least equal to 100% of fair market value of the underlying stock at the date of grant qualify as "performance-based compensation." Other awards subject to attainment of performance goals set by the committee as provided under the 2011 Stock Incentive Plan can also be treated as "performance-based compensation." However, there is no assurance that these types of compensation granted under the 2011 Stock Incentive Plan will be fully deductible under all circumstances. In addition, other awards under the plan, such as restricted stock and restricted stock units subject to only service-based vesting conditions, will be subject to the $1 million deduction limitation. Thus, compensation paid to certain named executive officers in connection with such awards with respect to a tax year beginning before January 1, 2018 may, to the extent it and other compensation subject to Section 162(m) exceed $1 million, not be fully deductible by Chipotle.

Effective for tax years beginning on and after January 1, 2018, the Tax Cuts and Jobs Act significantly changes Section 162(m). It expands the scope of "covered employees" to include the chief financial officer and provides that anyone listed as a named executive officer in the Summary Compensation Table in a proxy filing during 2017 or a later year will remain a covered employee regardless of any change in employment. This legislation also repeals the performance-based compensation exemption. As a result, awards granted under the 2011 Stock Incentive Plan and deductible in a tax year beginning on and after January 1, 2018 will be subject to the $1 million limitation irrespective of whether performance goals must be met as a condition for payment. However, an award granted under the 2011 Stock Incentive Plan prior to November 2, 2017 that qualifies as a "written binding contract" under the Tax Cuts and Jobs Act will remain deductible going forward under the pre-2018 law as described above, provided there is no material modification to such award. There is no guarantee that any award granted prior to November 2, 2017 will remain deductible as performance-based compensation under the transition rule.

Key Metrics Related to the 2011 Stock Incentive Plan

The following table sets forth the overhang, burn rate and dilution metrics for 2015 through 2017 under the 2011 Stock Incentive Plan:

	2015	2016	2017	2018
Shares Available for Grant 12/31	2,988	2,165	1,786	1,558[(1)]
Burn Rate	1.50%	1.88%	1.39%	N/A
Current Dilution	5.97%	6.52%	6.64%	N/A
Total Potential Dilution	14.41%	12.57%	11.39%	N/A

(1) As of January 5, 2018, 1,557,994 shares were available for grant under the plan

"Current Dilution" is the number of shares subject to equity awards outstanding but not exercised, divided by the total number of common shares outstanding as of December 31st of the applicable year.

The "Burn Rate" measures how quickly we use shares and is calculated by dividing the number of equity awards granted during any particular period by the number of outstanding shares of common stock as of December 31st of the applicable year. A higher burn rate indicates an increased number of equity awards being granted to employees and/or directors. The burn rate is usually compared to industry data, particularly data furnished by various shareholder services groups.

"Total Potential Overhang" is the number of shares subject to equity awards outstanding but not exercised, plus the number of shares available to be granted, divided by the total number of common shares outstanding as of December 31st of the applicable year.

New Plan Benefits

The benefits that will be awarded or paid in the future under the amended and restated 2011 Stock Incentive Plan cannot currently be determined. Awards granted under this plan after the date of our 2018 Annual Meeting are within the discretion of the Compensation Committee, subject to limits as described above on the maximum amounts that may be awarded to any individual. As of March 23, 2018, 2018, the closing price of a share of Chipotle common stock was $322.30.

As described beginning on page 50, we have entered into an offer letter with Brian Niccol, our Chief Executive Officer, under which Mr. Niccol is entitled to awards of (1) performance shares with a target value of $3.0 million as of the grant date, which will have the same terms and conditions as applicable to annual 2018 performance share awards granted to senior executives of Chipotle generally, and (2) stock appreciation rights with a grant date value of $2.0 million and an exercise price equal to the closing price of our common stock on the grant date, which will vest in equal amounts on the first, second and third anniversaries of the grant date, subject to possible acceleration of vesting in the event of a termination of employment by Chipotle without cause or by Mr. Niccol for good reason (in each case as defined in the offer letter), and a seven year term. These awards will be made under the 2011 Stock Incentive Plan, regardless of whether this proposal is approved, but had not been made as of the date hereof. We expect to make awards of performance shares and stock appreciation rights with similar terms to those described above to other executive officers and employees under the 2011 Stock Incentive Plan as well, but those awards also had not been made as of the date hereof.

The Board of Directors recommends a vote FOR the approval of the proposed amendment and restatement of the 2011 Stock Incentive Plan.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table presents information regarding options and rights outstanding under our equity compensation plans as of December 31, 2017. All options reflected are stock-only stock appreciation rights denominated in shares of our common stock.

	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options and Rights(1)	(b) Weighted-Average Exercise Price of Outstanding Options and Rights(1)	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in column (a))(2)
Equity Compensation Plans Approved by Security Holders	2,211,600	$480.09	2,032,484
Equity Compensation Plans Not Approved by Security Holders	None	N/A	None
Total	2,211,600	$480.09	2,032,484

(1) Includes shares issuable in connection with awards with performance and market conditions, which will be issued based on achievement of performance criteria associated with the awards, with the number of shares issuable dependent on our level of performance. The weighted-average exercise price in column (b) includes the weighted-average exercise price of SOSARs only.

(2) Includes 1,786,198 shares remaining available under the 2011 Stock Incentive Plan prior to the amendments being proposed herein, and 246,286 shares remaining available under the Chipotle Mexican Grill, Inc. Employee Stock Purchase Plan. In addition to being available for future issuance upon exercise of SOSARs or stock options that may be granted after December 31, 2017, all of the shares available for grant under the 2011 Stock Incentive Plan may instead be issued in the form of restricted stock, restricted stock units, performance shares or other equity-based awards. Each share underlying a full value award such as restricted stock, restricted stock units or performance shares counts as two shares used against the total number of securities authorized under the plan.

Proposal 5 is a shareholder proposal. If the shareholder proponent of the proposal, or representative who is qualified under state law, is present at the annual meeting and submits the proposal for a vote, the proposal will be voted upon. The shareholder proposal and related supporting statement is included in this proxy statement as submitted by the proponent and we accept no responsibility for its contents. The Board's statement in opposition to the proposal is presented immediately following the proposal and supporting statement. The name and address of the proponent and the amount of stock owned by such proponent will be promptly provided to any shareholder making an oral or written request for such information to our corporate Secretary at our headquarters.

Proposal 5

AN ADVISORY VOTE ON A SHAREHOLDER PROPOSAL REQUESTING THAT WE IMPLEMENT A RIGHT OF SHAREHOLDERS TO ACT BY WRITTEN CONSENT WITHOUT A MEETING

Resolved Chipotle Mexican Grill, Inc. (CMG) shareholders request that our board of directors undertake such steps as may be necessary to permit written consent by shareholders entitled to cast the minimum number of votes that would be necessary to authorize the action at a meeting at which all shareholders entitled to vote thereon were present and voting. This written consent is to be consistent with applicable law and consistent with giving shareholders the fullest power to act by written consent consistent with applicable law. This includes shareholder ability to initiate any topic for written consent consistent with applicable law.

Supporting Statement: Shareholder rights to act by written consent and to call a special meeting are two complimentary ways to bring an important matter to the attention of both management and shareholders outside the annual meeting cycle. This is important because there could be 15-months between annual meetings.

A shareholder right to act by written consent is one method to equalize our restricted provisions for shareholders to call a special meeting. For instance it takes 25% of shareholders at our company to call a special meeting when many companies allow 10% of shareholders to do so.

This proposal topic won majority shareholder support at 13 major companies in a single year. This included 67% support at both Allstate and Sprint. Last year the topic won majority votes at Western Union, Ryder System, and BorgWarner Inc.

Given our company's underperformance relative to the Nasdaq for many years, we believe it is time for this good governance reform. Hundreds of major companies enable shareholders to act by written consent, including 64% of the S&P 500 and 55% of the S&P 1500.

Increase Shareholder Value. Vote for Right to Act by Written Consent – Proposal 5

Statement in Opposition – Proposal to Allow Shareholder Action by Written Consent

Chipotle's Board is committed to protecting the rights and interests of all Chipotle shareholders. The Board has carefully considered this shareholder proposal and determined that the changes sought by the proposal do not further those interests. Accordingly, the Board recommends a vote AGAINST this proposal.

Allowing shareholder action by written consent as advocated in the shareholder proposal could deprive minority shareholders of the opportunity to voice their views and vote on an action, or even to receive information regarding the matter approved by written consent until after the action has been taken. The proposal provides no procedural protections to provide safeguards for minority shareholders.

For example, the proposal does not require information to be provided to shareholders prior to the consent becoming effective, such as a description of the proposed action, the reasons for the proposed action, and any potential conflicts of interest of the shareholder(s) seeking the action. Moreover, if multiple groups of shareholders were able to solicit written consents at any time and as often as they wish, the solicitation of written consents could create a considerable amount of confusion and disruption among Chipotle's shareholders, as well as divert the time and attention of our officers, other employees, and the Board from the management of the company's business.

The proposal also does not prevent or limit the potential for abuse in employing this method of approving corporate actions. For instance, it would not limit the ability of a group of shareholders to accumulate a short-term voting position by borrowing shares from other shareholders and then taking action without those shareholders knowing that their voting rights were being used to take such action. Shareholders who have loaned their stock are better able to take action to protect and exercise their voting rights at a shareholder meeting than if an action is permitted by written consent without appropriate procedural safeguards. In addition, a group of shareholders could also use a consent solicitation to remove and replace directors and effectively assume control of Chipotle without having to pay a control premium to shareholders.

In light of the concerns expressed above, the Board believes that a more open, transparent, and democratic way for shareholders to exercise their rights regarding important issues affecting our company is through annual or special shareholder meetings, so that all shareholders have the ability to voice their concerns, the issues can be fully discussed, and all shareholders can vote on the issues. Under our bylaws, holders of 25% of our outstanding common stock can request that a special meeting of shareholders be held. Shareholders also have the right to bring business before the shareholders at annual meetings, as evidenced by this proposal and other shareholder proposals included in our proxy statements for previous annual meetings.

Moreover, we believe our shareholders have significant access to the Board, and rights and protections that provide shareholders with ample power to express any concerns, and to move to effect change if they believe it is necessary. For example:

- Members of the Board are elected annually by majority vote in uncontested director elections, and any incumbent director who does not receive a majority of the votes cast for his or her election is required to offer to resign from the Board.
- As noted above, holders of 25% of our outstanding common stock can request a special meeting of shareholders.
- As noted above, shareholders may submit proposals for presentation at an annual meeting (including nominations of director candidates).
- Shareholders can communicate directly with any director (including the Lead Independent Director), any Board committee or the full Board by following the procedures set forth on page 17.
- The Board consists of a substantial majority of independent directors.

For the reasons stated above, the Board believes that the proposal is not in the best interests of Chipotle or its shareholders.

The Board of Directors recommends a vote AGAINST the shareholder proposal.

EXECUTIVE OFFICERS

In addition to Steve Ells, our Executive Chairman, and Brian Niccol, our Chief Executive Officer, whose biographies are included in Proposal 1 under the heading "Information Regarding the Board of Directors," our executive officers as of March 23, 2018, are as follows:

EXECUTIVE OFFICERS

John R. (Jack) Hartung, 60, is Chief Financial Officer and has served in this role since 2002. In addition to having responsibility for all of our financial and reporting functions, Mr. Hartung also oversees compensation and benefits, and Chipotle's European operations. Mr. Hartung joined Chipotle after spending 18 years at McDonald's where he held a variety of management positions, most recently as Vice President and Chief Financial Officer of its Partner Brands Group. Mr. Hartung has a Bachelor of Science degree in accounting and economics as well as an MBA from Illinois State University.

Scott Boatwright, 45, was appointed Chief Restaurant Officer in May 2017, and shortly thereafter assumed direct accountability for all restaurant operations. Prior to Chipotle, Mr. Boatwright spent 18 years with Arby's Restaurant Group in various leadership positions, including for the last six years as the Sr. Vice President of Operations, where he was responsible for the performance of over 1,700 Arby's restaurants in numerous states. Scott holds an MBA from the J. Mack Robinson College of Business at Georgia State University.

Curt Garner, 48, was appointed Chief Digital and Information Officer in March 2017. Mr. Garner joined Chipotle in November 2015 as Chief Information Officer, and prior to that had worked for Starbucks Corp. for 17 years, most recently serving as Executive Vice President and Chief Information Officer. Mr. Garner has a Bachelor of Arts degree in economics from The Ohio State University. He serves as a director of Aerohive Networks, Inc. (NYSE: HIVE).

COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis describes the objectives and principles underlying our executive compensation programs, outlines the material elements of the compensation of our executive officers, and explains the Compensation Committee's determinations as to the actual compensation of our executive officers for 2017. In addition, this Compensation Discussion and Analysis is intended to put into perspective the tables and related narratives regarding the compensation of our executive officers that appear following this section.

Letter from the Compensation Committee of our Board of Directors

Dear Fellow Shareholder,

2017 was a year of ongoing challenges and turnaround for Chipotle. For 2017 we made significant progress and reported year-over-year increases across several key metrics:

- Revenue increased 14.7%.
- Comparable restaurant sales increased 6.4%.
- Net income increased from $22.9 million to $176.3 million.

Nevertheless, Chipotle continues to face obstacles and related negative publicity that have had a serious adverse impact on our brand. As a result, our stock price declined 23% in 2017.

Against this backdrop, Chipotle made considerable strategic changes to both our senior management team and the Board during the past year, including:

- **CEO Transition:** In November 2017, the company announced that Steve Ells would be transitioning from Chairman and CEO to Executive Chairman upon the appointment of a new CEO – and effective March 5, 2018, Brian Niccol was appointed CEO. See "CEO Transition" below for additional details.
- **Appointment of Chief Restaurant Officer (CRO):** Scott Boatwright was appointed CRO in May 2017 and has direct accountability for all restaurant operations.
- **Board Refresh:** We added four new directors to the Board in December 2016, and each new director was re-elected to the Board at the 2017 annual meeting. Four of our prior directors did not stand for re-election at the 2017 annual meeting.

Our executive compensation programs, including the incentives for our new CEO, have been and are essential to our ongoing turnaround and rebuilding. Our incentive plans explicitly focus on motivating the executives to achieve our operating objectives – most significantly, increasing comparable restaurant sales and restaurant level cash flow – and increase our stock price. Importantly, these incentive plans create alignment with our shareholders on both the upside and downside. Our commitment to performance-based long-term incentives is evidenced by the equity awards we agreed to make to Mr. Niccol, our new CEO, of which the majority is performance-based, including the following:

- **Sign-On Award** (to incentivize Mr. Niccol to join us): 100% of the award denominated in stock appreciation rights with a premium exercise price equal to 125% of the closing price of Chipotle's common stock on the grant date.
- **Make-Whole Award** (to replace forfeited unvested equity awards held at his prior employer): 50% of the award denominated in stock appreciation rights with a premium exercise price equal to 110% of the closing price of Chipotle's common stock on the grant date.
- **Annual Award for 2018:** 60% of the award will be denominated in performance shares with 3-year goals, and 40% of the award will be denominated in stock appreciation rights with an exercise price equal to 100% of the closing price of Chipotle's common stock on the grant date.

Letter from the Compensation Committee of our Board of Directors

As a result of our incentive plans and the committee's governance of those plans, we have a history of shareholder aligned pay for performance. Consistent with that history:

- While our 2017 annual incentive plan formula yielded a payout to the executive officers (below target), the committee decided that, in light of our share price performance for 2017, our CEO, CFO and Chief Marketing and Strategy Officer would not receive annual incentive plan payouts.
- This is the third year in a row these executive officers were not paid any cash bonuses.

Further, the committee reviewed Mr. Ells's realizable pay (for a definition of realizable pay, see "Executive Summary – Alignment of CEO Realizable Pay and Performance" below) from 2015-2017 to evaluate the alignment of his pay and Chipotle stock price performance:

- We have reduced Mr. Ells's annual long-term incentive award over the past several years; his 2017 equity award grant date value is approximately 61% lower than it was in 2014.
- Realizable pay value for Mr. Ells as of December 31, 2017 was approximately 17% of the 2015-2017 total compensation value (including target annual bonuses).

Based on all of the foregoing, as well as input from our independent compensation consultant and other factors, the committee continues to believe that there has been strong alignment between the CEO's pay and our stock price performance.

The committee has also conducted substantial shareholder outreach consistently since 2014, including throughout 2017 and into early 2018. We evaluate and modify our equity incentive design and grant sizes in the context of shareholder perspectives, to ensure motivation of our highly-valued executive team while maintaining alignment with shareholder interests.

Our say-on-pay proposal is found at Proposal 2, and our Board recommends that you vote "FOR" this proposal. In support of this recommendation, we invite you to read the Compensation Discussion & Analysis that follows for further information on our compensation philosophy and decisions. We are confident that our programs are clearly linked to performance and aligned with shareholder interests, while appropriately incentivizing our management team. We look forward to maintaining ongoing dialogue with our shareholders.

In closing, the members of the Compensation Committee would like to thank the shareholders with whom we spoke over the course of 2017 for their insights and candor. We value the support and input of our shareholders, and we look forward to continuing to have an open dialogue. We have great confidence in the abilities of our new CEO and the entire leadership team at Chipotle to rebuild shareholder value and continue to grow the company.

Neil Flanzraich, Lead Director and Chair of the Compensation Committee
Ali Namvar
Matthew Paull

Executive Summary

Performance Overview for 2017

2017 was a year of continued turnaround for Chipotle – highlighted by our accomplishments in three key areas:

- Operations
  - Hired Scott Boatwright as our Chief Restaurant Officer in May 2017.
  - Launched a dedicated centralized training program to ensure our teams' primary focus will be on delivering an outstanding guest experience in our restaurants.
  - Implemented a new guest satisfaction system in our restaurants.
  - Restructured field support team, and modified field incentives to drive greater accountability for results at all levels.

- Enhancing Guest Experience Through Digital and Catering
  - Increased our digital sales by 50% over 2016, which was driven in part by the new version of our mobile app.
  - Reduced guest wait times as we continue to optimize the digital experience through our Smarter Pickup Times system.
  - Offered delivery support for catering in 40% of our restaurants.
- Reinvesting in Our Existing Restaurants:
  - Developed preliminary designs for new restaurants that will have the ability to be applied to our existing restaurants.
  - Completed plans to launch a significant refresh and maintenance upgrades (e.g., replace lighting, upgrade equipment) in 2018.

These and other accomplishments helped us achieve year-over-year increases across several key financial metrics:

- Revenue increased 14.7% on a year-over-year basis.
- Comparable restaurant sales increased 6.4% on a year-over-year basis.
- Net income increased from $22.9 million to $176.3 million.

While these results were encouraging, they did not translate into share price performance in 2017 and we recognize that there is more work to be done. As a result, in late 2017 and into early 2018, we made additional leadership changes with the objective of further elevating the Chipotle brand and performance in 2018 and beyond.

Shareholder Outreach in 2017

At our 2017 annual meeting of shareholders, 93% of the votes cast by our shareholders supported our say-on-pay proposal, which was an increase from the 72% approval at our 2016 annual meeting.

Over the course of 2017, shareholder engagement with members of the Board on compensation and governance issues reached holders of over 50% of our outstanding common stock. We view these discussions as an important opportunity to develop broader relationships with investors over the long term and to engage in open dialogue on compensation and governance related issues.

We took investor feedback into account, and took a number of actions in 2017 to address this feedback, as depicted below:

What We Heard from Shareholders	What Chipotle Did
• Concerned with select features of 2016 performance share award design.	• Modified 2016 awards, with agreement from continuing executive officers, to reduce maximum payout, increase the duration over which stock price performance must be sustained in order for awards to vest, and add a cap in the event our stock price declines after stock price goals are achieved during the performance period.
• Desire to ensure there is balance in performance share award design and that design is complementary to key strategic objectives.	• Introduced a key financial metric – comparable restaurant sales increases – into the 2017 performance share design in addition to challenging absolute stock price targets.
• Concerned with the level of equity awards to our CEO.	• Reduced 2017 equity award level for our CEO by 31% (at target).
• Desire to ensure pay and performance alignment.	• Retained absolute stock price goals in our 2017 performance share awards and also added a comparable restaurant sales metric. • As a result of annual incentive plan goals not being met, our CEO, CFO and Chief Marketing and Strategy Officer did not earn annual incentive payouts for the 2015, 2016 and 2017 plan years.

2017 Pay Actions

As a result of the above, our 2017 executive officer pay was significantly impacted:

Action	Additional Considerations
• **No base salary increases for our CEO, CFO or Chief Marketing and Strategy Officer**.	• Our Chief Restaurant Officer was hired in 2017.
• **While our annual incentive plan (AIP) formula yielded a payout, the committee exercised its discretion and, in light of our share price performance for 2017, decided that our CEO, CFO and Chief Marketing and Strategy Officer would not receive payouts.**	• This is the third consecutive year for which our CEO, CFO and Chief Marketing and Strategy Officer did not receive an AIP payout.
• **Performance shares were awarded to executives tied to highly challenging absolute stock price and comparable restaurant sales goals**.	• The intention of our LTI awards is to clearly align the largest component of our executive officers' compensation with the creation of shareholder value. • As of December 31, 2017, the realizable value of these awards was $0.

Alignment of CEO Realizable Pay Value and Performance

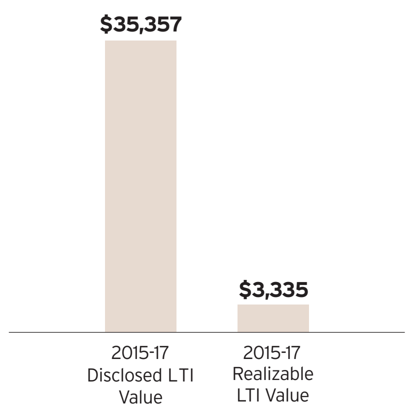
The Compensation Committee reviews multi-year realizable pay value analyses for the executive officers to inform design and award levels for annual equity awards. We calculate realizable pay as the sum of annual base salary, actual annual incentive plan award paid, the "in-the-money" value of SOSARs and of performance shares that are based on achievement of absolute stock price targets, and, for performance shares that are based on the level of relative achievement versus the peer group or against internal goals, the current value as determined by measuring performance thus far in the performance period and determining the resulting level of assumed payout.

- The aggregate realizable pay value of the total base salary, annual incentive payout, and long-term incentives, or LTI, paid to our CEO for the last three fiscal years (2015-2017) was estimated to be $7.9 million at the end of 2017, or approximately 17% of the three-year total disclosed compensation value (consisting of total compensation as disclosed in the Summary Compensation Table, plus target annual bonuses as disclosed in the Grants of Plan-Based Awards Table, for each years).
- The realizable pay value of our last three fiscal years of LTI awards to our CEO was estimated to be $3.3 million at the end of 2017, or approximately 9% of the three-year total LTI values disclosed in the Summary Compensation Table. The realizable pay value was attributable to the 2015 performance share award, which was valued at 27.7% of the value disclosed in the Summary Compensation Table for the award in the year of grant.

These findings demonstrate alignment of the CEO's realizable pay with shareholders' investment performance over the three-year time period shown in the Summary Compensation Table. During that time, Mr. Ells's realizable pay value was 80% lower than his total disclosed compensation, and his realizable LTI value was 91% lower than his disclosed LTI compensation value.

2015-17 Total CEO Compensation Value and Realizable Pay Value
($000)

2015-17 Disclosed CEO LTI Value and Realizable LTI Value
($000)



In addition to company-specific pay-for-performance, the Compensation Committee also reviews multi-year analyses that compare our CEO's realizable pay value and our company performance to the CEO realizable pay values and company performance at our peer group companies. Findings from these analyses, based on three- and four-year realizable pay and company performance, reflected that Mr. Ells's realizable pay as a percentage of pay opportunity is the lowest of the peers during the periods analyzed. The committee believes this is appropriate given our stock price performance during these time periods, and also believes this further reflects the committee's commitment to shareholder-aligned pay for performance.

Alignment of Executive Compensation with Shareholder Interests: What We Do and Don't Do

What We Do	What We Don't Do
☑ Conduct extensive shareholder engagement on compensation and governance related issues. Engage in careful consideration of the annual say-on-pay results and respond to shareholder feedback when appropriate.	☒ Executive officers and directors are prohibited from hedging or pledging shares of Chipotle stock or holding Chipotle stock in margin accounts.
☑ Employ an LTI program based entirely on performance-based equity awards.	☒ No stock option repricing, reloads, exchanges or options granted below market value without shareholder approval.
☑ Maintain a strong link between financial and operational goals, shareholder value creation and executive compensation.	☒ No change-in-control agreements.

What We Do	What We Don't Do
☑ Ensure our compensation programs are designed to discourage excessive risk taking, with design features including the incorporation of multiple performance measures in our incentive programs, strong executive stock ownership guidelines, three-year performance and vesting periods on LTI awards, payout limitations in performance share awards in the event of deteriorating stock price performance, and clawback provisions in LTI award agreements that incorporate expected SEC clawback rules.	☒ Equity awards include double triggers in order for an executive to receive benefits in connection with a change in control.
☑ Use an independent compensation consultant who is engaged directly by the committee to advise on executive compensation matters.	☒ Engage the committee's consultant for additional work for or on behalf of the executive officers.

CEO Transition

Executive Chairman Agreement

On November 28, 2017, we entered into an Executive Chairman Agreement with Mr. Ells that provided for his transition to the role of Executive Chairman of the Board once Chipotle appointed a new CEO. Following a comprehensive search process, the Board appointed Brian Niccol as Chipotle's new CEO, effective March 5, 2018, and in conjunction with this appointment Mr. Ells assumed the role of Executive Chairman. Under the Executive Chairman Agreement, Mr. Ells will have an annualized base salary for the 2018 fiscal year of $900,000, a target annual bonus opportunity under the AIP of 100% of his base salary, and he was awarded a special stock-only stock appreciation right (SOSAR) award on January 7, 2018, with an exercise price of $500 per share, which equated to a nearly 60% premium to the grant date stock price of $313.79. The SOSARs are scheduled to vest on July 7, 2019, and if vested, will first be exercisable on January 4, 2021, and will expire on January 4, 2022. The grant date fair value of this special award was approximately 40% below Mr. Ells's 2017 annual LTI award as CEO. Further details of the Executive Chairman Agreement are disclosed below under "– Executive Agreements."

Executive Officer Retention Awards

On January 9, 2018, we entered into retention agreements with certain employees, including our executive officers other than Mr. Ells. The retention agreements were intended to encourage the employees' continued service to Chipotle during the pendency of a search for Chipotle's next CEO and the subsequent leadership transition, and were approved by the Compensation Committee. Specifically, the committee determined that if uncertainty associated with the planned hiring of a new CEO were to cause one or more executive officers to leave Chipotle, such departures would have a high potential to be very disruptive to our organization, the morale of our teams, and our turnaround efforts (particularly in the areas of operations and IT/digital). In determining the award amounts, the committee considered multiple factors, including external market data, the executives' historical compensation, and the expected cost to recruit and replace executives in these roles. Further details of the retention agreements are disclosed below under "– Executive Agreements."

New CEO Compensation

On March 5, 2018, Brian Niccol assumed the role of CEO at Chipotle. In connection with his joining us as CEO, we entered into an offer letter with Mr. Niccol providing that Mr. Niccol will have an annualized base salary of $1.2 million, a target annual bonus for the 2018 fiscal year of 150% of his base salary, a $1.0 million sign-on bonus, and an entitlement to certain equity awards. Further details of the offer letter are disclosed below under "– Executive Agreements."

Compensation Philosophy and Objectives

Our philosophy with regard to the compensation of our employees, including our executive officers, is to reinforce the importance of performance and accountability at the corporate, regional and individual levels. We strive to provide our employees with meaningful rewards while maintaining alignment with shareholder interests, corporate values, and important management initiatives. In setting and overseeing the compensation of our executive officers, the Compensation Committee believes our compensation philosophy to be best effectuated by designing compensation programs and policies to achieve the following specific objectives:

- Attracting, motivating, and retaining highly capable executives who are vital to our short- and long-term success, profitability, and growth;
- Aligning the interests of our executives and shareholders by rewarding executives for the achievement of strategic and other goals that we believe will enhance shareholder value; and
- Differentiating executive rewards based on actual performance.

The committee believes that these objectives are most effectively advanced when a significant portion of each executive officer's overall compensation is in the form of at-risk elements such as annual incentive bonuses and long-term incentive-based compensation, which should be structured to closely align compensation with actual performance and shareholder interests.

The committee's philosophy in structuring executive compensation rewards is that performance should be measured by comparing our company performance to market-wide performance in our industry, as well as subjectively evaluating each executive officer's performance.

Objectives of our Executive Compensation Program

The overarching objective of our executive compensation program is to motivate our entrepreneurial and innovative management team to create long-term shareholder value. Our success will be driven by our people and their commitment to our brand.

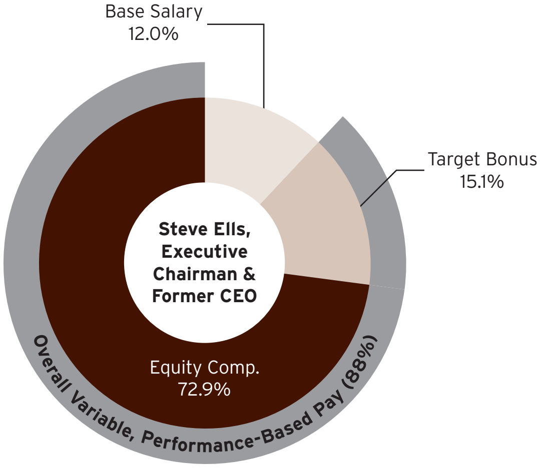
Executive Compensation Program Components and Structures

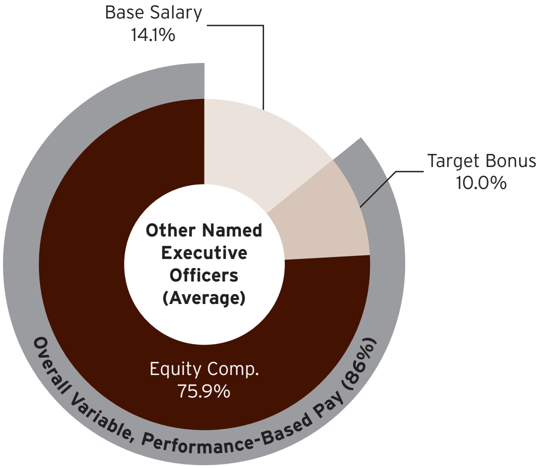
Our executive compensation program is comprised of three primary components:

BASE SALARY	ANNUAL CASH BONUS (AIP)	EQUITY COMPENSATION (LTI)
Determined based on the position's importance within Chipotle, the executive's experience, and external market data.	Determined under our company-wide Annual Incentive Plan, or AIP, which provides for variable payouts based on achievement against operating and financial performance goals approved by the committee at the beginning of each year, as well as evaluations of performance against individual goals and objectives.	Aligns the incentives of our executive officers with shareholder interests and rewards the creation of shareholder value. • For 2017, in response to a decline in the level of approval of our say-on-pay vote in 2016, and after significant ongoing dialogue with shareholders, we amended the 2016 awards to address concerns expressed by shareholders. We also used a similar structure for the 2017 awards with lower grant date values than the 2016 awards.

Variable Pay

The Compensation Committee allocates pay among these components in a manner designed to place performance at the forefront of our overall executive compensation program. This is illustrated in the following graphics, which reflect the heavy emphasis placed on variable, performance-based pay elements (based on 2017 base salary, target AIP bonus and LTI grant date value):





Factors in Setting Executive Officer Pay

The committee sets compensation for the executive officers annually after considering the following factors:

- Chipotle's performance relative to goals approved by the committee
- The business climate in the restaurant industry, general economic conditions and other factors
- Each executive officer's experience, knowledge, skills and personal contributions
- Levels of compensation for similar jobs at market reference points
- The degree of difficulty in committee-approved goals

The CEO makes recommendations to the committee regarding compensation for the other executive officers after reviewing Chipotle's overall performance and each executive officer's personal contributions. The committee is responsible for approving executive officer compensation and has broad discretion when setting compensation types and amounts.

With respect to the CEO, the committee annually reviews and approves the corporate goals and objectives relevant to the CEO's compensation, evaluates the CEO's performance against those objectives and makes determinations regarding the CEO's compensation level based on that evaluation.

As part of its reviews of executive compensation, the committee reviews tally sheets that show historical pay for each executive officer (including the CEO), as well as their accumulated equity. These tally sheets are used as a reference point to assist the committee in understanding the overall compensation provided to each executive officer.

Roles and Responsibilities of the Committee, Compensation Consultant and the CEO in Setting Executive Officer Compensation

Compensation Committee *The committee is currently comprised of three independent directors and reports to the Board*	• Retains independent consultants and counsel to assist it in evaluating compensation and fulfilling its obligations as set forth in its charter. • Works with the CEO to set performance goals at the beginning of each year targeted to positively influence shareholder value. • Evaluates CEO performance in relation to those goals and Chipotle's overall performance. • Determines and approves compensation for our executive officers. • Reviews and approves overall compensation philosophy and strategy, as well as all compensation and benefits programs in which our executive officers participate. • Reviews applicable peer group and broader market data as one of multiple reference points. • Engages with shareholders and others to receive stakeholder input on executive compensation matters.
Consultant to the Compensation Committee *Pay Governance, an independent compensation consultant, has been retained by the committee to provide consulting advice on matters of governance and executive compensation*	• Provides advice and opinion on the appropriateness and competitiveness of our compensation programs relative to market practice, our strategy and internal processes. • Performs functions at the direction of the committee. • Attends committee meetings when requested. • Provides advice regarding compensation decision-making governance. • Provides market data, as requested. • Consults on various compensation matters. • Confers with the committee, the CEO, the CFO and the company's compensation and benefits team on incentive goals (annual and long-term).
Chief Executive Officer *With the support of other members of the management team, including the internal compensation and benefits team*	• Works with the other executive officers to set performance goals at the beginning of each year that are targeted to positively influence shareholder value; goals are reviewed and approved by the Compensation Committee. • Reviews performance of the other executive officers and makes recommendations to the committee with respect to their compensation. • Confers with the committee concerning design and development of compensation and benefit plans for Chipotle executive officers and employees.

Role of Market Data and Our Peer Group

Market Data

The committee believes the investment community generally assesses our company performance by reference to a peer group composed primarily of other companies in the restaurant industry, and our management team and Board also reference such peer company performance in analyzing and evaluating our business.

Each year, the committee's independent compensation consultant provides the committee with pay data for executive officer roles and the incentive plan structures of the companies in our peer group. The committee does not explicitly benchmark our executive officers' compensation to the peers, but the peer group data is one of multiple reference points used to evaluate our executive compensation programs.

2017 Peer Group

The peer group used for 2017 was generally comprised of publicly-traded companies in the Restaurants or Hotel, Resorts & Cruise Line (focus on hotels) primary industries as defined by the Global Industry Classification Standard (GICS), with annual revenues between $1 billion and $8 billion (0.25x to 2.0x Chipotle). The committee also included select peers with whom we compete for executive talent above the upper end of this range (for example, our Chief Digital and Information Officer was formerly an executive at Starbucks Corporation), and excluded companies serving a substantially different market or client base than we do. The committee expanded the peer group for 2017 beyond solely restaurants to include select companies in the hospitality industry that had revenues and market capitalization approximating Chipotle's, given our enhanced focus on customer service.

$ in millions

Company Name	Revenues[1]	Market Cap[2]
McDonald's Corporation	$22,820	$137,212
Starbucks Corporation	$22,728	$81,711
Darden Restaurants, Inc.	$7,631	$11,875
YUM! Brands, Inc.	$5,878	$27,502
Wyndham Worldwide Corporation	$4,613	$11,741
Bloomin' Brands, Inc.	$4,213	$1,948
Brinker International, Inc.	$3,142	$1,798
Cracker Barrel Old Country Store, Inc.	$2,941	$3,813
Panera Bread Company	$2,838	–
Domino's Pizza, Inc.	$2,788	$8,266
Hyatt Hotels Corporation	$2,767	$8,748
The Cheesecake Factory Incorporated	$2,261	$2,121
Texas Roadhouse, Inc.	$2,220	$3,746
Buffalo Wild Wings, Inc.	$2,026	$2,429
Papa John's International, Inc.	$1,783	$1,966
Jack in the Box Inc.	$1,554	$2,888
Red Robin Gourmet Burgers, Inc.	$1,381	$730
The Wendy's Company	$1,223	$3,977
Ruby Tuesday, Inc.	$913	–
Bob Evans Farms, Inc.	$440	$1,580
Peer Group Median	$2,777	$3,779
Chipotle Mexican Grill, Inc.	$4,476	$8,160
Percent Rank	*77%*	*65%*

Notes:

(1) Trailing 12 months as of December 31, 2017.
(2) As of December 31, 2017.

The committee reviews the composition of the peer group periodically and will make adjustments to the peer group in response to changes in the size or business operations of Chipotle and of companies in the peer group, companies in the peer group being acquired or taken private, and other companies in the GICS restaurant industry becoming public.

2017 Compensation Program

Base Salaries

We pay a base salary to compensate our executive officers for services rendered during the year, and also to provide them with income regardless of our stock price performance, which helps avoid incentives to create short-term stock price fluctuations and mitigates the impact of forces beyond our control such as general economic and stock market conditions.

The committee reviews the base salary of each executive officer at least annually, and adjusts salary levels as the committee deems necessary and appropriate in its discretion.

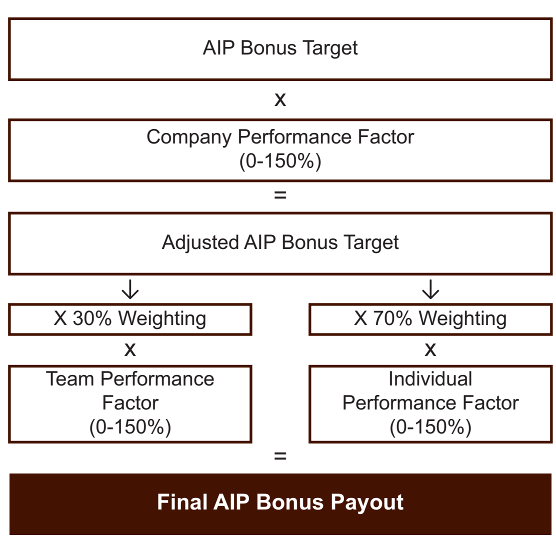
Recommendations for the executive officers (other than the CEO) are provided to the committee by our CEO. The committee reviews the CEO's base salary and recommends any changes for review and approval by the full Board. Adjustments to base salaries, if any, typically occur during the first quarter of each year. Base salaries for each executive officer are set forth below.

	Base Salaries		
Executive Officer	**2016**	**2017**	**% Change**
Steve Ells	$1,540,000	$1,540,000	0%
Jack Hartung	$ 800,000	$ 800,000	0%
Mark Crumpacker	$ 600,000	$ 600,000	0%
Curt Garner[(1)]	***	$ 489,375	***
Scott Boatwright[(2)]	N/A	$ 410,000	N/A

(1) Mr. Garner was not an executive officer in 2016.
(2) Mr. Boatwright was hired in May 2017.

Annual Incentive Plan

The AIP is our annual cash incentive program for all employees. Our executive officers participate in the AIP alongside other eligible salaried employees, with slight variations to the plan terms in order to appropriately incentivize our executive officers to drive superior business results. The formula to determine payouts under the 2017 AIP consisted of a company performance factor (CPF), a team performance factor (TPF) and an individual performance factor (IPF):



Target goals for business performance metrics used to determine the CPF are set at the beginning of the year. Achievement at the target level of each performance metric would yield a CPF of 100%, equating to a payout at the target level. The CPF is adjusted up or down based on the performance versus the underlying performance metrics. As a result of our underperformance versus the AIP performance metrics in 2017, as depicted below, the CPF was 47% of target.

$ in millions

Metric	Target	Actual	Impact on CPF
AB Grade	86%	84%	(5)%
Max 15 Minute Trans.	29.0	25.8	(11)%
Comparable Restaurant Sales	9.0%	6.4%	(9)%
Out of Store ADS	$450	$444	(1)%
Restaurant Cash Flow Margin	19.3%	16.9%	(28)%

A. Beginning CPF:	100%
B. Actual Perf. Impact to CPF:	(53)%
C. Final CPF (A + B)*	**47%**

**Cannot be less than 0%*

The TPF uses the same underlying performance measures as the company performance measure, but is based on regional-or corporate office-specific goals. For 2017, the TPF that was applicable to the executive officers was based on a weighted-average of regional results and was 56% of target.

The IPF is a function of an individual employee's performance rating for the year. The committee evaluates the performance of the CEO to determine his individual performance factor, and approves individual performance factors for each of the other executive officers after considering recommendations from the CEO.

While our AIP formula yielded a payout based on our operating and financial results for 2017, the committee made a determination that, in light of our share price performance for the year, our CEO, CFO and Chief Marketing and Strategy Officer would not receive AIP payouts. The committee further concluded that Messrs. Garner and Boatwright, each of whom were recent appointees to their position and have not achieved the level of historical rewards that our other officers have, but whom we nonetheless expect to be important contributors to our ongoing turnaround, would receive the payouts as specified under the 2017 AIP formula and our actual performance.

	Target 2017 AIP Bonus						
Executive Officer	% of Base Salary	Dollar Value	CPF	TPF	IPF	Actual 2017 AIP Bonus	Actual as % of Target
Steve Ells	125%	$1,925,000	47%	56%	N/A	$ 0	0%
Jack Hartung	85%	$ 680,000	47%	56%	N/A	$ 0	0%
Mark Crumpacker	65%	$ 390,000	47%	56%	N/A	$ 0	0%
Curt Garner	65%	$ 318,079	47%	56%	125%	$139,786	60%
Scott Boatwright(1)	65%	$ 156,979	47%	56%	125%	$ 69,624	61%

(1) Dollar amounts for Mr. Boatwright are pro-rated, based on his start date of May 30, 2017.

Long-Term Incentives – 2017 Performance Share Award Design

In early 2017, we conducted shareholder outreach and discussed our potential 2017 performance share award design with several of our largest shareholders. The 2017 performance share award design uses a stock price performance goal similar to the 2016 design, while adding a comparable restaurant sales increase goal as well.

- As a result of our trailing one-year stock price range of approximately $350 to $540, the committee determined that it would be appropriate to establish a stock price performance goal of $600 for threshold payout and $650 for target payout, in order to ensure the awards would be aligned with the restoration of substantial shareholder value while also being achievable enough to provide meaningful incentive value to our executive officers. The stock price goal was well above the stock price of $427.61 on the date of grant and will require the restoration of substantial shareholder value before the awards pay out at all. As a result, the committee determined that the stock price goal was appropriately challenging.
- Comparable restaurant sales is a metric closely followed by our management, our shareholders, and securities analysts and is a key measure for any growth-oriented restaurant or retail organization. Restoring our industry-leading economic model will be substantially dependent on comparable restaurant sales growth, and including this measure in the award ties any payout to a strong company sales recovery, rather than tying the payout solely to stock price performance.

The absolute stock price goals have similar parameters as the 2016 awards:

- 60-day average to determine stock price goal achievement.
- End-of-period performance modifier providing that if the average stock price for the last 60 days in the performance period is below $600, then the final payout will be no higher than target, even if an above-target average stock price was achieved during the performance period.

Metric	Weighting	Performance Period	Performance Level	Stock Price / 3-Year CRS CAGR Goals	Payout (as % of target)
Absolute Stock Price	2/3	Feb. 19, 2017 to Feb. 19, 2020	Threshold	$600	50%
			Target	$650	100%
			Maximum	$900	350%
CRS 3-Year Compound Annual Growth Rate	1/3	Jan. 1, 2017 to Dec. 31, 2019	Threshold	5%	50%
			Target	7%	100%
			Maximum	11%	300%

Given stock price performance and financial results, the committee believed a reduction in the target value of the 2017 performance share award as compared to 2016 was appropriate, and reduced Mr. Ells's target award value significantly:

Target 2017 Award Value	Percentage Change versus 2016 (at target)
$8.6 million	-31%

"Target value" refers to the number of shares payable at target level performance, multiplied by the stock price as of the grant date. The target value of the 2016 performance share award for Mr. Ells was $12.5 million. The grant date fair value shown in the Summary Compensation Table for 2016 was $14.0 million as a result of the accounting expense valuation required by SEC reporting requirements, which differs from the target value; the grant date fair value reflected in the Summary Compensation Table for Mr. Ells for 2017 was $9.3 million.

Other Bonus Payments

In addition to the AIP bonus paid to Mr. Garner for 2017, we also paid a portion of Mr. Garner's sign-on bonus, totaling $250,000, following the second anniversary of Mr. Garner's commencement of employment with us. This sign-on bonus was provided for in the offer letter we entered into with Mr. Garner at the time he joined us in 2015.

Additionally, in May 2017, the committee authorized the payment to Mr. Garner of a one-time discretionary bonus totaling $176,501 (intended to approximate an actual after-tax payout of $100,000) in recognition of the expanding importance of Mr. Garner's role with the company and outstanding performance by Mr. Garner individually as well as his team.

Long-Term Incentives – 2015 Performance Share Award Vesting

The 2015 performance share award was based on our relative performance compared to the 2015 restaurant industry peer group in average annual revenue growth, net income growth and total shareholder return during the three-year performance period from January 1, 2015 through December 31, 2017. In March 2018, the awards paid out between threshold and target; the value of the shares received as of the payout determination date was approximately 31% of the values disclosed in the Summary Compensation Table for each executive officer who received the award, driven by our below-target performance as well as the decline in our stock price during the performance period. Shares paid out under this award will be disclosed in the Option Exercises and Stock Vested table of our proxy statement for the 2019 annual meeting of shareholders.

Benefits and Perquisites

In addition to the principal compensation elements described above, we provide our executive officers with access to the same benefits we provide all of our full-time employees. We also provide our officers with perquisites and other personal benefits that we believe are reasonable and consistent with our compensation objectives, and with additional benefit programs that are not available to all employees throughout our company.

Perquisites are generally provided to help us attract and retain top performing employees for key positions, and in some cases perquisites are designed to facilitate our executive officers bringing maximum focus to what we believe to be demanding job duties. In addition to the perquisites identified in notes to the Summary Compensation Table below, we have occasionally allowed executive officers to be accompanied by a guest when traveling for business on an airplane owned or chartered by us. Executive officers have also used company-owned or chartered airplanes for personal trips, in which case we require the executive officer to fully reimburse us for the cost of personal use of the airplane, except where prohibited by applicable regulations. Our executive officers are also provided with personal administrative and other services by company employees from time to time, including scheduling of personal appointments, performing personal errands, and use of company-provided drivers. We believe that the perquisites we provide our executive officers are consistent with market practices, and are reasonable and consistent with our compensation objectives.

We also administer a non-qualified deferred compensation plan for our senior employees, including our executive officers. The plan allows participants to defer the obligation to pay taxes on certain elements of their compensation while also potentially receiving earnings on deferred amounts. We offer an employer match on a portion of the contributions made by the employees. We believe this plan is an important retention and recruitment tool because it helps facilitate retirement savings and financial flexibility for our key employees, and because many of the companies with which we compete for executive talent provide a similar plan to their key employees.

Executive Stock Ownership Guidelines

Our Board of Directors has adopted stock ownership guidelines for our executive officers. These guidelines are intended to ensure that our executive officers retain ownership of a sufficient amount of Chipotle stock to align their interests in a meaningful way with those of our shareholders. Alignment of our employees' interests with those of our shareholders is a principal purpose of the equity component of our compensation program.

The ownership guidelines, reflected as a targeted number of shares to be owned, are presented below for each current named executive officer as well as our newly - appointed CEO. The guidelines are reviewed for possible adjustment each year and may be adjusted by the committee at any time.

Officer	Requirement (# of Shares)	Actual Ownership(1)	Actual Ownership as Multiple of Base Salary(2)
Steve Ells	31,000	196,802	70X
Brian Niccol	31,000	30,141	8X
Jack Hartung	7,000	30,427	12X
Curt Garner	3,000	4,780	3X
Scott Boatwright	3,000	3,824	3X

(1) Includes unvested RSUs.
(2) Based on the closing stock price and base salary rates in effect as of March 23, 2018.

Shares underlying unvested restricted stock or restricted stock units count towards satisfaction of the guidelines, while shares underlying SOSARs (whether vested or unvested) and unearned performance shares do not count. Executive officers who do not meet the guidelines are allowed five years to acquire the requisite number of shares to comply. All of our executive officers meet the stock ownership guidelines.

Stock ownership guidelines applicable to non-employee members of our Board of Directors are described on page 15.

Prohibition on Hedging and Pledging

To further align the interests of our officers with those of our shareholders, we have adopted a policy prohibiting our directors and certain employees, including all of the executive officers, from hedging their Chipotle stock ownership, pledging their shares of Chipotle stock as collateral for loans, or holding shares of Chipotle stock in margin accounts.

Executive Agreements

Historically, we have generally not entered into written employment, change-in-control, severance or similar agreements with any of our employees, including our executive officers. Accordingly, in 2017 and prior years we typically have not had any written agreements requiring that we make post-employment severance payments to executive officers in the event of termination of employment of any executive officer. In addition, payouts under the AIP are conditioned on the employee being employed as of the payout date.

As previously described, in connection with the transition of Mr. Ells to Executive Chairman and our CEO search and subsequent appointment of Mr. Niccol as CEO, we have entered into agreements with each of the executive officers, as described below. As described on page 40, we believe these agreements were necessary to ensure a smooth and orderly CEO transition. The structures of these agreement were based on an extensive review of external market practices and the specific circumstances of each executive.

In addition, we have entered into an Executive Agreement with Mr. Boatwright, which provides that if Mr. Boatwright's employment is terminated by us, other than for cause, at any time prior to May 29, 2019, Mr. Boatwright will be entitled to a severance payment of up to 12 months of his then-current base salary. The number of months' salary to which he would be entitled would be reduced by one for each month of employment following May 29, 2018.

Executive Chairman Agreement

On November 28, 2017, we entered into an Executive Chairman Agreement with Mr. Ells that provided for his transition to the role of Executive Chairman of the Board once Chipotle appointed a new CEO. Following a comprehensive search process, the Board appointed Brian Niccol as Chipotle's new CEO, effective March 5, 2018, and in conjunction with this appointment Mr. Ells assumed the role of Executive Chairman. Under the Executive Chairman Agreement, Mr. Ells will have an annualized base salary for the 2018 fiscal year of $900,000, a target annual bonus opportunity under the AIP of 100% of his base salary, and a maximum annual bonus opportunity of 225% of his base salary. Further, under the agreement, Mr. Ells was awarded a special stock-only stock appreciation right (SOSAR) award on January 7, 2018, with an exercise price of $500 per share, which equated to a nearly 60% premium to the grant date stock price of $313.79. The SOSARs will vest on July 7, 2019, subject to Mr. Ells's continued employment through the vesting date, and possible accelerated vesting upon Mr. Ells's earlier termination of employment by Chipotle without cause, by Mr. Ells with good reason, or due to his death or disability. The SOSARs, if vested, will first be exercisable on January 4, 2021, and will expire on January 4, 2022. The grant date fair value of this special award was approximately 40% below Mr. Ells's 2017 annual LTI award as CEO.

Under the agreement, Mr. Ells has agreed that, while he is employed by Chipotle and for a two-year period thereafter, he will not, (a) directly or indirectly, own, manage, operate, control, be employed, or engaged in any capacity (whether or not for compensation) by, or render services, advice, or assistance in any capacity to, a business competing with Chipotle in the continental United States, (b) recruit, hire, or solicit Chipotle's employees, or (c) induce any of Chipotle's suppliers, licensees, or other business relations to cease doing business with Chipotle or interfere with the relationship between any such supplier, licensee, or other business relation and Chipotle. The agreement also includes customary confidentiality provisions and a mutual non-disparagement covenant. If Mr. Ells's employment is terminated by Chipotle without cause or by Mr. Ells with good reason, then, subject to his continued compliance with the restrictive covenants set forth in the agreement, the company will continue to pay Mr. Ells his then-current base salary during the applicable restricted period.

Executive Officer Retention Awards

On January 9, 2018, we entered into retention agreements with certain employees, including our executive officers other than Mr. Ells. The retention agreements were intended to encourage the employees' continued service to Chipotle during the pendency of a search for Chipotle's next Chief Executive Officer and the subsequent leadership transition, and were approved by the Compensation Committee.

The agreement for Mr. Hartung provides for a cash retention bonus of $1,000,000, scheduled to vest and become payable on the first anniversary of the appointment of a permanent successor to Steve Ells as Chipotle's Chief Executive Officer. The agreement for Mr. Crumpacker provides for a cash retention bonus of $600,000, scheduled to vest and become payable on the first anniversary of the execution of the agreement. The agreements for Messrs. Garner and Boatwright provide for cash retention bonuses of $500,000 for Mr. Garner and $400,000 for Mr. Boatwright, scheduled to vest and become payable in equal installments at the conclusion of each calendar quarter of 2018. The foregoing vesting and payment provisions are subject to the employee recipient's continuous employment with Chipotle through the vesting date, and the employee recipient's not having given Chipotle notice of the employee's termination of employment with Chipotle (other than resignation with "good reason" as defined in the agreement) on or prior to the vesting date. If Chipotle terminates the employee recipient's employment for "cause" (as defined in the agreement) following the vesting date but prior to payment of the retention bonus, the retention bonus will be automatically forfeited. If, prior to the vesting date, Chipotle terminates the employee recipient's employment without cause (and other than due to the employee's death or disability, as defined in the agreement) or the employee recipient terminates the employee's employment with good reason, provided the employee timely executes a general release of claims in favor of Chipotle and such release becomes irrevocable, the retention bonus will fully vest as of the date on which the release becomes effective, and be paid to the employee recipient in a cash lump-sum at the same time as the bonus would have been paid if the employee had remained actively employed with the Chipotle through the payment date. If the employee recipient's employment terminates for any other reason (including as a result of the employee's death or disability, termination by Chipotle for cause, or termination by the employee without good reason), or the employee gives Chipotle notice of resignation without good reason, in either case prior to the vesting date, the employee will automatically forfeit the retention bonus.

Additionally, the agreements for Messrs. Garner and Boatwright provided for awards of SOSARs in respect of 18,386 shares for Mr. Garner and 14,709 shares for Mr. Boatwright, and RSUs in respect of 4,780 shares for Mr. Garner and 3,824 shares for Mr. Boatwright. The SOSARs have an exercise price of $313.79 per share, which was the closing price of Chipotle common stock as of the grant date, and both the SOSARs and RSUs are scheduled to vest equally on the second and third anniversaries of the grant date, subject to possible acceleration of vesting in the event of the recipient's termination without cause or resignation for good reason, or a change in control of Chipotle without issuance of a replacement award to the recipient.

New CEO Compensation

On March 5, 2018, Brian Niccol assumed the role of CEO at Chipotle. In connection with his joining us as CEO, we entered into an offer letter with Mr. Niccol providing that Mr. Niccol will have an annualized base salary of $1.2 million, a target annual bonus opportunity for the 2018 fiscal year of 150% of his base salary, and a maximum annual bonus opportunity for the 2018 fiscal year of 225% of his base salary, and further provides that payment of his 2018 target annual bonus is guaranteed, subject to his continued employment through the date annual bonuses are paid to Chipotle's senior executives generally. In addition, the offer letter entitled Mr. Niccol to receive the following equity awards: (i) an annual equity award grant for 2018 consisting of (A) performance shares with a target value of $3.0 million as of the grant date, which will have the same terms and conditions as applicable to annual 2018 performance share awards granted to senior executives of Chipotle generally; and (B) stock appreciation rights with a grant date value of $2.0 million and an exercise price equal to the closing price of Chipotle's common stock on the grant date, which will vest in equal amounts on the first, second and third anniversaries of the grant date, subject to possible acceleration of vesting in the event of a termination of employment by Chipotle without cause or by Mr. Niccol for good reason, and a seven-year term; (ii) a sign-on award, which was made to Mr. Niccol on his start date, consisting of stock appreciation rights in respect of 53,086 shares and an exercise price equal to 125% of the closing price of Chipotle's common stock on the grant date, which will vest in equal amounts on the first, second and third anniversaries of the grant date, subject to possible acceleration of vesting as previously described, and a seven-year term; and (iii) a make-whole award – to replace forfeited unvested equity awards held at his prior employer – that was awarded to Mr. Niccol as of his start date and consisting of (A) stock appreciation rights in respect of 114,840 shares and an exercise price equal to 110% of the closing price of Chipotle's common stock on the grant date, which will vest in equal amounts on the first, second and third anniversaries of the grant date, subject to possible acceleration of vesting as previously described, and a seven-year term; and (B) restricted stock units totaling 30,141 shares, which will vest in equal amounts on the first, second and third anniversaries of the grant date, subject to possible acceleration of vesting as previously described. The offer letter further provides that if Mr. Niccol's employment is terminated by Chipotle without cause, or by Mr. Niccol with good reason, in either case prior to the fifth anniversary of the commencement of his employment with the company, Mr. Niccol will be entitled to a severance payment of two times the sum of his annual base salary and target annual bonus opportunity (or, if higher, the amount of the annual bonus paid to him for the fiscal year immediately preceding the fiscal year in which such termination of employment occurs). The offer letter also entitles Mr. Niccol to employee benefits generally offered by Chipotle from time to time, and further provides for the payment to Mr. Niccol of a $1.0 million signing bonus, which must be repaid if Mr. Niccol's employment is terminated by Chipotle for cause or by Mr. Niccol without good reason, in either case prior to the first anniversary of his start date with Chipotle.

Under the offer letter, Mr. Niccol has agreed that, (i) while he is employed by Chipotle and for a one-year period thereafter, he will not, directly or indirectly, own, manage, operate, control, be employed, or engaged in any capacity (whether or not for compensation) by, or render services, advice, or assistance in any capacity to, a business operating fast-casual, quick-service or casual dining restaurants in the continental United States where Chipotle or any of its affiliates conduct business, and (ii) while he is employed by Chipotle and for a two-year period thereafter, he will not (a) solicit or hire Chipotle's employees, or (b) induce any of Chipotle's suppliers, licensees, or other business relations to cease doing business with Chipotle or interfere with the relationship between any such supplier, licensee, or other business relation and Chipotle. The offer letter also includes customary confidentiality and mutual non-disparagement provisions.

Separation Agreement

On March 13, 2018, we entered into a Separation Agreement with Mr. Crumpacker in connection with the termination of Mr. Crumpacker's employment with Chipotle, effective March 15, 2018. The agreement entitles Mr. Crumpacker to cash severance totaling 26 weeks of pay at his base salary, and related benefits pertaining to post-employment extension of health insurance benefits, and also allows him a period of 12 months to exercise vested SOSARs, rather than the 90-day period provided in the award agreements. The agreement further provides that Mr. Crumpacker releases any legal claims against Chipotle, will not disparage Chipotle or interfere with our relationships with customers, suppliers, shareholders or the public, and agrees to hold certain information about Chipotle confidential, subject to exceptions to ensure compliance with applicable law. The agreement also provides that for a one-year period following his resignation, Mr. Crumpacker will not (i) directly or indirectly, own, manage, operate, control, be employed, or engaged in any capacity (whether or not for compensation) by, or render services, advice, or assistance in any capacity to, a business operating fast-casual, quick-service or casual dining restaurants in the continental United States where Chipotle or any of its affiliates conduct business, or (ii) solicit or hire Chipotle's employees, or induce any of Chipotle's suppliers, licensees, or other business relations to cease doing business with Chipotle or interfere with the relationship between any such supplier, licensee, or other business relation and Chipotle.

Compensation Program Risk

In structuring and approving our executive compensation programs, as well as policies and procedures relating to compensation throughout our company, the Committee also considers risks that may be inherent in such programs, policies and procedures. The Committee has determined that it is not reasonably likely that our compensation programs, policies and procedures will have a material adverse effect on our company.

Tax and Other Regulatory Considerations

Code Section 162(m)

Section 162(m) of the Internal Revenue Code provides that compensation of more than $1,000,000 paid to the chief executive officer or to certain other executive officers of a public company will not be deductible for federal income tax purposes unless amounts above $1,000,000 qualify for one of several exceptions. The committee's primary objective in designing executive compensation programs is to support and encourage the achievement of our company's strategic goals and to enhance long-term shareholder value. For these and other reasons, the committee has determined that it will not necessarily seek to limit executive compensation to the amount that will be fully deductible under Section 162(m).

We have implemented the 2014 Cash Incentive Plan as an umbrella plan under which AIP bonuses are paid in order to meet requirements to deduct the amount of the payouts from our reported income under Section 162(m). Under the 2014 plan, the committee sets maximum bonuses for each executive officer and other key employees. If the bonus amount determined under the AIP for participants in the 2014 plan is lower than the maximum bonus set under the 2014 plan, the committee has historically exercised discretion to pay the lower AIP bonus rather than the maximum bonus payable under the 2014 plan.

Effective for taxable years beginning after December 31, 2017, qualifying performance-based compensation is generally no longer excluded from the limits on deductibility under Section 162(m). The committee has not changed its primary objective in designing executive compensation, and while it intends to continue to align executive compensation with company performance and shareholders interests, it does not currently expect to significantly alter its approach to executive compensation in light of the changes in law regarding Section 162(m).

Accounting Rules

Various rules under generally accepted accounting principles determine the manner in which we account for equity-based compensation in our financial statements. The committee may consider the accounting treatment under Financial Accounting Standards Board Accounting Standards Codification Topic 718 (FASB Topic 718) of alternative grant proposals when determining the form and timing of equity compensation grants to our executive officers. The accounting treatment of such grants, however, is not generally determinative of the type, timing, or amount of any particular grant of equity-based compensation the committee determines to make.

COMPENSATION COMMITTEE REPORT

The Compensation Committee reviewed and discussed the Compensation Discussion and Analysis included in this Proxy Statement with management. Based on such review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement for filing with the SEC.

The Compensation Committee.

Neil W. Flanzraich, Chairperson
Ali Namvar
Mathew Paull

2017 COMPENSATION TABLES

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	YEAR	SALARY	BONUS[1]	STOCK AWARDS[2]	OPTION AWARDS[3]	NON-EQUITY INCENTIVE PLAN COMPENSATION[4]	ALL OTHER COMPENSATION[5]	TOTAL
STEVE ELLS	2017	$1,540,000	–	$ 9,324,505	–	–	$ 187,675	$ 11,052,180
Executive Chairman; former Chief Executive Officer[6]	2016	$1,540,000	–	$14,002,740	–	–	$ 120,356	$15,663,096
	2015	$1,526,000	–	$12,030,036	–	–	$ 281,858	$ 13,837,891
JACK HARTUNG	2017	$ 800,000	–	$ 4,196,010	–	–	$ 209,150	$ 5,205,160
Chief Financial Officer	2016	$ 792,308	–	$ 5,886,337	–	–	$ 175,559	$ 6,854,204
	2015	$ 745,769	–	$ 5,052,179	–	–	$ 235,361	$ 6,033,309
MARK CRUMPACKER[7]	2017	$ 600,000	–	$ 3,450,091	–	–	$ 125,347	$ 4,175,438
Former Chief Marketing and Strategy Officer	2016	$ 590,000	–	$ 4,200,822	–	–	$ 109,914	$ 4,900,736
	2015	$ 532,077	–	$ 3,608,930	–	–	$ 141,581	$ 4,282,588
CURT GARNER[8]	2017	$ 483,299	$426,501	–	$2,653,500	$139,786	$206,468	$ 3,909,555
Chief Digital and Information Officer								
SCOTT BOATWRIGHT[9]	2017	$ 236,538	–	–	$ 1,194,757	$ 69,624	$ 215,486	$ 1,716,406
Chief Restaurant Officer								

(1) Amounts under "Bonus" represent a $250,000 sign-on bonus paid to Mr. Garner on the second anniversary of his joining Chipotle, as agreed at the time he joined us in 2015, as well as a discretionary bonus as further described under "Compensation Discussion and Analysis – 2017 Compensation Program – Other Bonus Payments."

(2) Amounts under "Stock Awards" represent the grant date fair value under FASB Topic 718 of performance shares awarded in 2015, 2016 and 2017, and for the 2015 award, for which vesting was considered probable as of the grant date. See Note 6 to our audited consolidated financial statements for the year ended December 31, 2017, which are included in our Annual Report on Form 10-K filed with the SEC on February 8, 2018, for descriptions of the methodologies and assumptions we use to value stock awards and the manner in which we recognize the related expense pursuant to FASB ASC Topic 718. The 2016 performance share awards will not pay out or have any value unless the price of our common stock exceeds an average of $700 for a period of 60 consecutive trading days, before February 3, 2019, and the 2017 performance share awards will not pay out or have any value unless the price of our common stock exceeds an average of $600 for a period of 60 consecutive trading days, before February 19, 2020. For further discussion, see above under "Compensation Discussion and Analysis – 2017 Compensation Program – Long Term Incentives – 2017 Performance Share Award Design."

(3) Amounts under "Option Awards" represent the grant date fair value under FASB Topic 718 of SOSARs awarded in 2017. See Note 6 to our audited consolidated financial statements for the year ended December 31, 2017, as referenced in footnote 2, for descriptions of the methodologies and assumptions we use to value SOSAR awards and the manner in which we recognize the related expense pursuant to FASB ASC Topic 718. The SOSAR awards reflected in this table have the exercise prices reflected in the Grants of Plan-Based Awards table below, and expire in February 2024 for Mr. Garner and May 2024 for Mr. Boatwright.

(4) Amounts under "Non-Equity Incentive Plan Compensation" represent the amounts earned under the AIP for the relevant year.

(5) Amounts under "All Other Compensation" for 2017 include the following:

- Matching contributions we made on the executive officers' behalf to the Chipotle Mexican Grill, Inc. 401(K) plan as well as the Chipotle Mexican Grill, Inc. Supplemental Deferred Investment Plan, in the aggregate amounts of $61,600 for Mr. Ells, $32,123 for Mr. Hartung, and $27,198 for Mr. Crumpacker. See "Non-Qualified Deferred Compensation for 2017" below for a description of the Chipotle Mexican Grill, Inc. Supplemental Deferred Investment Plan.
- Company car costs, which include the depreciation expense recognized on company-owned cars or lease payments on leased cars (in either case less employee payroll deductions), insurance premiums, and maintenance and fuel costs, or a car allowance paid to officers who choose not to receive a company car. Company car costs for Mr. Ells were $49,585, for Mr. Hartung were $45,210, for Mr. Crumpacker were $34,123, for Mr. Garner were $35,100, and for Mr. Boatwright were less than $25,000.
- Housing costs, including monthly rent and utilities payments, of $43,200 for Mr. Hartung and $45,300 for Mr. Crumpacker, and a net $54,000 housing allowance for Mr. Garner.
- Relocation costs, including moving expenses, of $169,069 for Mr. Boatwright.
- $57,776 for Mr. Hartung, $18,186 for Mr. Crumpacker, $84,691 for Mr. Garner, and $25,909 for Mr. Boatwright for reimbursement of taxes payable in connection with taxable perquisites under rules of the Internal Revenue Service.

- Commuting expenses, which include air fare, airport parking and ground transportation relating to travel between home and our company headquarters, totaling $30,302 for Mr. Hartung and $32,156 for Mr. Garner.
- $75,950 in personal legal fees and disbursements paid to counsel for Mr. Ells in connection with the Executive Chairman Agreement.

(6) Mr. Ells became Executive Chairman effective upon our appointment of Mr. Niccol as Chief Executive Officer on March 5, 2018.
(7) Mr. Crumpacker was appointed Chief Marketing and Strategy Officer in September 2017, after previously serving as Chief Marketing and Development Officer. Mr. Crumpacker's employment terminated on March 15, 2018.
(8) Mr. Garner was appointed Chief Digital and Information Officer, and designated as an executive officer, in March 2017, after previously serving as Chief Information Officer.
(9) Mr. Boatwright was appointed Chief Restaurant Officer in May 2017, and designated as an executive officer in September 2017.

GRANTS OF PLAN-BASED AWARDS IN 2017

NAME	GRANT DATE	AWARD DESCRIPTION	ESTIMATED POSSIBLE PAYOUTS UNDER NON-EQUITY INCENTIVE PLAN AWARDS(1)			ESTIMATED POSSIBLE PAYOUTS UNDER EQUITY INCENTIVE PLAN AWARDS(2)			ALL OTHER OPTION AWARDS: NUMBER OF SECURITIES UNDERLYING OPTIONS(2) (# shares)	EXERCISE OR BASE PRICE OF OPTION AWARDS ($)	GRANT DATE FAIR VALUE OF STOCK AND OPTION AWARDS ($)
			THRESHOLD ($)	TARGET ($)	MAXIMUM ($)	THRESHOLD (# shares)	TARGET (# shares)	MAXIMUM (# shares)			
STEVE ELLS											
	n/a	AIP	$0	$1,925,000	$ 4,331,250						
	2/19/17	Performance Shares				10,000	20,000	66,667			$9,324,505
JACK HARTUNG											
	n/a	AIP	$0	$680,000	$1,530,000						
	2/19/17	Performance Shares				4,500	9,000	30,000			$ 4,196,010
MARK CRUMPACKER											
	n/a	AIP(3)	$0	$390,000	$ 877,500						
	2/19/17	Performance Shares(3)				3,700	7,400	24,667			$ 3,450,091
CURT GARNER											
	n/a	AIP	$0	$318,079	$ 715,679						
	2/20/17	SOSARs							25,000	$ 427.61	$2,653,500
SCOTT BOATWRIGHT											
	n/a	AIP(4)	$0	$156,079	$ 353,204						
	5/30/17	SOSARs							10,090	$475.70	$ 1,194,757

(1) Each executive officer was entitled to a cash award to be paid under our 2014 Cash Incentive Plan, although as a matter of practice the Compensation Committee exercises discretion to pay each executive officer a lesser amount determined under the AIP as described under "Compensation Discussion and Analysis – 2017 Compensation Program – Annual Incentive Plan." Amounts under Threshold reflect that no payouts would be paid under the AIP if achievement against company targets under the AIP were sufficiently below target. Amounts under Target reflect the target AIP bonus, which would have been paid to the executive officer if each of the company performance factor, team performance factor and individual performance factor under the AIP had been set at 100 percent. Amounts under Maximum reflect the AIP bonus which would have been payable had each of the company performance factor, team performance factor and individual performance factor been at the maximum level. Actual AIP bonuses paid are reflected in the "Non-Equity Incentive Plan Compensation" column of the table labeled Summary Compensation Table above.
(2) All equity awards are denominated in shares of common stock, and were granted under the Amended and Restated Chipotle Mexican Grill, Inc. 2011 Stock Incentive Plan. See "Terms of 2017 Performance Share Awards" and "Terms of 2017 SOSAR Awards" below for a description of the vesting terms for the Performance Shares and SOSARs granted during 2017. See Note 6 to our audited consolidated financial statements for the year ended December 31, 2017, which are included in our Annual Report on Form 10-K filed with the SEC on February 8, 2018, for descriptions of the methodologies and assumptions we used to value equity awards pursuant to FASB Topic 718. The grant date fair value of Performance Share awards is included in the "Stock Awards" column of the Summary Compensation Table above for each executive officer for 2017, and the grant date fair value of SOSARs awards is included in the "Option Awards" column of the Summary Compensation Table above for each executive officer for 2017.
(3) In connection with the termination of Mr. Crumpacker's employment in March 2018, these awards were cancelled and forfeited.
(4) AIP amounts for Mr. Boatwright are pro-rated, based on his start date of May 30, 2017.

Terms of 2017 Performance Share Awards

Vesting of the performance share awards granted to the executive officers in 2017 will be based on Chipotle's stock price performance and growth in comparable restaurant sales over the three-year performance term.

Two-thirds of the awards will pay out only if the average closing price of Chipotle's common stock for any period of 60 consecutive trading days during performance term is at least $600, which is approximately 52% higher than the closing price of Chipotle's common stock as of the grant date. The number of shares issuable at the end of the performance term will be determined based on the highest average closing stock price achieved for any period of 60 consecutive trading days during the performance term. Additionally, if the average closing stock price of Chipotle's common stock during the last 60 consecutive trading days of the performance period is below $600, the maximum payout of the award will be no greater than the target payout, regardless of whether a higher payout level was actually achieved earlier in the performance period.

The other one-third of the awards will pay out only if the average annual growth in Chipotle comparable restaurant sales during the three fiscal years ending December 31, 2017, 2018 and 2019 is at least 5%.

Vesting and payout of each award is subject to the recipient's continued employment through the vesting date, subject to the potential pro-rata payout to the recipient or his estate in the event of termination due to death, disability or retirement, and to potential accelerated vesting in the event of certain terminations within two years of certain change in control transactions. We filed the form of Performance Share Agreements for these grants as an exhibit to our Quarterly Report on Form 10-Q filed with the SEC on April 27, 2016.

Terms of 2017 SOSAR Awards

Each SOSAR represents the right to receive shares of common stock in an amount equal to (i) the excess of the market price of the common stock at the time of exercise over the exercise price of the SOSAR, divided by (ii) the market price of the common stock at the time of exercise. The exercise price of the SOSARs is equal to the closing price of our common stock on the date the committee approved the grants. The SOSARs are subject to vesting in equal amounts on the second and third anniversary of the grant date, subject to potential acceleration of vesting in the event of termination due to death, disability, or retirement, and to potential accelerated vesting if the SOSARs are not replaced in the event of certain in control transactions. We filed the form of SOSAR Agreements for these grants as an exhibit to our Quarterly Report on Form 10-Q filed with the SEC on April 20, 2012.

OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2017

NAME	OPTION AWARDS				STOCK AWARDS	
	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS EXERCISABLE	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS UNEXERCISABLE	OPTION EXERCISE PRICE	OPTION EXPIRATION DATE	EQUITY INCENTIVE PLAN AWARDS: NUMBER OF UNEARNED SHARES, UNITS OR OTHER RIGHTS THAT HAVE NOT VESTED	EQUITY INCENTIVE PLAN AWARDS: MARKET OR PAYOUT VALUE OF UNEARNED SHARES, UNITS OR OTHER RIGHTS THAT HAVE NOT VESTED
STEVE ELLS						
	87,500	–	$543.20	2/3/2021	7,444[(2)]	$ 2,151,539[(3)]
	43,750	43,750[(1)]	$543.20	2/3/2021	13,500[(4)]	$ 3,901,905[(3)]
					10,000[(5)]	$2,890,300[(3)]
JACK HARTUNG						
	25,000	–	$ 318.45	2/7/2020	3,126[(2)]	$ 903,508[(3)]
	25,000	–	$ 318.45	2/7/2020	5,675[(4)]	$ 1,640,245[(3)]
	30,000	–	$543.20	2/3/2021	4,500[(5)]	$ 1,300,635[(3)]
	15,000	15,000[(1)]	$543.20	2/3/2021		
MARK CRUMPACKER						
	4,000	–	$ 318.45	2/7/2020[(6)]	2,233[(2)]	$ 645,404[(3)]
	4,000	–	$ 318.45	2/7/2020[(6)]	4,050[(4)(7)]	$ 1,170,572[(3)]
	2,000	–	$365.80	6/8/2020[(6)]	3,700[(5)(7)]	$ 1,069,411[(3)]
	15,000	–	$543.20	2/3/2021[(6)]		
	7,500	7,500[(1)]	$543.20	2/3/2021[(6)]		
CURT GARNER						
	5,500	5,500	$554.86	12/15/2022		
	–	25,000	$ 417.22	4/27/2023		
	–	25,000	$ 427.61	2/10/2024		
SCOTT BOATWRIGHT						
	–	10,090	$475.70	5/30/2024		

(1) Vesting of the unvested portion of these Performance SOSARs was contingent upon our achievement of stated levels of cumulative cash flow from operations prior to the fifth fiscal year-end following the award date, with vesting to occur no sooner than February 3, 2017. The SOSARs vested in full as of March 12, 2018.
(2) Represents shares issuable under the 2015 performance share awards, assuming achievement at the threshold level. Payout was based on relative achievement versus our restaurant industry peer group in sales growth, net income growth and total shareholder return over the three year performance period. In March 2018, the awards paid out between threshold and target.
(3) Based on the closing stock price of our common stock on December 29, 2017 of $289.03 per share.
(4) Represents shares issuable under the 2016 performance share awards, assuming achievement at the threshold level (which would require that our average closing stock price for any period of 60 consecutive trading days during the performance period is at least $700).
(5) Represents shares issuable under the 2017 performance share awards, assuming achievement at the threshold level (which would require that our average closing stock price for any period of 60 consecutive trading days during the performance period is at least $600, in addition to achievement of comparable restaurant sales goals). The performance terms for the 2017 performance share awards are further described above under "– Terms of 2017 Performance Share Awards."
(6) In connection with the termination of Mr. Crumpacker's employment in March 2018, the expiration date of these awards was amended to March 19, 2019.
(7) In connection with the termination of Mr. Crumpacker's employment in March 2018, these awards were cancelled and forfeited.

OPTION EXERCISES AND STOCK VESTED IN 2017

None of our executive officers exercised SOSARs during 2017, and no full-value shares of stock vested during 2017.

NON-QUALIFIED DEFERRED COMPENSATION FOR 2017

The Chipotle Mexican Grill, Inc. Supplemental Deferred Investment Plan permits eligible management employees who elect to participate in the plan, including our executive officers, to make contributions to deferral accounts once the participant has maximized his or her contributions to our 401(k) plan. Contributions are made on the participant's behalf through payroll deductions from 1 percent to 50 percent of the participant's monthly base compensation, which are credited to the participant's "Supplemental Account," and from 1 percent to 100 percent of awards under the AIP, which are credited to the participant's "Deferred Bonus Account." We also match contributions at the rate of 100 percent on the first 3 percent of compensation contributed and 50 percent on the next

2 percent of compensation contributed. Amounts contributed to a participant's deferral accounts are not subject to federal income tax at the time of contribution. Amounts credited to a participant's deferral accounts fluctuate in value to track a variety of available investment choices selected by the participant (which may be changed by the participant at any time), and are fully vested at all times following contribution.

Participants may elect to receive distribution of amounts credited to either or both of the participant's Supplemental Account or Deferred Bonus Account, in either (1) a lump sum amount paid from two to six years following the end of the year in which the deferral is made, subject to a one-time opportunity to postpone such lump sum distribution, or (2) a lump sum or installment distribution following termination of the participant's service with us, with installment payments made in accordance with the participant's election on a monthly, quarterly or annual basis over a period of up to 15 years following termination, subject to a one-time opportunity to change such distribution election within certain limitations. Distributions in respect of one or both of a participant's deferral accounts are subject to federal income tax as ordinary income in the year the distribution is made.

Amounts credited to participants' deferral accounts are unsecured general obligations of ours to pay the value of the accounts to the participants at times determined under the plan.

The table below presents contributions by each executive officer, and our matching contributions, to the Supplemental Deferred Investment Plan during 2017, as well as each executive officer's earnings under the plan and ending balances in the plan on December 31, 2017.

NAME	EXECUTIVE CONTRIBUTIONS IN LAST FY(1)	REGISTRANT CONTRIBUTIONS IN LAST FY(2)	AGGREGATE EARNINGS) IN LAST FY(3)	AGGREGATE WITHDRAWALS/ DISTRIBUTIONS	AGGREGATE BALANCE AT LAST FYE(4)
Steve Ells	$ 63,500	$50,800	$109,158	$429,654	$ 800,320
Jack Hartung	$136,000	$ 27,200	$ 86,037	–	$6,428,117
Mark Crumpacker	$ 22,732	$ 16,398	$ 54,786	–	$ 343,892

(1) These amounts are reported in the Summary Compensation Table as part of each executive's "Salary" for 2017.

(2) These amounts are reported in the Summary Compensation Table as part of each executive's "All Other Compensation" for 2017.

(3) These amounts are not reported as compensation in the Summary Compensation Table because none of the earnings are "above market" as defined in SEC rules.

(4) These amounts include amounts previously reported in the Summary Compensation Table as "Salary," "Non-Equity Incentive Plan Compensation" or "All Other Compensation" for years prior to 2017 (ignoring for purposes of this footnote any investment losses on balances in the plan and any withdrawals/distributions), in the following aggregate amounts: $2,450,615 for Mr. Ells, $5,631,631 for Mr. Hartung, and $347,689 for Mr. Crumpacker.

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE-IN-CONTROL

Certain Agreements

As of December 31, 2017, we were party to an Executive Chairman Agreement with Mr. Ells, and an employment agreement with Mr. Boatwright, pursuant to which we agreed to certain severance payments in the event of certain terminations of employment. The amount of those payment entitlements in connection with various termination events are described below.

In the event Mr. Ells's employment was terminated as of December 31, 2017, by Chipotle without cause or by Mr. Ells with good reason, then subject to his continued compliance with the restrictive covenants set forth in the agreement, Mr. Ells would have been entitled to salary continuation payments totaling $1.8 million.

In the event Mr. Boatwright's employment was terminated as of December 31, 2017, for any reason other than by Chipotle for cause, Mr. Boatwright would have been entitled to severance payments totaling $410,000.

Agreements we entered into subsequent to December 31, 2017 with executive officers other than Mr. Ells also provide for severance payments in the event of certain terminations of employment. Terms of those agreements are described above under "Compensation Discussion and Analysis – Executive Agreements."

We have in the past paid severance to executives or other key employees who have left us, and we may negotiate individual severance arrangements with any executive officer whose employment with us terminates in the future, depending on the circumstances of the executive's termination.

Payouts under the AIP are conditioned on the employee being employed as of the payout date.

Equity Awards

The terms of the equity-based awards made to our executive officers provide for post-employment benefits in certain circumstances. However, of the unvested equity-based awards outstanding as of December 31, 2017, all unvested SOSARs held by the executive officers, as well as the 2016 and 2017 performance share awards, were "underwater" based on the closing price of our common stock on December 31, 2017 and therefore had no value as of that date. The amount of any potential payout of the 2015 performance share awards as of December 31, 2017 was undeterminable due to the lack of peer group data against which our relative performance could be compared in order to determine payout. Actual payout of the 2015 performance shares in March 2018 is described above under "Compensation Discussion and Analysis – 2017 Compensation Program – Long-Term Incentives – 2015 Performance Share Award Vesting."

CEO PAY RATIO

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, U.S. publicly-traded companies are required to disclose the ratio of their CEO's annual total compensation to that of their median employee. This disclosure is required in this proxy statement and requires that our median employee be selected from all employees, including full-time, part-time, seasonal and temporary employees.

Because the 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 with the pay ratio that we have reported. In particular, it is important to bear in mind that Chipotle employs over 70,000 people in our 2,400-plus restaurants around the world, all of which are company-owned and not franchised, which will impact the comparability of our CEO pay ratio to that of many other restaurant or retail companies who operate under a franchised model.

We calculated our CEO to median employee pay ratio in accordance with the Dodd-Frank Act and Item 402(u) of the SEC's Regulation S-K, to arrive at a reasonable estimate calculated in accordance with SEC regulations and guidance. We identified our median employee by using total 2017 compensation for all individuals, excluding our CEO, who were employed by us on December 31, 2017 (annualized in the case of full- and part-time employees who joined Chipotle during 2017); we excluded from total 2017 compensation certain unusual or non-recurring items not available to all employees generally, to arrive at a consistently applied compensation measure. This resulted in identification of a median employee with total compensation of $13,582 using the consistently applied compensation measure. 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 an annual total compensation of our median employee for 2017 of $13,582, and annual total compensation for our CEO in 2017 as reported in the Summary Compensation Table above of $11.05 million (a large majority of which represents the grant date value of performance share awards that had no value as of December 31, 2017, and that will require the price of our common stock to more than double from the closing price on December 31, 2017, and our comparable restaurant sales to increase significantly, in order to deliver any value to the CEO), the ratio of our CEO's annual total compensation to our median employee's annual total compensation would be computed to be 814 to 1. When including total compensation for our CEO using realizable pay from 2017 compensation as described above under "Compensation Discussion and Analysis – Executive Summary – Alignment of CEO Realizable Pay Value and Performance," the CEO to median employee pay ratio would be computed to be 113 to 1. We believe such realizable pay for our CEO results in a more meaningful comparison of compensation actually received in the year by our CEO and median-compensated employee.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires our officers and directors and holders of greater than 10 percent of our outstanding common stock to file initial reports of their ownership of our equity securities and reports of changes in ownership with the SEC. Based solely on a review of the copies of such reports furnished to us and written representations from our officers and directors, we believe that all Section 16(a) filing requirements were complied with on a timely basis in 2017.

Agreements With Pershing Square Capital Management, L.P.

See "Proposal 1 – Election of Directors – Director Nomination Process – Investor Agreement Regarding Board Nominations" for details regarding the Investor Agreement entered into with Pershing Square on December 14, 2016. Concurrent with the Investor Agreement, we also entered into a Confidentiality Agreement allowing Pershing Square to receive non-public information regarding Chipotle, subject to specified confidentiality obligations.

Additionally, on February 3, 2017, we entered into a Registration Rights Agreement with Pershing Square. Pursuant to the Registration Rights Agreement, Pershing Square may make up to four requests that we file a registration statement to register the sale of shares of our common stock that Pershing Square beneficially owns, subject to the limitations and conditions provided in the Registration Rights Agreement. The Registration Rights Agreement also provides that we will file and keep effective, subject to certain limitations, a shelf registration statement covering shares of our common stock beneficially owned by Pershing Square, and also provides certain piggyback registration rights to Pershing Square. We would be responsible for the expenses of any such registration.

The registration rights provided in the agreement terminate as to any Pershing Square shareholder upon the earliest of (i) the date on which such shares are disposed of pursuant to an effective registration statement, (ii) the date on which such securities are sold pursuant to Rule 144, and (iii) such shareholder ceasing to beneficially own at least 5% of our outstanding common stock, provided such shareholder no longer has a representative serving on our Board, and is permitted to sell shares of common stock beneficially owned by such shareholder under Rule 144(b)(1) of the Securities Act. The Registration Rights Agreement also contains customary indemnification provisions.

The Investor Agreement, Confidentiality Agreement and Registration Rights Agreement contain various other obligations and provisions applicable to Chipotle and Pershing Square. The foregoing descriptions of the Investor Agreement, the Confidentiality Agreement and the Registration Rights Agreement are qualified in their entirety by reference to the full text of the Investor Agreement (including the form of Confidentiality Agreement included as an exhibit thereto), which is attached as Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on December 19, 2016, and the Registration Rights Agreement, which is attached as Exhibit 10.11 to our Annual Report on Form 10-K filed with the SEC on February 7, 2017.

Other Registration Rights

Prior to our initial public offering in 2006, certain of our current shareholders, including Steve Ells, who is now our Executive Chairman, and Albert S. Baldocchi, a member of our Board, entered into a registration rights agreement with us relating to shares of common stock they held at the time the agreement was executed. Under the agreement, these directors are entitled to piggyback registration rights with respect to registration statements we file under the Securities Act of 1933, as amended, subject to customary restrictions and pro rata reductions in the number of shares to be sold in an offering. We would be responsible for the expenses of any such registration.

Director and Officer Indemnification

We have entered into agreements to indemnify our directors and executive officers, in addition to the indemnification provided for in our certificate of incorporation and bylaws. These agreements, among other things, provide for indemnification of our directors and executive officers for certain expenses (including attorneys' fees), judgments, fines and settlement amounts incurred by any such person in any action or proceeding, including any action by or in the right of our company, arising out of such person's services as a director or executive officer of ours, any subsidiary of ours or any other company or enterprise to which the person provided services at our request. We believe that these provisions and agreements are necessary to attract and retain qualified persons as directors and executive officers.

The Board and our management do not know of any other matters to be presented at the annual meeting. If other matters do properly come before the annual meeting, it is intended that the persons named in the accompanying proxy vote the proxy in accordance with their best judgment on such matters.

SHAREHOLDER PROPOSALS AND NOMINATIONS FOR 2019 ANNUAL MEETING

Inclusion of Proposals in Our Proxy Statement and Proxy Card under the SEC's Rules

Any proposal of a shareholder intended to be included in our proxy statement and form of proxy/voting instruction card for the 2019 annual meeting of shareholders pursuant to SEC Rule 14a-8 must be received by us no later than December 3, 2018, unless the date of our 2019 annual meeting is more than 30 days before or after May 22, 2019, in which case the proposal must be received a reasonable time before we begin to print and send our proxy materials. All proposals must be addressed to Chipotle Mexican Grill, Inc., 1401 Wynkoop Street, Suite 500, Denver, CO 80202, Attn: Corporate Secretary.

Bylaw Requirements for Shareholder Submission of Nominations and Proposals

A shareholder nomination of a person for election to our Board of Directors or a proposal for consideration at our 2019 annual meeting must be submitted in accordance with the advance notice procedures and other requirements set forth in Article II of our bylaws. These requirements are separate from, and in addition to, the requirements discussed above to have the shareholder nomination or other proposals included in our proxy statement and form of proxy/voting instruction card pursuant to the SEC's rules. Our bylaws require that the proposal or nomination must be received by our corporate Secretary at the above address no earlier than the close of business on January 22, 2019, and no later than the close of business on February 21, 2019, unless the date of the 2019 annual meeting is more than 30 days before or 60 days after May 22, 2019. If the date of the 2019 annual meeting is more than 30 days before or 60 days after May 22, 2019, we must receive the proposal or nomination no earlier than the 120th day before the meeting date and no later than the 90th day before the meeting date, or if the date of the meeting is announced less than 100 days prior to the meeting date, no later than the tenth day following the day on which public disclosure of the date of the 2019 annual meeting is made.

AVAILABILITY OF SEC FILINGS, CORPORATE GOVERNANCE GUIDELINES, CODE OF CONDUCT, CODES OF ETHICS AND COMMITTEE CHARTERS

Copies of our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K and all amendments to those reports filed with the SEC, our Code of Conduct, Codes of Ethics, Corporate Governance Guidelines, the charters of the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee, and any reports of beneficial ownership of our common stock filed by executive officers, directors and beneficial owners of more than 10 percent of the outstanding shares of either class of our common stock are posted on and may be obtained on the Investors page of our website at www.chipotle.com without charge, or may be requested (exclusive of exhibits), at no cost by mail to Chipotle Mexican Grill, Inc., 1401 Wynkoop Street, Suite 500, Denver, CO 80202, Attn: Corporate Secretary.

DELIVERY OF MATERIALS TO SHAREHOLDERS WITH SHARED ADDRESSES

Beneficial holders who own their shares through a broker, bank or other nominee and who share an address with another such beneficial owner are only being sent one Notice of Internet Availability of Proxy Materials or set of proxy materials, unless such holders have provided contrary instructions. If you wish to receive a separate copy of these materials or if you are receiving multiple copies and would like to receive a single copy, please contact Chipotle investor relations by phone at (303) 605-1042, by writing to Investor Relations, Chipotle Mexican Grill, Inc., 1401 Wynkoop Street, Suite 500, Denver, Colorado, or by email to ir@chipotle.com. We will promptly deliver a separate copy to you upon written or oral request.

ATTENDANCE AT THE MEETING

To attend the meeting, you must be a shareholder on the record date of March 23, 2018, and obtain an admission ticket in advance. Tickets will be available to registered and beneficial owners and to one guest accompanying each registered or beneficial owner. You can print your own tickets and you must bring them to the meeting to gain access. Tickets can be printed by accessing Shareholder Meeting Registration at www.proxyvote.com and following the instructions provided (you will need the control number included on your proxy card, voter instruction form or notice).

Requests for admission tickets will be processed in the order in which they are received and must be requested no later than 11:59 p.m. Eastern Time on May 21, 2018. Please note that seating is limited and requests for tickets will be accepted on a first-come, first-served basis.

On the day of the meeting, each shareholder will be required to present valid picture identification such as a driver's license or passport with their admission ticket, and you may be denied admission if you do not. Seating will begin at 7:30 a.m. local time and the meeting will begin at 8:00 a.m. Cameras (including cell phones with photographic capabilities), recording devices and other electronic devices will not be permitted at the meeting. You may be required to enter through a security check before being granted access to the meeting.

MISCELLANEOUS

If you request physical delivery of these proxy materials, we will mail along with the proxy materials our 2017 Annual Report, including our Annual Report on Form 10-K for fiscal year 2017 (and the financial statements included in that report) as filed with the SEC; however, it is not intended that the Annual Report on Form 10-K be a part of the proxy statement or a solicitation of proxies.

You are respectfully urged to enter your vote instruction via the Internet as explained on the Notice of Internet Availability of Proxy Materials that was mailed to you, or if you are a holder of record and have received a proxy card, via telephone as explained on the proxy card. We will appreciate your prompt response.

MARKED TO SHOW PROPOSED CHANGES VS. PLAN AS CURRENTLY IN EFFECT

AMENDED AND RESTATED CHIPOTLE MEXICAN GRILL, INC. 2011 STOCK INCENTIVE PLAN

1. ~~Effective Date;~~ Purpose of the Plan

The purpose of the Amended and Restated Chipotle Mexican Grill, Inc. ~~established, effective~~2011 Stock Incentive Plan as ~~of March 6, 2011, the~~ set forth herein (this "Plan") is to attract and retain Employees, Consultants and Non-Employee Directors and to provide additional incentives for these persons consistent with the long-term success of the business of Chipotle Mexican Grill, Inc. (the "Company") and its Subsidiaries. This Plan was most recently approved by stockholders on May 13, 2015 as the Amended and Restated Chipotle Mexican Grill, Inc. 2011 Stock Incentive Plan~~, which is hereby amended and restated effective as of May 14, 2015,~~ (the "2015 Plan"). This amendment and restatement is subject to ~~stockholder~~the approval of the Company's stockholders, and shall ~~remain in~~have no effect ~~as provided~~ prior to that time.

The amendments made herein shall affect only Awards granted on or after the Effective Date (as hereinafter defined herein). Awards granted prior to the Effective Date shall be governed by the terms of the 2015 Plan (including any earlier amendment and restatement that is referred in the 2015 Plan) and Award Agreements as in ~~Section 19 below.~~ effect prior to the Effective Date. The terms of this Plan ~~is~~are not intended to ~~promote the interests of the Company and its shareholders by providing current and prospective directors, officers, employees, consultants and advisors of the Company and its Subsidiaries, who are largely responsible for the management, growth and protection of the business of the Company, with incentives and rewards to encourage them to continue in the service~~affect the interpretation of the ~~Company. The Plan is designed to meet this intent by providing Eligible Persons (as defined below) with a proprietary interest in pursuing the long-term growth, profitability and financial success of the Company~~terms of the 2015 Plan as they existed prior to the Effective Date.

2. Definitions

As used in the Plan or in any instrument governing the terms of any Incentive Award, the following definitions apply to the terms indicated below:

(a) "Board" or "Board of Directors" means the Board of Directors of Chipotle.

(b) "Business Combination" means a merger, consolidation, reorganization or similar transaction.

(c) "Cause" means, when used in connection with the termination of a Participant's employment with the Company, unless otherwise provided in the Participant's award agreement with respect to an Incentive Award or effective employment agreement or other written agreement with respect to the termination of a Participant's employment with the Company, the termination of the Participant's employment with the Company on account of: (i) a failure of the Participant to substantially perform his or her duties (other than as a result of physical or mental illness or injury); (ii) the Participant's willful misconduct or gross negligence which is materially injurious to the Company; (iii) a breach by a Participant of the Participant's fiduciary duty or duty of loyalty to the Company; (iv) the Participant's unauthorized removal from the premises of the Company of any document (in any medium or form) relating to the Company or the customers of the Company; or (v) the commission by the Participant of any felony or other serious crime involving moral turpitude. Any rights the Company may have hereunder in respect of the events giving rise to Cause shall be in addition to the rights the Company may have under any other agreement with the Participant or at law or in equity. If, subsequent to a Participant's termination of employment prior to a Change in Control, it is discovered that such Participant's employment could have been terminated for Cause, the Participant's employment shall, at the election of the Committee, in its sole discretion, be deemed to have been terminated for Cause retroactively to the date the events giving rise to Cause occurred.

(d) "Change in Control" means the occurrence, in a single transaction or in a series of related transactions, of one or more of the following events:

(i) Any Person becoming the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act, a "Beneficial Owner"), directly or indirectly, of twenty-five percent or more of the combined voting power of Voting Securities; provided, however that a Change in Control shall not be deemed to occur by reason of an acquisition of Voting Securities by the Company or by an employee benefit plan (or a trust forming a part thereof) maintained by the Company. Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any Person becomes the Beneficial Owner of twenty-five percent or more of the outstanding Voting Securities (A) in connection with a Business Combination that is not a Change in Control pursuant to sub-clause (iii), below, or (B) as a result of the acquisition of Voting Securities by the Company which, by reducing the number of Voting Securities deemed to be outstanding, increases the proportional number of shares Beneficially Owned by such Person, provided, however, that if a Change in Control would have occurred (but for the operation of this proviso) as a result of the acquisition of Voting Securities by the Company and at any time after such acquisition such Person becomes the Beneficial Owner of any additional Voting Securities following which such Person is the Beneficial Owner of twenty-five percent or more of the outstanding Voting Securities, a Change in Control shall occur;

(ii) The individuals who, as of March 16, 2011 are members of the Board of Directors (the "Incumbent Board"), cease for any reason to constitute at least a majority of the members of the Board of Directors; provided, however that if the election or appointment, or nomination for election by Chipotle's common stockholders, of any new director was approved by a vote of at least two-thirds of the Incumbent Board, such new director shall, for purposes of the Plan, thereafter be considered as a member of the Incumbent Board; provided, further, however, that no individual shall be considered a member of the Incumbent Board if such individual initially assumed office as a result of an actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board of Directors (a "Proxy Contest") including by reason of any agreement intended to avoid or settle any Proxy Contest; or

(iii) The consummation of:

(A) a Business Combination with or into the Company or in which securities of Chipotle are issued, unless such Business Combination is a Non-Control Transaction;

(B) a complete liquidation or dissolution of the Company; or

(C) the sale or other disposition of all or substantially all of the assets of the Company (on a consolidated basis) to any Person other than the Company or an employee benefit plan (or a trust forming a part thereof) maintained by the Company or by a Person which, immediately thereafter, will have all its voting securities owned by the holders of the Voting Securities immediately prior thereto, in substantially the same proportions.

For purposes of the Plan, a "Non-Control Transaction" is Business Combination involving the Company where:

(x) the holders of Voting Securities immediately before such Business Combination own, directly or indirectly immediately following such Business Combination more than fifty percent of the combined voting power of the outstanding voting securities of the parent corporation resulting from, or the corporation issuing its voting securities as part of, such Business Combination (the "Surviving Corporation") in substantially the same proportion as their ownership of the Voting Securities immediately before such Business Combination by reason of their prior ownership of Voting Securities;

(y) the individuals who were members of the Incumbent Board immediately prior to the execution of the agreement providing for such Business Combination constitute a majority of the members of the board of directors of the Surviving Corporation, or a corporation beneficially owning a majority of the voting securities of the Surviving Corporation; and

(z) no Person other than the Company or any employee benefit plan (or any trust forming a part thereof) maintained immediately prior to such Business Combination by the Company immediately following the time at which such transaction occurs, is a Beneficial Owner of twenty-five percent or more of the combined voting power of the Surviving Corporation's voting securities outstanding immediately following such Business Combination.

Notwithstanding the foregoing, if a Change in Control constitutes a payment event with respect to any Incentive Award that provides for the deferral of compensation and is subject to Section 409A of the Code, the transaction or event described in (i), (ii), or (iii) above with respect to such Incentive Award must also constitute a "change in control event," as defined in Treasury Regulation § 1.409A-3(i)(5) to the extent required by Section 409A of the Code. The Committee shall have full and final authority, which shall be exercised in its sole discretion, to determine conclusively whether a Change in Control has occurred for purposes of this Section ~~1~~2(d), and the date of the occurrence of such Change in Control and any incidental matters relating thereto.

(e) "Chipotle" means Chipotle Mexican Grill, Inc., a Delaware corporation, and any successor thereto.

(f) "Code" means the Internal Revenue Code of 1986, as amended from time to time, and all regulations, interpretations and administrative guidance issued thereunder~~.~~; provided, however, that references to "performance-based compensation" under Section 162(m) shall refer to the Internal Revenue Code of 1986 as in effect as of December 31, 2017, and all regulations, interpretations and administrative guidance issued thereunder.

(g) "Committee" means the Compensation Committee of the Board of Directors or such other committee as the Board of Directors shall appoint from time to time to administer the Plan and to otherwise exercise and perform the authority and functions assigned to the Committee under the terms of the Plan.

(h) "Common Stock" means Chipotle's Common Stock, $0.01 par value per share, or any other security into which the common stock shall be changed pursuant to the adjustment provisions of Section 9~~9~~ of the Plan.

(i) "Company" means Chipotle and all of its Subsidiaries, collectively.

~~(a) "Director" means a member of the Board of Directors who is not at the time of reference an employee of the Company.~~

(j) "Consultant" means any consultant or advisor to the Company or any of its Subsidiaries who may be offered securities registrable on Form S-8 under the Securities Act or pursuant to Rule 701 of the Securities Act, or any other available exemption, as applicable.

~~(j)~~(k) "Dividend Equivalent" means a right to receive the equivalent value (in cash or Common Stock) of dividends paid on Common Stock. Dividend Equivalents may be granted based on dividends declared on the Common Stock, to be credited as of dividend payment dates during the period between the date an Incentive Award is granted to a Participant and such date or dates as determined by the Committee. Such Dividend Equivalents shall be converted to cash or additional shares of Common Stock by such formula and at such time and subject to such limitations as may be determined by the Committee. ~~In addition,~~Dividend Equivalents shall be subject to the same restrictions as the shares subject to the underlying Incentive Award. Dividend Equivalents with respect to an Incentive Award with performance-based vesting that are based on dividends paid prior to the vesting of such Incentive Award shall only be paid out to the Participant to the extent that the performance-based vesting conditions are subsequently satisfied and such award vests. No Dividend Equivalent shall be payable with respect to any Incentive Award unless specified by the Committee in the agreement evidencing the Incentive Award. Dividend Equivalents shall not be issued in tandem with Options or stock appreciation rights.

(l) ~~"Eligible Person" means any (i) individual employed by the Company or any of its Subsidiaries; (ii) director of the Company or any of its Subsidiaries; (iii) consultant or advisor to the Company or any of its Subsidiaries who may be offered securities registrable on Form S-8 under the Securities Act or pursuant to Rule 701 of the Securities Act, or any other available exemption, as applicable; or (iv) prospective employees, directors, officers, consultants or advisors~~"Effective Date" means May 22, 2018, subject to shareholder approval at the Company's 2018 annual shareholders' meeting (or any adjournment thereof).

(m) "Eligible Person" means any (i) Employee; (ii) Non-Employee Director or (iii) Consultant; including persons who have accepted offers of employment or consultancy from the Company or its Subsidiaries (and would satisfy the provisions of clauses (i) through (iii) above once such person begins employment with or providing services to the Company or its Subsidiaries).

~~(k)~~(n) "Employee" means an individual who is on the payroll of the Company or one of its Subsidiaries, and is classified on the employer's human resource payroll system as a regular full-time or regular part-time employee.

~~(l)~~(o) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

~~(m)~~(p) "Fair Market Value" or "FMV" means, as of any date, the value of a share of Common Stock as determined by the Committee, in its discretion, subject to the following:

(i) If, on such date, Common Stock is listed on the New York Stock Exchange ("NYSE") (or such other national securities exchange as may at the time be the principal market for the Common Stock), then: the Fair Market Value of a share shall be the closing price of a share of Common Stock as quoted on such exchange, as reported in The Wall Street Journal or such other source as the Company deems reliable (or, if no such closing price is reported, the closing price on the last preceding date on which a sale of Common Stock occurred); provided, however, that the Committee may, in its discretion, determine the Fair Market Value of a share of Common Stock on the basis of the opening, closing, or average of the high and low sale prices of a share of Common Stock on such date or the preceding trading day, the actual sale price of a Share, any other reasonable basis using actual transactions involving shares of Common Stock as reported on an established U.S. national or regional securities exchange, or on any other basis consistent with the requirements of Section 409A of the Code.

(ii) If the Common Stock is not then listed and traded on the NYSE or other national securities exchange, Fair Market Value shall be what the Committee determines in good faith to be 100% of the fair market value of a share of Common Stock on that date, using such criteria as it shall determine, in its sole discretion, to be appropriate for valuation.

(iii) The Committee may vary in its discretion the method of determining Fair Market Value as provided in this Section for purposes of different provisions under the Plan. The Committee may delegate its authority to establish Fair Market Value for purposes of determining whether sufficient consideration has been paid to exercise Options or SARs or for purposes of any other transactions involving outstanding Incentive Awards.

~~(n)~~(q) "Full Value Award" means any Incentive Award other than an Option or stock appreciation right.

~~(o)~~(r) "Good Reason" means, unless otherwise provided in any award agreement entered between the Company and the Participant with respect to an Incentive Award or effective employment agreement or other written agreement between the Participant and the Company with respect to the termination of a Participant's employment with the Company, the Participant's termination of employment on account of: (i) a material diminution in a Participant's duties and responsibilities other than a change in such Participant's duties and responsibilities that results from becoming part of a larger organization following a Change in Control, (ii) a decrease in a Participant's base salary, bonus opportunity or benefits other than a decrease in bonus opportunity or benefits that applies to all employees of the Company otherwise eligible to participate in the affected plan or (iii) a relocation of a Participant's primary work location more than 30 miles from the Participant's work location on the date of grant of a Participant's Incentive Awards under the Plan, without the Participant's prior written consent; provided that, within thirty days following the occurrence of any of the events set forth herein, the Participant shall have delivered written notice to the Company of his or her intention to terminate his or her employment for Good Reason, which notice specifies in reasonable detail the circumstances claimed to give rise to the Participant's right to terminate employment for Good Reason, and the Company shall not have cured such circumstances within thirty days following the Company's receipt of such notice.

~~(p)~~(s) "Incentive Award" means an Option or Other Stock-Based Award granted to a Participant pursuant to the terms of the Plan.

(t) "Non-Employee Director" means a member of the Board of Directors who is not an Employee.

~~(q)~~(u) "Option" means an option to purchase shares of Common Stock granted to a Participant pursuant to Section 6~~6.~~.

~~(r)~~(v) "Other Stock-Based Award" means an equity or equity-related award granted to a Participant pursuant to Section 7~~7~~. .

~~(s)~~(w) "Participant" means ~~a Director, consultant, advisor or employee of the Company~~an Eligible Person who ~~is eligible to participate in the Plan and to whom one or more Incentive Awards have~~has been granted an Incentive Award pursuant to the Plan and, following the death of any such Person, his successors, heirs, executors and administrators, as the case may be.

~~(t)~~(x) "Performance-Based Compensation" means any ~~Full Value Award designated by the Committee as Performance-Based Compensation under~~Incentive Award that is granted subject to Section 8 of the Plan.

~~(u)~~(y) "Performance ~~Goals" mean, for a Performance Period,~~ Goal" means the level of performance with respect to one or more ~~goals established by the Committee for the Performance Period based upon the~~ Performance Measures~~.~~ that must be achieved during a Performance Period to earn a payment under an Incentive Award structured as Performance-Based Compensation.

~~(v)~~(z) "Performance Measures" means ~~such~~the measures ~~as are~~ described in Section 8 ~~on which~~that may be used as part of a Performance ~~Goals are based in order to qualify certain awards granted hereunder as~~Goal when granting Performance-Based Compensation.

~~(w)~~(aa) "Performance Period" means the period of time during which the Performance Goals must be met in order to determine the degree of payout and/or vesting with respect to ~~a Full Value Award that is intended to qualify as~~ Performance-Based Compensation.

~~(x)~~(bb) "Person" means a "person" as such term is used in Section 13(d) and 14(d) of the Exchange Act, including any "group" within the meaning of Section 13(d)(3) under the Exchange Act.

~~(y)~~(cc) "Plan" means this Amended and Restated Chipotle Mexican Grill, Inc. 2011 Stock Incentive Plan, as it may be amended from time to time.

~~(z)~~(dd) "Qualifying Termination" means a Participant's termination of employment by the Company Without Cause or for Good Reason, in either case during the period commencing on a Change in Control and ending on the second anniversary of the Change in Control.

~~(aa)~~(ee) "Securities Act" means the Securities Act of 1933, as amended.

~~(bb)~~(ff) "Subsidiary" means any "subsidiary" within the meaning of Rule 405 under the Securities Act.

~~(cc)~~(gg) "Voting Securities" means, at any time, Chipotle's then outstanding voting securities.

~~(dd)~~(hh) "Without Cause" means a termination of a Participant's employment with the Company other than: (i) a termination of employment by the Company for Cause, (ii) a termination of employment as a result of the Participant's death or Disability or (iii) a termination of employment by the Participant for any reason.

(ii) "2015 Plan" means the Amended and Restated Chipotle Mexican Grill, Inc. 2011 Stock Incentive Plan as in effect prior to the Effective Date.

3. Stock Subject to the Plan

(a) In General

Subject to adjustment as provided in Section 9 and the following provisions of this Section 3, the maximum number of shares of Common Stock that may be issued pursuant to Incentive Awards granted under the Plan shall be increased from

~~3,360,000 to~~ 5,560,000 to 6,830,000 shares of Common Stock in the aggregate~~, of which 960,000 shares of Common Stock were available for issuance but were not issued under the Company's Amended and Restated 2006 Stock Incentive Plan~~. Out of such aggregate, the maximum number of shares of Common Stock that may be covered by Options that are designated as "incentive stock options" within the meaning of Section 422 of the Code shall not exceed 3,000,000 shares of Common Stock, subject to adjustment as provided in Section 9 and the following provisions of this Section 3. Shares of Common Stock issued under the Plan may be ~~either~~ authorized and unissued shares ~~or~~, authorized and issued shares held in the Company's treasury ~~shares, or both~~or otherwise acquired for purposes of the Plan, at the discretion of the Committee. Any shares of Common Stock subject to Options or stock appreciation rights shall be counted against the maximum share limitation of this Section 3(a) as one share of Common Stock for every share of Common Stock subject thereto. Any shares of Common Stock subject to Full Value Awards shall be counted against the maximum share limitation of this Section 3(a) as two shares of Common Stock for every share of Common Stock subject thereto. No further Incentive Awards shall be granted subject to the terms of the 2015 Plan.

~~For purposes of the preceding paragraph, shares of Common Stock covered by Incentive Awards shall only be counted as used to the extent they are actually issued and delivered to a Participant (or such Participant's permitted transferees as described in the Plan) pursuant to the Plan. For purposes of clarification, if shares of Common Stock are issued subject to conditions which may result in the forfeiture, cancellation or return of such shares to the Company, any portion of the shares forfeited, cancelled or returned shall be treated as not issued pursuant to the Plan.~~Any shares of Common Stock related to Incentive Awards, whether granted under this Plan or the 2015 Plan, that at any time on or after the Effective Date, terminate by expiration, forfeiture, cancellation, or otherwise without the issuance of such shares (including but not limited to settlement of an Incentive Award at less than the target number of shares), are settled in cash in lieu of shares of Common Stock, or are exchanged with the Committee's permission, prior to the issuance of shares of Common Stock, for Incentive Awards not involving shares of Common Stock, shall be available again for grant under this Plan. Shares of Common Stock covered by Incentive Awards granted pursuant to the Plan in connection with the assumption, replacement, conversion or adjustment of outstanding equity-based awards in the context of a corporate acquisition or merger (within the meaning of Section 303A.08 of the New York Stock Exchange Listed Company Manual or any successor provision) shall not count as used under the Plan for purposes of this Section 3. Notwithstanding the foregoing, the following shares of Common Stock may not again be made available for issuance as Incentive Awards under the Plan: (i) shares of Common Stock not issued or delivered as a result of the net settlement of an outstanding Option or stock appreciation right, (ii) shares of Common Stock used to pay the exercise price or withholding taxes related to ~~an~~any outstanding Incentive Award, or (iii) shares of Common Stock reacquired by the Company with the amount received upon exercise of an Option.

Subject to adjustment as provided in Section 9, the maximum number of shares of Common Stock subject to Incentive Awards which may be granted under the Plan to any single Participant in any fiscal year of the Company shall not exceed 700,000 shares per fiscal year, all of which may be granted in the form of incentive stock options under Section 422 of the Code.

(b) Prohibition on Substitutions and Repricings

Except as provided in this Section 3(b)~~3(b)~~ in no event shall any new Incentive Awards be issued in substitution for outstanding Incentive Awards previously granted to Participants, nor shall any repricing (within the meaning of US generally accepted accounting practices or any applicable stock exchange rule) of Incentive Awards issued under the Plan be permitted at any time under any circumstances, in each case unless the shareholders of the Company expressly approve such substitution or repricing. Notwithstanding the foregoing, the Committee may authorize the issuance of Incentive Awards in substitution for outstanding Full Value Awards, provided such substituted Incentive Awards are for a number of shares of Common Stock no greater than the number included in the original award, have an exercise price or base price (if applicable) at least as great as the exercise price or base price of the substituted award, and the effect of the substitution is (A) solely to add restrictions (such as performance conditions) to the award or (B) to provide a benefit to the Company (and not the Participant) (which, for the avoidance of doubt, shall include substitutions performed for the purpose of permitting the Incentive Awards to qualify as "performance based compensation" for purposes of Section 162(m) of the Code).

4. Administration of the Plan; Certain Restrictions on Incentive Awards

The Plan shall be administered by a Committee of the Board of Directors designated by the Board of Directors consisting of two or more persons, at least two of whom qualify as ~~non-employee directors~~Non-Employee Directors (within the meaning of Rule 16b-3 promulgated under Section 16 of the Exchange Act~~), and as "outside directors" within the meaning of Treasury Regulation Section 1.162-27(e)(3~~) and as "independent" within the meaning of the rules of any applicable stock exchange or similar regulatory authority. The Committee shall, consistent with the terms of the Plan, from time to time designate those ~~employees and non-employee directors~~Eligible Persons who shall be granted Incentive Awards under the Plan and the amount, type and other terms and conditions of such Incentive Awards. Except to the extent prohibited by applicable law or the applicable rules of a stock exchange on which the Company's shares are traded, the Committee may (i) allocate all or any portion of its responsibilities and powers to any one or more of its members and (ii) delegate all or any part of its responsibilities and powers to any person or persons selected by it, provided that no such delegation may be made that would cause any Incentive Awards or other transactions under the Plan to fail to or cease to be exempt from Section 16(b) of the Exchange Act~~, or cause an Incentive Award designated as Performance-Based Compensation not to qualify for, or to cease to qualify for, any exemption from non-deductibility under Section 162(m) of the Code.~~. Any such allocation or delegation may be revoked by the Committee at any time.

The Committee shall have full discretionary authority to administer the Plan, including discretionary authority to interpret and construe any and all provisions of the Plan and the terms of any Incentive Award (and any agreement evidencing any Incentive Award) granted thereunder and to adopt and amend from time to time such rules and regulations for the administration of the Plan as the Committee may deem necessary or appropriate (including without limitation the adoption or amendment of rules or regulations applicable to the grant, vesting or exercise of Incentive Awards issued to employees located outside the United States). Without limiting the generality of the foregoing, ~~(i) the Committee shall determine whether an authorized leave of absence, or absence in military or government service, shall constitute termination of employment and (ii)~~ the employment of a Participant with the Company shall be deemed to have terminated for all purposes of the Plan if such person is employed by or provides services to a Person that is a Subsidiary of the Company and such Person ceases to be a Subsidiary of the Company, unless the Committee specifically determines otherwise in writing. Decisions of the Committee shall be final, binding and conclusive on all parties.

On or after the date of grant of an Incentive Award under the Plan, the Committee may (i) accelerate the date on which any such Incentive Award becomes vested, exercisable or transferable, as the case may be, (ii) extend the term of any such Incentive Award, including, without limitation, extending the period following a termination of a Participant's employment with or services as a Director of the Company during which any such Incentive Award may remain outstanding, (iii) waive any conditions to the vesting, exercisability or transferability, as the case may be, of any such Incentive Award (iv) provide for the payment of dividends or Dividend Equivalents with respect to any such Incentive Award; or (v) otherwise amend an outstanding Incentive Award in whole or in part from time-to-time as the Committee determines, in its sole and absolute discretion, to be necessary or appropriate to conform the Incentive Award to, or otherwise satisfy any legal requirement (including without limitation the provisions of Section 409A of the Code), which amendments may be made retroactively or prospectively and without the approval or consent of the Participant to the extent permitted by applicable law; provided, that the Committee shall not have any such authority to the extent that the grant or exercise of such authority would cause any tax to become due under Section 409A of the Code.

~~Notwithstanding anything herein to the contrary, in no event shall a Full Value Award not subject to performance-based conditions have a vesting schedule resulting in such Full Value Award vesting in full prior to the third anniversary of the grant date, provided, however, that this restriction will be inapplicable to awards representing no more than 5% of the total shares of Common Stock authorized for issuance under the Plan. For purposes of clarity, this restriction will not prohibit any Full Value Award from (i) having partial vesting dates prior to the third anniversary of the grant date in accordance with a proportionate vesting schedule determined at the discretion of the Committee, so long as such award does not vest in full prior to the third anniversary of the grant date, or (ii) having provisions for acceleration of the vesting date within the limitations set forth in the following paragraph.~~

Except with respect to a maximum of five percent (5%) of the shares of Common Stock authorized under Section 3(a) as of the Effective Date, as may be adjusted under Section 9, any equity-based Incentive Award that vests on the basis of the Participant's continued employment with or provision of service to the Company shall not provide for vesting before the first (1st) anniversary of the Grant Date.

Also notwithstanding anything herein to the contrary, in no event shall any Incentive Award provide for acceleration of the vesting date of such award other than in connection with the death, disability or retirement of the Participant holding such Incentive Award or a Change in Control, provided, however, that this restriction will be inapplicable to awards representing no more than 5% of the total shares of Common Stock authorized for issuance under the Plan.

No member of the Committee shall be liable for any action, omission, or determination relating to the Plan, and Chipotle shall indemnify and hold harmless each member of the Committee and each other Director or employee of the Company to whom any duty or power relating to the administration or interpretation of the Plan has been delegated against any cost or expense (including counsel fees) or liability (including any sum paid in settlement of a claim with the approval of the Committee) arising out of any action, omission or determination relating to the Plan, unless, in either case, such action, omission or determination was taken or made by such member, director or employee in bad faith and without reasonable belief that it was in the best interests of the Company.

5. Eligibility

The Persons who shall be eligible to receive Incentive Awards pursuant to the Plan shall be those ~~employees, consultants and advisors of the Company and Directors~~Eligible Persons whom the Committee shall select from time to time. All Incentive Awards granted under the Plan shall be evidenced by a separate written agreement entered into by the Company and the recipient of such Incentive Award.

6. Options

The Committee may from time to time grant Options, subject to the following terms and conditions:

(a) Exercise Price

The exercise price per share of Common Stock covered by any Option shall be not less than 100% of the Fair Market Value of a share of Common Stock on the date on which such Option is granted. The agreement evidencing the award of each Option shall clearly identify such Option as either an "incentive stock option" within the meaning of Section 422 of the Code or as not an incentive stock option.

(b) Term and Exercise of Options

(1) Each Option shall become vested and exercisable on such date or dates, during such period and for such number of shares of Common Stock as shall be determined by the Committee on or after the date such Option is granted (including without limitation in accordance with terms and conditions relating to the vesting or exercisability of an Option set forth in any employment, severance, change in control or similar agreement entered into by the Company with a Participant on or after the date of grant) and subject to the restrictions set forth in Section 4; provided, however that no Option shall be exercisable after the expiration of ten years from the date such Option is granted; and, provided, further, that each Option shall be subject to earlier termination, expiration or cancellation as provided in the Plan or in the agreement evidencing such Option. ~~In addition, except as otherwise determined by the Committee at or after the time of grant, unless an Option becomes vested or exercisable pursuant to Sections or hereof, an Option may not become vested or exercisable in whole or in part during the twelve-month period commencing with the date on which the Option was granted.~~

(2) Each Option may be exercised in whole or in part; provided, however that the Committee (or its delegatee) may impose a minimum size for a partial exercise of an Option in its discretion from time to time. The partial exercise of an Option shall not cause the expiration, termination or cancellation of the remaining portion thereof.

(3) An Option shall be exercised by such methods and procedures as the Committee determines from time to time, including without limitation through net physical settlement or other method of cashless exercise. With respect to any Participant who is a member of the Board or an officer (as defined under SEC Rule 16a-1), a tender of shares of Common Stock or, a cashless or net exercise shall be a subsequent transaction approved as part of the original grant of an Option for purposes of the exemption under Rule 16b-3 of the Exchange Act.

(4) Options may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of a Participant, only by the Participant; provided, however that the Committee may permit Options to be pledged, assigned, hypothecated, transferred, or disposed of, on a general or specific basis, subject to such conditions and limitations as the Committee may determine, except that Options may not be sold for consideration or transferred for value (provided further that donative transfers described in Section A.1.(a)(5) of the general instructions to Form S-8 shall not be deemed transfers for value for purposes of this section).

(5) If the exercise of the Option following the termination of the Participant's employment or service (other than upon the Participant's death or disability) would be prohibited at any time solely because the issuance of shares of Common Stock would violate the registration requirements under the Securities Act, or any other requirements of applicable law, then the Option shall terminate on the earlier of (i) the expiration of the term of the Option and (ii) the expiration of a period of 30 days after the termination of the Participant's employment or service during which the exercise of the Option would not be in violation of such registration requirements or other applicable requirements.

(6) Notwithstanding the foregoing, the Committee may, in its sole discretion, implement a provision in existing and future grants of Options and stock appreciation rights providing that if, on the last day that an Option or stock appreciation right may be exercised, the Participant has not then exercised such Option, such Option shall be deemed to have been exercised by the Participant on such last day and the Company shall make the appropriate payment to such Participant after applying minimum required tax withholding. The Committee may delegate this authority to one or more of the Company's officers, who may implement this provision by including it in grant agreements or including it in the Plan's administrative rules, provided that such officers may not implement it in Incentive Awards to persons ~~(i)~~ who are Non-Employee Directors or executive officers otherwise subject to reporting obligations under Section 16 of the Exchange Act ~~or (ii) who are, or are reasonably expected to be, individuals the deductibility of whose compensation is limited by Section 162(m) of the Code~~.

(c) Effect of Termination of Employment or other Relationship

The agreement evidencing the award of each Option shall specify the consequences with respect to such Option of the termination of the employment, service as a ~~director~~Non-Employee Director or other relationship between the Company and the Participant holding the Option, subject to the restrictions set forth in Section 4, provided, however, that except as expressly provided to the contrary in the agreement evidencing the award of a particular Option, where continued vesting or exercisability of an Option terminates in connection with the termination of a Participant's employment relationship with the Company, such Participant's employment relationship with the Company will be deemed, for purposes of such Option, to continue so long as Participant serves as either an employee of the Company or as a member of the Board. Notwithstanding the foregoing sentence, a Participant's employment will be deemed to terminate immediately upon such Participant's termination for Cause, regardless of whether Participant remains on the Board following such termination.

(d) Effect of Qualifying Termination

If a Participant experiences a Qualifying Termination or a Non-Employee Director's service on the Board terminates in connection with or as a result of a Change in Control, each Option outstanding immediately prior to such Qualifying Termination or termination of a Non-Employee Director's service shall become fully and immediately vested and exercisable as of such Qualifying Termination or termination of a Non-Employee Director's service and shall remain exercisable until its expiration, termination or cancellation pursuant to the terms of the Plan and the agreement evidencing such Option.

(e) Special Rules for Incentive Stock Options

(1) The aggregate Fair Market Value of shares of Common Stock with respect to which "incentive stock options" (within the meaning of Section 422 of the Code) are exercisable for the first time by a Participant during any calendar year under the Plan and any other stock option plan of the Company (or any "subsidiary" as such term is defined in Section 424 of the Code of Chipotle) shall not exceed $100,000. Such Fair Market Value shall be determined as of the date on which each such incentive stock option is granted. In the event that the aggregate Fair Market Value of shares of Common Stock with respect to such incentive stock options exceeds $100,000, then incentive stock options granted hereunder to such Participant shall, to the extent and in the order required by regulations promulgated under the Code (or any other authority having the force of regulations) ("Regulations"), automatically be deemed to be non-qualified stock options, but all other terms and provisions of such incentive stock options shall remain unchanged. In the absence of such Regulations (and authority), or in the event such Regulations (or authority) require or permit a designation of the options which shall cease to constitute incentive stock options, incentive stock options granted hereunder shall, to the extent of such excess and in the order in which they were granted, automatically be deemed to be non-qualified stock options, but all other terms and provisions of such incentive stock options shall remain unchanged.

(2) No incentive stock option may be granted to an individual if, at the time of the proposed grant, such individual owns stock possessing more than ten percent of the total combined voting power of all classes of stock of Chipotle or any of its "subsidiaries" (within the meaning of Section 424 of the Code), unless (i) the exercise price of such incentive stock option is at least one hundred and ten percent of the Fair Market Value of a share of Common Stock at the time such incentive stock option is granted and (ii) such incentive stock option is not exercisable after the expiration of five years from the date such incentive stock option is granted.

7. Other Stock-Based Awards

(a) Authorization of Other Stock-Based Awards

The Committee may grant equity-based or equity-related awards not otherwise described herein in such amounts and subject to such terms and conditions as the Committee shall determine. Without limiting the generality of the preceding sentence, each such Other Stock-Based Award may, subject to the restrictions set forth in Section 4 (i) involve the transfer of actual shares of Common Stock to Participants, either at the time of grant or thereafter, or payment in cash or otherwise of amounts based on the value of shares of Common Stock, (ii) be subject to performance-based and/or service-based conditions, (iii) be in the form of cash-settled stock appreciation rights, stock-settled stock appreciation rights, phantom stock, restricted stock, restricted stock units, performance shares, or share-denominated performance units, and (iv) be designed to comply with applicable laws of jurisdictions other than the United States~~, and (v) be designed to qualify as Performance-Based Compensation~~. Notwithstanding the foregoing, any Other Stock-Based Award that is a stock appreciation right (i) shall have a base price of not less than 100% of the Fair Market Value of a share of Common Stock on the date on which such stock appreciation right is granted, (ii) shall not have an expiration date greater than ten years from the date on which such stock appreciation right is granted and (iii) shall be subject to deemed exercise rule under Section 6(b)(6) using a settlement method similar to a net exercise for an Option.

(b) Effect of Qualifying Termination; Other Termination Provisions

Except as may be expressly provided to the contrary by the Committee in an agreement evidencing the grant of an Other Stock-Based Award or any employment, severance, change in control or similar agreement entered into with a Participant, if a Participant experiences a Qualifying Termination or a Non-Employee Director's service on the Board terminates in connection with or as a result of a Change in Control, each Other Stock-Based Award outstanding immediately prior to such Qualifying Termination or termination of Non-Employee Director's service shall become fully and immediately vested and, if applicable, exercisable as of such Qualifying Termination or termination and shall remain exercisable until its expiration, termination or cancellation pursuant to the terms of the Plan and the agreement evidencing such Other Stock-Based Award.

Furthermore, except as expressly provided to the contrary in the agreement evidencing the award of a particular Other Stock-Based Award, where continued vesting or exercisability of an Other Stock-Based Award terminates in connection with the termination of a Participant's employment relationship with the Company, such Participant's employment relationship with the Company will be deemed, for purposes of such Other Stock-Based Award, to continue so long as Participant serves as either an employee of the Company or as a member of the Board. Notwithstanding the foregoing sentence, a Participant's employment will be deemed to terminate immediately upon such Participant's termination for Cause, regardless of whether Participant remains on the Board following such termination.

8. Incentive Awards Subject to Performance ~~Measures~~Goals

~~(b) Performance Measures~~

The Committee shall have the authority~~, at the time of~~ to grant ~~of any Full Value Award, to designate it as a~~Incentive Awards subject to the provisions of this Section 8 (collectively, "Performance-Based Compensation"). Performance-Based Compensation ~~intended to qualify~~subject to this Section 8 may, but is not required, to be granted as "performance-based compensation" under Section 162(m) of the Code. ~~Notwithstanding anything to the contrary in the Plan, the Committee shall not be obligated to grant any Incentive Award in the form of "performance-based compensation" under Section 162(m) of the Code.~~

The Performance Measures that ~~will~~may be used to establish Performance Goals shall be based on attaining specific levels of performance (either alone or in any combination, and may be expressed with respect to the Company (and/or one or more of its Subsidiaries, divisions or operating units or groups or any combination of the foregoing), and may include any of the following as the Committee may determine: revenue growth; cash flow; cash flow from operations; net income; net income before equity compensation expense; earnings per share, diluted or basic; earnings per share from continuing operations, diluted or basic; earnings before interest and taxes; earnings before interest, taxes, depreciation, and amortization; earnings from continuing operations; net asset turnover; inventory turnover; capital expenditures; income from operations; income from operations excluding non-cash related entries; income from operations excluding non-cash adjustments; income from operations before equity compensation expenses; income from operations excluding equity compensation expense and lease expense; operating cash flow from operations; income before income taxes; gross or operating margin; restaurant-level operating margin; profit margin; assets; debt; working capital; return on equity; return on net assets; return on total assets; return on capital; return on investment; return on revenue; net or gross revenue; comparable restaurant sales; new restaurant openings; market share; economic value added; cost of capital; expense reduction levels; safety record; stock price; productivity; customer satisfaction; employee satisfaction; ~~and~~ total shareholder return or any other financial or operational criteria that the Committee determines in its sole discretion to be appropriate. For any Plan Year, Performance Measures may be determined on an absolute basis or relative to internal goals or relative to levels attained in years prior to such Plan Year or related to other companies or indices or as ratios expressing relationships between two or more Performance Measures.

~~In~~To the ~~event~~extent that applicable tax and/or securities laws change to permit Committee discretion to alter the governing Performance Measures without obtaining stockholder approval of such alterations, the Committee shall have sole discretion to make such alterations without obtaining stockholder approval. The Committee is authorized at any time during the first ninety (90) days of a Performance Period (or, if longer or shorter, within the maximum period allowed under Section 162(m) of the Code), or at any time thereafter to the extent the exercise of such authority at such time would not cause the Performance-Based Compensation granted to any Participant for such Performance Period to fail to qualify as "performance-based compensation" under Section 162(m) of the Code, in its sole discretion, to adjust or modify the calculation of a Performance Goal for such Performance Period, based on and in order to appropriately reflect the following events: (i) asset write-downs; (ii) litigation or claim judgments or settlements; (iii) the effect of changes in tax laws, accounting principles, or other laws or regulatory rules affecting reported results; (iv) any reorganization and restructuring programs; (v) events of an "unusual nature" or of a type that indicates "infrequency of occurrence", both as described in Accounting Standards Codification Topic 225-20 (or any successor pronouncement thereto) and/or in management's discussion and analysis of financial condition and results of operations appearing in the Company's annual report to stockholders for the applicable year; (vi) acquisitions or divestitures; (vii) any other specific unusual or nonrecurring events, or objectively determinable category thereof; (viii) foreign exchange gains and losses; and (ix) a change in the Company's fiscal year. For the avoidance of doubt, the Committee may elect to exercise its authority to adjust an Incentive Award as described in this paragraph solely under the terms and conditions as set forth in the Incentive Award.

Performance Periods may be ~~equal~~of any length. Awards intended to ~~or longer than, but not less than, one fiscal year of the Company and may~~qualify as "performance-based compensation" under Section 162(m) shall be ~~overlapping. Within 90 days after the beginning of a Performance Period, and in any case~~granted before twenty-five (25~~%~~%) of the Performance Period has elapsed, ~~the~~but in no event later the 90th day after commencement of the Performance Period. The Committee shall establish (a) Performance Goals for such Performance Period, (b) target awards for each Participant, and (c) schedules or other objective methods for determining the applicable performance percentage to be applied to each such target award.

To the extent determined by the Committee at the time the Performance Measures are established, the measurement of any Performance Measure(s) may exclude the impact of charges for restructurings, discontinued operations, extraordinary items, and other unusual or non-recurring items, ~~and~~ the cumulative effects of accounting changes, each as defined by generally accepted accounting principles and as identified in the Company's audited financial statements, including the notes thereto~~.~~, and any other events or circumstances that may render the Performance Goals unsuitable. To the extent determined by the Committee at the time the Performance Measures are established, any Performance Measure(s) may be used to measure the performance of the Company or a Subsidiary as a whole or any business unit of the Company or any Subsidiary or any combination thereof, as the Committee may deem appropriate, or any of the above Performance Measures as compared to the performance of a group of comparator companies, or a published or special index that the Committee, in its discretion, deems appropriate.

Nothing in this Section 8~~8~~ is intended to limit the Committee's discretion to adopt conditions with respect to any Incentive Award that is not intended to qualify as Performance-Based Compensation that relate to performance other than the Performance Measures. In addition, the Committee may, subject to the terms of the Plan, amend previously granted Incentive Awards in a way that disqualifies them as Performance-Based Compensation.

~~(a) Committee Discretion~~

~~In the event that the requirements of Section 162(m) of the Code and the regulations thereunder change to permit Committee discretion to alter the Performance Measures without obtaining shareholder approval of such changes, the Committee shall have discretion to make such changes without obtaining shareholder approval.~~

9. Adjustment Upon Changes in Common Stock

(a) Shares Available for Grants

In the event of any change in the number of shares of Common Stock outstanding by reason of any stock dividend or split, recapitalization, merger, consolidation, combination or exchange of shares or similar corporate change, the maximum aggregate number of shares of Common Stock with respect to which the Committee may grant Incentive Awards and the maximum aggregate number of shares of Common Stock with respect to which the Committee may grant Incentive Awards to any individual Participant in any year shall be equitably adjusted by the Committee. In the event of any change in the number of shares of Common Stock outstanding by reason of any other similar event or transaction, the Committee may, but need not, make such adjustments in the number and class of shares of Common Stock with respect to which Incentive Awards may be granted as the Committee may deem appropriate.

(b) Increase or Decrease in Issued Shares Without Consideration

Subject to any required action by the shareholders of Chipotle, in the event of any increase or decrease in the number of issued shares of Common Stock resulting from a subdivision or consolidation of shares of Common Stock or the payment of a stock dividend (but only on the shares of Common Stock), or any other increase or decrease in the number of such shares effected without receipt or payment of consideration by the Company or the payment of an extraordinary cash dividend, the number of shares of Common Stock subject to each outstanding Incentive Award and the exercise price per share of Common Stock of each such Incentive Award shall be adjusted as necessary to prevent the enlargement or dilution of rights under such Incentive Award.

(c) Certain Mergers

Subject to any required action by the shareholders of Chipotle, in the event that Chipotle shall be the surviving corporation in any merger, consolidation or similar transaction as a result of which the holders of shares of Common Stock receive consideration consisting exclusively of securities of such surviving corporation, the Committee shall adjust each Incentive Award outstanding on the date of such merger or consolidation to the extent deemed appropriate by the Committee so that it pertains to and applies to the securities which a holder of the number of shares of Common Stock subject to such Incentive Award would have received in such merger or consolidation.

(d) Certain Other Transactions

In the event of (i) a dissolution or liquidation of Chipotle, (ii) a sale of all or substantially all of the Company's assets (on a consolidated basis), (iii) a Business Combination in which Chipotle is not the surviving corporation, (iv) a Business Combination in which Chipotle is the surviving corporation but the holders of shares of Common Stock receive securities of another corporation and/or other property, including cash, or (v) a Business Combination that is a Change in Control, the Committee shall, in its discretion, have the power to:

(i) cancel, effective immediately prior to the occurrence of such event, each Incentive Award (whether or not then exercisable), and, in full consideration of such cancellation, pay to the Participant to whom such Incentive Award was granted an amount in cash, for each share of Common Stock subject to such Incentive Award equal to the value, as determined by the Committee in its discretion, of such Incentive Award, provided that with respect to any outstanding Option or stock appreciation right such value shall be equal to the excess of (A) the value, as determined by the Committee in its discretion, of the property (including cash) received by the holder of a share of Common Stock as a result of such event over (B) the exercise price (with respect to an Option) or the base price (with respect to a stock appreciation right);

(ii) provide for the exchange of each Incentive Award (whether or not then exercisable or vested) for an incentive award with respect to, as appropriate, some or all of the property which a holder of the number of shares of Common Stock subject to such Incentive Award would have received in such transaction and, incident thereto, make an equitable adjustment as determined by the Committee in its discretion in the exercise price of the incentive award, or the number of shares or amount of property subject to the incentive award or, if appropriate, provide for a cash payment to the Participant to whom such Incentive Award was granted in partial consideration for the exchange of the Incentive Award; or

(iii) a combination of the foregoing, which may vary among Participants.

(e) Other Changes

In the event of any change in the capitalization of Chipotle or corporate change other than those specifically referred to in paragraphs (b), (c) or (d), the Committee may, in its discretion, make such adjustments in the number and class of shares subject to Incentive Awards outstanding on the date on which such change occurs and in such other terms of such Incentive Awards as the Committee may consider appropriate.

(f) No Other Rights

Except as expressly provided in the Plan or the agreement evidencing the grant of an Option or Other Stock-Based Award, no Participant shall have any rights by reason of any subdivision or consolidation of shares of stock of any class, the payment of any dividend, any increase or decrease in the number of shares of stock of any class or any dissolution, liquidation, merger or consolidation of Chipotle or any other corporation. Except as expressly provided in the Plan or the agreement evidencing the grant of an Option or Other Stock-Based Award, no issuance by Chipotle of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number of shares or amount of other property subject to any Incentive Award.

(g) Code Section 409A

(i) To the extent applicable and notwithstanding any other provision of the Plan, the Company intends to administer, operate and interpret the Plan and all Incentive Awards granted thereunder in a manner that complies with

Code Section 409A, however, the Company and its Subsidiaries (including their respective employees, officers, directors or agents) shall not have any liability to any Participant (or any other person) that is related to a Section 409A violation, nor will the Company indemnify or otherwise reimburse Participant (or any other person) for any liability incurred as a result of a violation of Code Section 409A.

(ii) Notwithstanding any provision in Section 14 of the Plan to the contrary, in the event that the Committee determines that any amounts payable hereunder will be taxable to a Participant under Section 409A of the Code prior to the payment and/or delivery to such Participant of such amount, the Company may (A) adopt such amendments to the Plan and related agreement, and appropriate policies and procedures, including amendments and policies with retroactive effect, that the Committee determines necessary or appropriate to preserve the intended tax treatment of the benefits provided by the Plan and awards hereunder and/or (B) take such other actions as the Committee determines necessary or appropriate to comply with the requirements of Section 409A of the Code. No action shall be taken under this Plan which shall cause an award to fail to comply with Section 409A of the Code, to the extent applicable to such Award.

(iii) With respect to any Incentive Award that is considered "deferred compensation" subject to Section 409A of the Code, references in the Plan to "termination of employment" (and substantially similar phrases) shall mean "separation from service" within the meaning of Section 409A of the Code. For purposes of Section 409A of the Code, each of the payments that may be made in respect of any Incentive Award granted under the Plan are designated as separate payments.

(iv) Notwithstanding any payment provision in the Plan or an agreement evidencing an Incentive Award to the contrary, if a Participant is a "specified employee" within the meaning of Section 409A(a)(2)(B)(i) of the Code, no payments in respect of any Incentive Awards that are "deferred compensation" subject to Section 409A of the Code and which would otherwise be payable upon the Participant's "separation from service" (as defined in Section 409A of the Code) shall be made to such Participant prior to the date that is six months after the date of such Participant's "separation from service" or, if earlier, the Participant's date of death. Following any applicable six month delay, all such delayed payments will be paid in a single lump sum, without interest, on the earliest date permitted under Section 409A of the Code that is also a business day.

10. Rights as a Stockholder

No person shall have any rights as a stockholder with respect to any shares of Common Stock covered by or relating to any Incentive Award granted pursuant to the Plan until the date of the issuance of a stock certificate with respect to such shares. Except as otherwise expressly provided in Section 9 hereof, no adjustment of any Incentive Award shall be made for dividends or other rights for which the record date occurs prior to the date such stock certificate is issued. Notwithstanding any other provisions of this Section 10, dividends shall be subject to the same restrictions, including but not limited to meeting vesting requirements and achieving applicable Performance Goals, as the underlying Incentive Award or such other restrictions as the Committee may determine.

11. No Special Employment Rights; No Right to Incentive Award

(a) Nothing contained in the Plan or any Incentive Award shall confer upon any Participant any right with respect to the continuation of his employment by or service to the Company or interfere in any way with the right of the Company at any time to terminate such employment or to increase or decrease the compensation of the Participant from the rate in existence at the time of the grant of an Incentive Award.

(b) No person shall have any claim or right to receive an Incentive Award hereunder. The Committee's granting of an Incentive Award to a Participant at any time shall neither require the Committee to grant an Incentive Award to such Participant or any other Participant or other person at any time nor preclude the Committee from making subsequent grants to such Participant or any other Participant or other person.

12. Securities Matters

(a) Chipotle shall be under no obligation to effect the registration pursuant to the Securities Act of any shares of Common Stock to be issued hereunder or to effect similar compliance under any state laws. Notwithstanding anything herein to the contrary, Chipotle shall not be obligated to cause to be issued or delivered any certificates evidencing shares of Common Stock pursuant to the Plan unless and until Chipotle is advised by its counsel that the issuance and delivery of such certificates is in compliance with all applicable laws, regulations of governmental authority and the requirements of any securities exchange on which shares of Common Stock are traded. The Committee may require, as a condition to the issuance and delivery of certificates evidencing shares of Common Stock pursuant to the terms hereof, that the recipient of such shares make such covenants, agreements and representations, and that such certificates bear such legends, as the Committee deems necessary or desirable.

(b) The exercise of any Option granted hereunder shall only be effective at such time as counsel to Chipotle shall have determined that the issuance and delivery of shares of Common Stock pursuant to such exercise is in compliance with all applicable laws, regulations of governmental authority and the requirements of any securities exchange on which shares of Common Stock are traded. Chipotle may, in its discretion, defer the effectiveness of an exercise of an Option hereunder or the issuance or transfer of shares of Common Stock pursuant to any Incentive Award pending or to ensure compliance under federal or state securities laws or the rules or regulations of any exchange on which the Shares are then listed for trading. Chipotle shall inform the Participant in writing of its decision to defer the effectiveness of the exercise of an Option or the issuance or transfer of shares of Common Stock pursuant to any Incentive Award. During the period that the effectiveness of the exercise of an Option has been deferred, the Participant may, by written notice, withdraw such exercise and obtain the refund of any amount paid with respect thereto.

13. Withholding Taxes

(a) Cash Remittance

Whenever shares of Common Stock are to be issued upon the exercise of an Option or the grant or vesting of an Incentive Award, Chipotle shall have the right to require the Participant to remit to Chipotle in cash an amount sufficient to satisfy federal, state and local withholding tax requirements, attributable to such exercise, grant or vesting prior to the delivery of any certificate or certificates for such shares or the effectiveness of the lapse of such restrictions. In addition, upon the exercise or settlement of any Incentive Award in cash, Chipotle shall have the right to withhold from any cash payment required to be made pursuant thereto an amount sufficient to satisfy the federal, state and local withholding tax requirements, if any, attributable to such exercise or settlement.

(b) Stock Remittance

At the election of the Participant, subject to the approval of the Committee, when shares of Common Stock are to be issued upon the exercise, grant or vesting of an Incentive Award, the Participant may tender to Chipotle a number of shares of Common Stock (subject to any minimum holding period as the Committee may determine) having a fair market value at the tender date determined by the Committee to be sufficient to satisfy the minimum federal, state and local withholding tax requirements, if any, attributable to such exercise, grant or vesting but not greater than such minimum withholding obligations. Such election shall satisfy the Participant's obligations under Section 13(a) hereof, if any.

(c) Stock Withholding

At the election of the Participant, subject to the approval of the Committee, when shares of Common Stock are to be issued upon the exercise, grant or vesting of an Incentive Award, Chipotle shall withhold ~~a~~such number of ~~such~~ shares ~~having a fair market value at the exercise date determined~~elected by the ~~Committee to be sufficient to satisfy the minimum~~Participant not in excess of the maximum amount required for federal, state and local tax withholding ~~tax requirements, if any,~~ attributable to such exercise, grant or vesting ~~but not greater than such minimum withholding obligations.~~. Such election shall satisfy the Participant's obligations under Section 13(a) hereof, if any.

(d) Section 16 Approval

With respect to any Participant who is a member of the Board of Directors or an officer (as defined under SEC Rule 16a-1), a withholding or tender of shares of Common Stock shall be a subsequent transaction approved as part of the Incentive Award for purposes of the exemption under Rule 16b-3 of the Exchange Act.

14. Amendment or Termination of the Plan

The Board of Directors may at any time suspend or discontinue the Plan or revise or amend it in any respect whatsoever; provided, however, that to the extent any applicable law, regulation or rule of a stock exchange requires shareholder approval in order for any such revision or amendment to be effective, such revision or amendment shall not be effective without such approval. The preceding sentence shall not restrict the Committee's ability to exercise its discretionary authority hereunder pursuant to Section 4, which discretion may be exercised without amendment to the Plan. No provision of this Section 14 shall be given effect to the extent that such provision would cause any tax to become due under Section 409A of the Code. Except as expressly provided in the Plan, no action hereunder may, without the consent of a Participant, reduce the Participant's rights under any previously granted and outstanding Incentive Award. Nothing in the Plan shall limit the right of the Company to pay compensation of any kind outside the terms of the Plan.

15. No Obligation to Exercise

The grant to a Participant of an Incentive Award shall impose no obligation upon such Participant to exercise such Incentive Award.

16. Transfers Upon Death

Upon the death of a Participant, outstanding Incentive Awards granted to such Participant may be exercised only by the executors or administrators of the Participant's estate or by any person or persons who shall have acquired such right to exercise by will or by the laws of descent and distribution. No transfer by will or the laws of descent and distribution of any Incentive Award, or the right to exercise any Incentive Award, shall be effective to bind Chipotle unless the Committee shall have been furnished with (a) written notice thereof and with a copy of the will and/or such evidence as the Committee may deem necessary to establish the validity of the transfer and (b) an agreement by the transferee to comply with all the terms and conditions of the Incentive Award that are or would have been applicable to the Participant and to be bound by the acknowledgements made by the Participant in connection with the grant of the Incentive Award.

17. Expenses and Receipts

The expenses of the Plan shall be paid by Chipotle. Any proceeds received by Chipotle in connection with any Incentive Award will be used for general corporate purposes.

18. Governing Law

The Plan and the rights of all persons under the Plan shall be construed and administered in accordance with the laws of the State of Delaware without regard to its conflict of law principles.

19. Duration of Plan

Effective with this amendment and restatement of the Plan, unless sooner terminated as provided herein, the Plan shall terminate on ~~March 16, 2021~~ May 22, 2023. After the Plan is terminated, no new Incentive Awards may be granted but Incentive Awards previously granted shall remain outstanding in accordance with their applicable terms and conditions and the Plan's terms and conditions.

20. Company Recoupment of Incentive Awards

The rights contained in this Plan shall be subject to (i) any right that the Company may have under any other Company recoupment policy or other agreement or arrangement with a Participant, or (ii) any right or obligation that the Company may have regarding the recovery of "incentive-based compensation" under Section 10D of the Exchange Act, as amended (as determined by the applicable rules and regulations promulgated thereunder from time to time by the U.S. Securities and Exchange Commission) or other applicable law. The Committee may determine, as late as the time of such recoupment or recovery, regardless of whether such method is stated in the Incentive Award agreement, whether the Company shall effect any such recoupment or recovery: (i) by seeking repayment from the Participant; (ii) by reducing (subject to applicable law and the terms and conditions of the applicable plan, program or arrangement) the amount that would otherwise be payable to the Participant under any compensatory plan, program or arrangement maintained by the Company, (iii) by withholding payment of future increases in compensation (including the payment of any discretionary bonus amount) or grants of compensatory awards that would otherwise have been made in accordance with the Company's otherwise applicable compensation practices, (iv) by holdback or escrow (before or after taxation) of part or all the Common Stock, payment or property received upon exercise or satisfaction of an Incentive Award or (v) by any combination of the foregoing.

21. International Participants.

With respect to Participants who reside or work outside of the United States of America and subject to Section 8~~8~~ above, the Committee may in its sole discretion grant Incentive Awards on such terms and conditions different from those specified in the Plan as may, in the judgment of the Committee, be necessary or desirable to foster and promote achievement of the purposes of the Plan, and, in furtherance of such purposes, the Committee may make such modifications, amendments, procedures, or subplans as may be necessary or advisable to comply with such legal or regulatory provisions and/or to obtain more favorable tax or other treatment for a Participant, the Company or its Subsidiaries. For avoidance of doubt, the Committee may delegate its authority under this Section 21 with respect to any Participant; provided, however that only the Committee (or a subcommittee) thereof shall be authorized to grant Incentive Awards or otherwise provide additional benefits to a member of the Board of Directors or officer (as defined under SEC Rule 16a-1).

22. Provisions Relating to Termination of Consultants and Non-Employee Directors.

To the extent that an Incentive Award is made to a Non-Employee Director or Consultant, the provisions of the Plan relating to termination of employment shall be deemed to refer to the termination of such individual's service with the Company or a Subsidiary.

23. Certain Terminations of Employment, Hardship and Approved Leave of Absence.

Notwithstanding any other provision of this Plan to the contrary, in the event of a Participant's termination of employment (including by reason of death, disability or retirement) or in the event of hardship or other special circumstances, the Committee may in its sole discretion take any action that it deems to be equitable under the circumstances or in the best interests of the Company, including, without limitation, waiving or modifying any limitation or requirement with respect to any Award under this Plan. The Committee shall have the discretion to determine whether and to what extent the vesting of Awards shall be tolled during any leave of absence, paid or unpaid; provided however, that in the event of military leave, vesting shall toll during any unpaid portion of such leave, provided that, upon a Participant's returning from military leave (under conditions that would entitle him or her to protection upon such return under the Uniform Services Employment and Reemployment Rights Act), he or she shall be given vesting credit with respect to the Award to the same extent as would have applied had the Participant continued to provide services to the Company throughout the leave on the same terms as he or she was providing services immediately prior to such leave. Any actions taken by the Committee shall be taken consistent with the requirements of Section 409A of the Code.

24. Tolling of Exercisability of Options and Stock Appreciation Rights.

In the event a Participant is prevented from exercising an Option or stock appreciation right or the Company is unable to settle an Incentive Award due to either any trading restrictions applicable to the Company's shares of Common Stock, the Participant's physical infirmity or administrative error by the Company relied upon and not caused by the Participant, then unless otherwise determined by the Committee, the length of time applicable to any such restriction, condition or event shall toll any exercise period (i) until such restriction lapses, (ii) until the Participant (or his representative) is able to exercise the Incentive Award or (iii) until such error is corrected, as applicable.

25. No Duty to Inform Regarding Exercise Rights.

Neither the Company, its Subsidiaries, the Committee nor the Board of Directors shall have any duty to inform a Participant of the pending expiration of the period in which a stock appreciation right may be exercised or in which an Option may be exercised.

26. No Constraint on Corporate Action.

Nothing in this Plan shall be construed to: (i) limit, impair, or otherwise affect the Company's or a Subsidiary's right or power to make adjustments, reclassifications, reorganizations, or changes of its capital or business structure, or to merge or consolidate, or dissolve, liquidate, sell, or transfer all or any part of its business or assets; or, (ii) limit the right or power of the Company or a Subsidiary to take any action which such entity deems to be necessary or appropriate.

27. Effect of Disposition of Facility or Operating Unit.

If the Company or any of its Subsidiaries closes or disposes of the facility at which a Participant is located or the Company or any of its Subsidiaries diminish or eliminate ownership interests in any operating unit of the Company or any of its Subsidiaries so that such operating unit ceases to be majority owned by the Company or any of its Subsidiaries then, with respect to Incentive Awards held by Participants who subsequent to such event will not be Employees, the Committee may, to the extent consistent with Section 409A (if applicable), take any of the actions described in Section 9 with respect to a Change in Control. If the Committee takes no special action with respect to any disposition of a facility or an operating unit, then the Participant shall be deemed to have terminated his or her employment with the Company and its Subsidiaries and the terms and conditions of the award agreement and the other terms and conditions of this Plan shall control.

28. Limitations Period.

Any person who believes he or she is being denied any benefit or right under this Plan may file a written claim with the Committee. Any claim must be delivered to the Committee within forty-five (45) days of the specific event giving rise to the claim. Untimely claims will not be processed and shall be deemed denied. The Committee, or its designated agent, will notify the Participant of its decision in writing as soon as administratively practicable. Claims not responded to by the Committee in writing within ninety (90) days of the date the written claim is delivered to the Committee shall be deemed denied. The Committee's decision shall be final, conclusive and binding on all persons. No lawsuit relating to this Plan or an Incentive Award granted hereunder may be filed before a written claim is filed with the Committee and is denied or deemed denied, and any lawsuit must be filed within one year of such denial or deemed denial or be forever barred. The venue for any lawsuit relating to this Plan or an Incentive Award shall be Wilmington, Delaware.

MANAGEMENT TEAM

Steve Ells
Founder, Executive Chairman

Curt Garner
Chief Digital and Information Officer

Brian Niccol
Chief Executive Officer

Scott Boatwright
Chief Restaurant Officer

Jack Hartung
Chief Financial Officer

Laurie Schalow
Chief Communications Officer

BOARD OF DIRECTORS

Brian Niccol
Director since 2018
Chief Executive Officer, Chipotle Mexican Grill

Steve Ells
Director since 1996
Founder, Executive Chairman, Chipotle Mexican Grill

Neil Flanzraich
Director since 2007
Private investor and Executive Chairman, Cantex Pharmaceuticals, Inc.

Albert Baldocchi
Director since 1997
Self-employed financial consultant and strategic advisor

Paul Cappuccio
Director since 2016
Executive Vice President and General Counsel, Time Warner

Robin Hickenlooper
Director since 2016
Senior Vice President of Corporate Development, Liberty Media

Kimbal Musk
Director since 2013
Entrepreneur and restaurateur

Ali Namvar
Director since 2016
Private investor

Matthew Paull
Director since 2016
Senior Vice President and Chief Financial Officer (retired), McDonald's Corp.

STOCK EXCHANGE LISTING

New York Stock Exchange
Symbol: CMG

AUDITORS

Ernst & Young LLP | Denver, Colorado

STOCK TRANSFER AGENT

By phone:
1-800-401-1957

By mail:
EQ Shareowner Services
1110 Centre Pointe Curve, Suite 101
Mendota Heights, MN 55120

Online:
www.shareowneronline.com

Stockholders may obtain copies of Chipotle's annual report on Form 10-K for the year ended December 31, 2017 (exclusive of exhibits), including our audited financial statements, as well as other reports we file with the SEC, at no cost on the investor relations page of our website at ir.chipotle.com, or by writing to the Corporate Secretary, Chipotle Mexican Grill, Inc., 1401 Wynkoop Street, Suite 500, Denver, CO 80202

AS REAL AS IT GETS

Chipotle offers a delicious menu made from fresh, high-quality ingredients, prepared using classic cooking techniques and served in a way that allows people to get exactly what they want. Our real ingredients are raised with respect for animals, farmers and the environment.