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CENTRAL DISTRICT OF CALIFORNIA
BY ________ DEPUTY

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UNITED STATES DISTRICT COURT

FOR THE CENTRAL DISTRICT OF CALIFORNIA

ALAN HERNANDEZ, individually, and on behalf of other members of the general public similarly situated,

Plaintiffs,

vs.

CHIPOTLE MEXICAN GRILL, INC., a Delaware corporation; and DOES 1 through 10, inclusive,

Defendants.

Case No.: CV12-05543 DSF (JCx)

CLASS ACTION COMPLAINT

(1) Fraud
(2) Breach of Express Warranty
(3) Intentional Misrepresentation
(4) Negligent Misrepresentation
(5) Violation of California's False Advertising Act, California Bus. & Prof. Code Sections 17500, *et seq.*
(6) Violation of California's Unfair Business Practices Act, California Bus. & Prof. Code Sections 17200, *et seq.*

DEMAND FOR JURY TRIAL

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TO THE HONORABLE UNITED STATES DISTRICT COURT:

Plaintiff ALAN HERNANDEZ ("Plaintiff"), brings this action against Defendants CHIPOTLE MEXICAN GRILL, INC. and DOES 1 through 10, inclusive, (collectively "Defendants") individually and on behalf of other members of the general public similarly situated, and alleges the following on information and belief:

INTRODUCTION

1. CHIPOTLE MEXICAN GRILL, INC. boasts that it serves "food with integrity," which includes serving meat from only "naturally raised" animals. Chipotle defines "naturally raised" as follows: "[n]aturally raised animals are raised in a humane way, fed a vegetarian diet, never given hormones, and [are] allowed to display their natural tendencies." Due to false and deceptive business practices and representations, CHIPOTLE MEXICAN GRILL, INC. has misled the general public into believing that all of the beef and chicken served in its restaurants come from "naturally raised animals," when in fact, CHIPOTLE MEXICAN GRILL, INC. also serves beef and chicken that comes from "conventionally raised" animals.

2. This case is brought on behalf of a national class of consumers who at any time during the period of four years preceding the filing of this Complaint to the present (the proposed "Class Period") have purchased and/or consumed meat (i.e. chicken and/or beef) from or at a CHIPOTLE MEXICAN GRILL, INC. restaurant. In Defendants' restaurants, Defendants shamelessly and broadly advertise that they serve meat exclusively from "naturally raised" animals as part of Defendants' mass in-store advertising campaign despite the fact that Defendants, on their website, in various Annual Reports, and in other publications, admit that CHIPOTLE MEXICAN GRILL, INC. restaurants are unable to exclusively or consistently serve meat from "naturally raised" animals.

3. Since Defendants began their "naturally raised" advertising campaign

in CHIPOTLE MEXICAN GRILL, INC. restaurants and throughout the Class Period, Defendants have failed to reasonably, equitably, justly, or adequately inform consumers that the meat served in Defendants' restaurants comes partially or entirely from animals that were "conventionally raised." In Defendants' 2011 Annual Report, Defendants define "naturally raised" meat as "…coming from animals that are never given antibiotics or added hormones and that are raised responsibly—that is, in accordance with our animal welfare standards." In contrast, meat from "conventionally raised" animals consists of meat from an animal not raised according to Defendants' own "naturally raised" standard. When meat comes from a "conventionally raised" animal, it means that the animal was treated with antibiotics, artificially supplied with hormones, and/or subjected to cruel treatment. In its CHIPOTLE MEXICAN GRILL, INC. restaurants nationwide, Defendants charge customers a premium price for chicken and beef by representing that the chicken and beef comes from animals that are free of antibiotics, hormones, and/or cruel treatment.

4. Due to false and deceptive business practices and representations, CHIPOTLE MEXICAN GRILL, INC. has misled the general public into believing that the meat offered at CHIPOTLE MEXICAN GRILL, INC. restaurants comes entirely from "naturally raised" animals. Defendants' mass in-store advertising campaign fails to disclose to customers that the meat served in Defendants' restaurants comes partially or entirely from "conventionally raised" chicken and/or beef. Further, Defendants' in-store advertising campaign fails to apprise the general public that Defendants' claims about serving meat exclusively from "naturally raised" animals is merely aspirational.

5. For example, in Defendants' 2011 Annual Report, Defendants admit "Some of our restaurants served conventionally raised chicken or steak for much of 2011, a few markets reverted to conventionally raised beef in early 2012, and more of our restaurants may periodically serve conventionally raised meats in the future

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due to supply constraints." *See* Exhibit 1. Furthermore, Defendants' website states, "We are working diligently with all of our suppliers so we can return to serving 100% naturally raised chicken." *See* Exhibit 3. Despite these admissions, Defendants continue to advertise in CHIPOTLE MEXICAN GRILL, INC. restaurants that the meat served comes entirely from "naturally raised" animals, thereby continuing to profit off of their false and deceptive marketing campaign.

6. In light of the misrepresentation inherent in Defendants' "naturally raised" in-store advertising campaign, a reasonably prudent consumer would certainly not expect that some or all of the meat served by Defendants came from "conventionally raised" animals, nor would a reasonably prudent consumer expect that whether a specific batch of meat served by Defendants actually came from "naturally raised" animals depended on economic forces. As a result of disseminating this false, deceptive, and misleading advertising campaign during the proposed Class Period, Defendants were able to sell meat from "conventionally raised" animals to thousands of unsuspecting consumers throughout the United States and profited greatly from these transactions. Plaintiff alleges that Defendants' conduct constitutes common law fraud, breach of express warranty, intentional misrepresentation, and negligent misrepresentation. In addition, Plaintiff alleges that Defendants' conduct violates the unlawful, unfair, and fraudulent prongs of California's Unfair Competition Law (Cal. Bus. & Prof. Code §§ 17200. *et seq*.), the California Business & Professions Code §17500, *et seq*., and the Consumers Legal Remedies Act (Cal. Civ. Code §1750, *et seq*.).

7. Plaintiff seeks compensatory, restitution, declaratory and injunctive relief based upon Defendants' conduct asserted in this Complaint. As of the date on this Complaint, Defendants' restaurants in the United States contain advertisements and information that represent the meat served in Defendants' restaurants as coming entirely from "naturally raised" animals, even though Defendants elsewhere admit that Defendants regularly serve meat from

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"conventionally raised" animals. Accordingly, Plaintiff seeks declaratory and injunctive relief to ensure that Defendants remove any and all of the "naturally raised" representations from Defendants' restaurants, as long as Defendants continue to serve meat from "conventionally raised" animals.

8. The chicken and beef served in CHIPOTLE MEXICAN GRILL, INC. restaurants by Defendants will hereinafter be referred to as the "Subject Food Product."

JURISDICTION AND VENUE

9. This Court has jurisdiction over this action pursuant to 28 U.S.C. §1332(a). Plaintiff and/or one or more members of the Putative Class are citizens of a State different from Defendants. Further, the monetary damages and restitution sought by Plaintiff exceeds the minimal jurisdiction limits of the District Court, and will be established according to proof at trial. The "amount in controversy" for Plaintiff and the other class members, collectively, including compensatory damages, restitution, attorneys' fees, exceed the sum or value of $75,000, exclusive of interest and costs. Additionally, this Court has original jurisdiction over this civil action pursuant to 28 U.S.C. § 1331 since one or more of the claims alleged herein arises under the laws of the United States.

10. Venue is proper within this judicial district pursuant to 28 U.S.C. §1391(a) and (b). Upon information and belief, a substantial part of the events or omissions giving rise to the claims alleged herein relating to Plaintiff occurred in this judicial district. Furthermore, upon information and belief, Defendants maintain offices, have agents, and/or transact business in the State of California, County of Los Angeles. Additionally, Plaintiff resides in the State of California, County of Los Angeles.

11. Defendants are subject to personal jurisdiction and/or may be found in this judicial district. Upon information and belief, Defendants are citizens of California, have sufficient minimum contacts with California, and/or have

otherwise intentionally availed themselves of the laws and markets within this judicial district through the promotion, marketing, distribution, and sale of the Subject Food Product in this judicial district so as to render the exercise of jurisdiction over them by this court consistent with traditional notions of fair play and substantial justice.

PARTIES

12. Plaintiff ALAN HERNANDEZ ("Plaintiff") is an individual residing in the County of Los Angeles, State of California.

13. Defendant CHIPOTLE MEXICAN GRILL, INC. is a Delaware corporation (hereinafter referred to as "CHIPOTLE"), and transacts business in the County of Los Angeles, State of California.

14. The true names and capacities, whether corporate, associate, individual or otherwise, of defendants DOES 1 through 10, inclusive, are unknown to Plaintiff who sues said defendants by such fictitious names. Plaintiff is informed and believes, and based on that information and belief alleges, that each of the defendants herein designated as a DOE is legally responsible for the events and happenings referred to in this Complaint, and unlawfully caused the damages to Plaintiff and the Class members alleged in this Complaint. Plaintiff will seek leave of court to amend this Complaint to show the true names and capacities when the same has been ascertained.

15. At all times herein relevant, CHIPOTLE and DOES 1 through 10, and each of them, were the agents, partners, joint venturers, representatives, servants, employees, successors-in-interest, co-conspirators and assigns, each of the other, and at all times relevant herein were acting within the course and scope of their authority as such agents, partners, joint venturers, representatives, servants, employees, successors, co-conspirators and assigns, and that all acts or omissions alleged herein were duly committed with the ratification, knowledge, permission, encouragement, authorization and consent of each defendant designated herein.

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16. Defendants CHIPOTLE and DOES 1 through 10 will hereinafter be collectively referred to as "Defendants."

17. The policies and practices alleged in this Complaint were, upon information and belief, set or ratified at Defendants' highest corporate levels. At all relevant times herein, Defendants were in the business of developing, designing, licensing, manufacturing, distributing, selling, marketing, and/or introducing the Subject Food Product into interstate commerce throughout the United States, including in the State of California and every other state, either directly or indirectly through third parties, subsidiaries, or related entities.

FACTS

18. Plaintiff is informed and believes, and based thereon alleges, that at all relevant times mentioned in this Complaint, CHIPOTLE has owned and operated CHIPOTLE MEXICAN GRILL, INC. restaurants, a national fast food chain, with approximately 1,200 restaurants across the United States at present. CHIPOTLE currently owns and operates more than 100 CHIPOTLE MEXICAN GRILL, INC. restaurants in the State of California, including the County of Los Angeles.

19. Plaintiff is informed and believes, and based thereon alleges, that Defendants broadly advertise in CHIPOTLE MEXICAN GRILL, INC. restaurants through numerous menus, signs, packaging material, and other media that the Subject Food Product comes from "naturally raised" animals which Defendants define as "…animals that are never given antibiotics or added hormones and that are raised responsibly—that is, in accordance with our animal welfare standards." Defendants use the language "naturally raised" to shape the CHIPOTLE brand and to sell the Subject Food Product.

20. Plaintiff is informed and believes, and based thereon alleges, that Defendants admit that the Subject Food Product comes partially from "conventionally raised" animals. For example, Defendants' 2011 Annual Report

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states, "Continuing to serve naturally raised meats in all of our restaurants is one of our goals, but as discussed below, we have and will continue to face challenges in doing so. Some of our restaurants served conventionally raised chicken or steak for much of 2011, a few markets reverted to conventionally raised beef in early 2012, and more of our restaurants may periodically serve conventionally raised meats in the future due to supply constraints." *See* Exhibit 1. Further, Defendants' 2010 Annual Report states, "As of December 31, 2010, about 80% of our restaurants served naturally raised steak and about 86% of our restaurants served naturally raised chicken. As a result of ongoing supply challenges, we had to suspend serving naturally raised chicken in certain markets beginning in the second quarter of 2010." *See* Exhibit 2.

21. Plaintiff is informed and believes, and based thereon alleges, that despite the fact that Defendants admit that the Subject Food Product does not come entirely from "naturally raised" animals, Defendants fail to disclose in their in-store advertising campaign that the Subject Food Product comes partially or completely from animals that were not "naturally raised."

22. This misrepresentation is significant and material given the considerable difference in treatment experienced by animals that are "naturally raised" as opposed to "conventionally raised." By Defendants' own definition, "conventionally raised" animals are exposed to antibiotics, artificially supplied with hormones, and/or are subjected to cruel treatment while "naturally raised" animals are free from such suffering and artificial additives. The language "naturally raised" carries implications about the treatment of animals – treatment that consumers are often willing to pay a premium price for over comparable products that are from "conventionally raised" animals. Furthermore, the language "naturally raised" has the potential to influence and/or does influence consumers' decisions about whether to purchase and/or consume food made from animals.

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23. Plaintiff is informed and believes, and based thereon alleges, that Defendants use the language "naturally raised" to describe the chicken and beef served in CHIPOTLE restaurants as part of a mass advertising campaign throughout Defendants' restaurants. This advertising campaign is disseminated in formats that are highly visible and accessible to consumers, including but not limited to, large menu display boards, paper menus, order forms, receipt paper, and on some packaging material such as basket liner tissue. For example, the paper menus and large menu display boards posted in Defendants' restaurants offer four different types of meat with a description of each type of meat underneath. *See* Exhibit 4. For "CHICKEN" and "STEAK" the description states: "Naturally raised, marinated in our chipotle adobo, then grilled." For "BARBACOA," the description states: "Naturally raised beef. Braised for hours, then shredded." Moreover, some of Defendants' passionate ramblings, which appear on its packaging materials given to customers, contain references to "naturally raised" animals.

24. In addition to Defendants' mass in-store advertising campaign, Defendants recently aired a **national commercial depicting CHIPOTLE MEXICAN GRILL, INC. using "naturally raised" animals for meat. The commercial, available on CHIPOTLE MEXICAN GRILL, INC.'s website,** *depicts a farmer as he turns his family farm into an industrial animal factory. Realizing the error of his ways, the farmer tears down the buildings and pens formerly restraining the animals, and lets his cows, pigs, and chickens roam free on a vast farm. At the conclusion of the commercial, the farmer loads a Chipotle-branded truck with a crate, thus giving the viewer the unambiguous message that the meat Defendants sell comes from farms with "naturally raised" animals.*

25. Plaintiff is informed and believes, and based thereon alleges, that the language "naturally raised," as used by Defendants' mass in-store advertising

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campaign conveys material information to consumers about the Subject Food Product that consumers can and do use to make purchasing decisions.

26. At all times mentioned in this Complaint, Defendants, through their "naturally raised" in-store advertising campaign have suppressed and concealed and continue to suppress and conceal the fact that the Subject Food Product comes partially or entirely from "conventionally raised" animals. Defendants' advertising campaign further fails to indicate that information about whether the Subject Food Product actually comes from "naturally raised" animals is available exclusively on the internet, including, for example, through Defendants' website and Annual Reports.

27. Plaintiff is informed and believes, and based thereon alleges, that consumers must perform online research in order to learn that the Subject Food Product comes partially from "conventionally raised" animals and the claim that the Subject Food Product comes exclusively from "naturally raised" animals is merely aspirational. For example, during the proposed Class Period, Defendants' website stated, "We are working diligently with all of our suppliers so we can return to serving 100% naturally raised chicken." Defendants' website further stated, "…our ultimate goal is to have 100% of our chickens raised without the use of antibiotics. We also want to avoid any supplier that uses additional additives in their feed, like arsenic." *See* Exhibit 3.

28. At all times herein relevant, Plaintiff purchased and ate Defendants' Subject Food Product at various locations in the State of California, County of Los Angeles.

29. At all times herein relevant, when Plaintiff purchased and consumed the Subject Food Product, Plaintiff was exposed to Defendants' "naturally raised" in-store advertising campaign and reasonably believed that the Subject Food Product came exclusively from "naturally raised" animals since there were no representations made to the contrary.

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30. At all times herein relevant, Plaintiff relied upon Defendants' "naturally raised" in-store advertising campaign when purchasing and consuming the Subject Food Product, to his detriment.

31. Plaintiff is willing to and has paid a premium price for food that comes from animals not exposed to antibiotics, hormones, or cruel treatment. Further, Plaintiff has and continues to make decisions about what food products to purchase and consume based in part on whether the food products come from animals that were exposed to antibiotics, hormones, and/or cruel treatment. Plaintiff not only purchased the Subject Food Product because Defendants advertised that the Subject Food Product comes exclusively from "naturally raised" animals, but also, Plaintiff paid more money for the Subject Food Product than he would have paid for a similar product that came from "conventionally raised" animals.

32. Plaintiff is informed and believes, and based thereon alleges, that Defendants' concealment of the fact that the Subject Food Product came partially or entirely from animals that were exposed to antibiotics, hormones, and/or cruel treatment, and being explicitly informed that the Subject Food Product came exclusively from "naturally raised" animals, were the immediate cause of Plaintiff and the other Class members' decision to purchase and/or consume the Subject Food Product.

33. In light of Defendants' representations and omissions, as alleged herein, regarding the Subject Food Product, Plaintiff and members of the putative Class reasonably believed that the Subject Food Product came exclusively from "naturally raised" animals and did not come from "conventionally raised" animals.

34. Plaintiff is informed and believes, and based thereon alleges, as a result of Defendants' false and misleading representations, as alleged herein, Plaintiff has suffered damages including, but not limited to, monetary loss and emotional distress of the type that would naturally flow from being misled by

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Defendants' "naturally raised" advertisement campaign into consuming the Subject Food Product, which in fact came partially or entirely from animals that were exposed to antibiotics, hormones, and/or cruel treatment.

CLASS ALLEGATIONS

35. Plaintiff brings this action on his own behalf and on behalf of all other members of the general public similarly situated, and, thus, seeks Class certification under Rule 23 of the Federal Rules of Civil Procedure.

36. The proposed Class ("Class") is defined as follows:

> All persons who were exposed to Defendants' in-store "naturally raised" advertising campaign, and who purchased the Subject Food Product at or from a CHIPOTLE restaurant located in the United States at any time during the period of four years preceding the filing of the instant Complaint to final judgment.

37. Plaintiff reserves the right to establish sub-Classes as appropriate.

38. Plaintiff reserves the right to amend this Class definition prior to Class certification.

39. The Class is ascertainable and there is a well-defined community of interest in the litigation:

a. Numerosity: Upon information and belief, there are thousands of Class members who are geographically dispersed throughout the United States. Therefore, individual joinder of all Class members is impracticable. The membership of the entire Class is unknown to Plaintiff at this time.

b. Typicality: Plaintiff's claims are typical of all other Class members as demonstrated herein because Plaintiff was a consumer who was exposed to Defendants' in-store "naturally raised" advertising campaign and purchased the Subject Food

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Product in the United States during the Class Period. Plaintiff, therefore, is not different in any relevant respect from any other Class member, and the relief sought is common to the Class. Plaintiff will fairly and adequately protect the interests of the other Class members with whom he has a well-defined community of interest.

c. Adequacy: Plaintiff will fairly and adequately protect the interests of each Class member, with whom he has a well-defined community of interest and typicality of claims, as demonstrated herein. Plaintiff has no interest that is antagonistic to the other Class members. Plaintiff's attorneys, the proposed Class counsel, are versed in the rules governing Class action discovery, certification, and settlement. Plaintiff has incurred, and during the pendency of this action will continue to incur, costs and attorneys' fees, that have been, are, and will be necessarily expended for the prosecution of this action for the substantial benefit of each Class member.

d. Superiority: A class action is superior to other available methods for the fair and efficient adjudication of this litigation because individual joinder of all Class members is impractical. Furthermore, the damages suffered by each individual Class member will likely be relatively small, especially given the relatively small cost of the Subject Food Product, as compared to the burden and expense of individual prosecution of these claims. Thus, it would be virtually impossible for the Class members to effectively redress the wrongs done to them individually. Even if the individual Class members could afford individual actions, it would still not be preferable to class-wide litigation because a class action presents far fewer management difficulties and inconsistent results, while providing the benefit of a single adjudication, economies of scale, and comprehensive supervision by single court.

e. Public Policy Considerations: Certification of this lawsuit as a class action will advance public policy objectives. Businesses in this Nation violate consumer protection laws every day. Defendants have acted or refused to act on grounds generally applicable to the Class. Therefore, this action will allow for the vindication of consumers' rights with respect to the Subject Food Product.

40. There are common questions of law and fact as to the Class members that predominate over questions affecting only individual members. These common legal or factual questions include, but are not limited to:

a. Whether Defendants advertise and represent that the Subject Food Product comes exclusively from "naturally raised" animals.

b. Whether Defendants engaged in a pattern or practice of concealing, suppressing and/or misrepresenting in their mass in-store "naturally raised" advertising campaign the fact that the Subject Food Product comes partially from "conventionally raised" animals.

c. Whether Defendants knew that their representations were false but continued to disseminate them.

d. Whether Defendants' mass in-store "naturally raised" advertising campaign is false and misleading and reasonably likely to deceive Class members and/or the general public.

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e. Whether Defendants thereby engaged in consumer fraud, unfair competition, deceptive trade practices, or other unlawful acts.

f. Whether Class members are entitled to damages including compensatory damages, punitive, restitution, disgorgement of profits, and injunctive relief, and the proper measure, nature and extent of such relief.

FIRST CAUSE OF ACTION

(Fraud)

(Against CHIPOTLE and DOES 1 through 10)

41. Plaintiff incorporates by reference the allegations contained in paragraphs 1 through 40, and each and every part thereof with the same force and effect as though fully set forth herein.

42. During the Class Period, Defendants employed a mass advertising campaign in CHIPOTLE restaurants that misrepresented that the Subject Food Product came entirely from animals that were "naturally raised" when in fact the Subject Food Product came partially or entirely from animals that were "conventionally raised." Thus, the "naturally raised" representation made by Defendants in their restaurants constitutes an affirmative act of concealment and non-disclosure.

43. The misrepresentation, nondisclosure, and/or concealment of material facts made by Defendants to Plaintiff and the other Class members, as set forth above, were known by Defendants to be false and material and were intended by Defendants to mislead Plaintiff and the other Class members. There was a substantial likelihood that a reasonable prospective purchaser of the Subject Food Product would have considered information about whether the Subject Food Product came from animals exposed to antibiotics, hormones, and/or cruel treatment important when deciding whether or not to purchase the Subject Food Product. Defendants carried out the scheme set forth in this Complaint willfully,

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wantonly, and with reckless disregard for the interests of Plaintiff and the other members of the Class.

44. Plaintiff and the other Class members were actually misled and deceived and were induced by Defendants to purchase the Subject Food Product.

45. Defendants had a duty to disclose that the Subject Food Product came partially or entirely from "conventionally raised" animals because this information was a material fact of which Defendant had exclusive knowledge; Defendant actively concealed this material fact; and Defendant made partial representations about the Subject Food Product but suppressed some material facts. Had Plaintiff and the other Class members known that the Subject Food Product came partially or entirely from animals that were not "naturally raised" they would not have purchased the Subject Food Product.

46. Defendants' misrepresentation and/or nondisclosure were the immediate cause of Plaintiff and the other Class members purchasing the Subject Food Product.

47. In the absence of Defendants' misrepresentation and/or nondisclosure, as described above, Plaintiff and the other Class members in all reasonable probability would not have purchased the Subject Food Product.

48. As a result of Defendants' conduct, Plaintiff and the other Class members have been damaged financially and have suffered other damages including, but not limited to, emotional distress.

SECOND CAUSE OF ACTION

(Breach of Express Warranty)

(Against CHIPOTLE and DOES 1 through 10)

49. Plaintiff incorporates by reference the allegations contained in paragraphs 1 through 48, and each and every part thereof with the same force and effect as though fully set forth herein.

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50. Defendants' "naturally raised" in-store advertising campaign, as described herein, constitutes an affirmation of fact or promise and/or constitutes a description of the Subject Food Product. These advertisements constitute an express warranty and were part of the basis of the bargain made between Plaintiff as well as the other members of the Class and Defendants.

51. Defendants breached this express warranty by selling chicken and/or beef that is not "naturally raised."

52. Plaintiff and the other Class members formed a contract with Defendants at the time Plaintiff and the other members of the Class purchased the Subject Food Product. The terms of that contract include the promises and affirmations of fact made by Defendants, as described herein. Defendants' mass advertising campaign in CHIPOTLE MEXICAN GRILL, INC. restaurants constitutes an express warranty, became part of the basis of the bargain, and is part of a standardized contract between Plaintiff as well as the other members of the Class and Defendants. Defendants breached the terms of this contract, including the express warranty, by not selling the Subject Food Product exclusively from animals that were "naturally raised."

53. As a direct and proximate result of Defendants' breach of their contracts and warranties, Plaintiff and the other members of the Class have been damaged in the amount of the purchase price of the Subject Food Product they purchased.

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THIRD CAUSE OF ACTION

(Intentional Misrepresentation)

(Against CHIPOTLE and DOES 1 through 10)

54. Plaintiff incorporates by reference the allegations contained in paragraphs 1 through 53, and each and every part thereof with the same force and effect as though fully set forth herein.

55. Defendants represented to Plaintiff and the other Class members that important facts were true. More specifically, Defendants represented to Plaintiff and the other Class members through a mass in-store advertising campaign that the the Subject Food Product came entirely from "naturally raised" animals.

56. Defendants' representations were false.

57. Defendants knew that the representations were false when Defendants made them, and/or Defendants made the representations recklessly and without regard for their truth.

58. Defendants intended that Plaintiff and the other Class members rely on the representations.

59. Plaintiff and the other Class members reasonably relied on Defendants' representations.

60. Plaintiff and the other Class members were financially harmed and suffered other damages including, but not limited to, emotional distress.

61. Plaintiff's and the other Class members' reliance on Defendants' representations was the immediate cause of the financial loss and emotional distress sustained by Plaintiff and the other Class members.

62. Defendants' misrepresentation and/or nondisclosure were the immediate cause of Plaintiff and the other Class members purchasing the Subject Food Product.

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63. In absence of Defendants' misrepresentation and/or nondisclosure, as described above, Plaintiff and the other Class members, in all reasonable probability, would not have purchased the Subject Food Product.

FOURTH CAUSE OF ACTION

(Negligent Misrepresentation)

(Against CHIPOTLE and DOES 1 through 10)

64. Plaintiff incorporates by reference the allegations contained in paragraphs 1 through 63, and each and every part thereof with the same force and effect as though fully set forth herein.

65. Defendants represented to Plaintiff and the other Class members that important facts were true.

66. Defendants' representations were not true.

67. Defendants had no reasonable grounds for believing the representations were true when Defendants made it.

68. Defendants intended that Plaintiff and the other Class members rely on the representations.

69. Plaintiff and the other Class members reasonably relied on Defendants' representations.

70. Plaintiff's and the other Class members' reliance on Defendants' representation was a substantial factor in causing the financial loss and emotional distress sustained by Plaintiff and the other Class members.

71. Defendants' negligent misrepresentation and/or nondisclosure was the immediate cause of Plaintiff and the other Class members purchasing the Subject Food Product from Defendants, and thereby sustaining monetary loss and emotional distress.

72. In the absence of Defendants' negligent misrepresentations and/or nondisclosure, as described above, Plaintiff and the other Class members, in all

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reasonable probability, would not have purchased the Subject Food Product from Defendants.

FIFTH CAUSE OF ACTION

(Violation of the California False Advertising Act – Business & Professions Code §§ 17500, *et seq.*)

(Against CHIPOTLE and DOES 1 through 10)

73. Plaintiff incorporates by reference the allegations contained in paragraphs 1 through 72, and each and every part thereof with the same force and effect as though fully set forth herein.

74. Defendants engaged in unfair and deceptive acts and practices, in violation of California Business and Professions Code §§ 17500, *et seq.*, by marketing and/or selling the Subject Food Product without disclosure of the material fact that the Subject Food Product came partially or entirely from "conventionally raised" animals. Defendants disseminated a mass in-store advertising campaign concerning the Subject Food Product which is misleading and likely to deceive members of the California Class into believing that the Subject Food Product comes entirely from animals that are "naturally raised."

75. These acts and practices, as described above, have deceived Plaintiff and other Class members, causing them to lose money and suffer emotional distress as herein alleged, and have deceived and are likely to deceive the consuming public, in violation of California Business and Professions Code §§ 17500, *et seq*. Accordingly, Defendants' business acts and practices, as alleged herein, have caused injury to Plaintiff and the other Class members.

76. Defendants' misrepresentation and/or nondisclosure of the fact that the Subject Food Product comes partially or entirely from animals that are not "naturally raised" were the immediate cause of Plaintiff and the other Class members purchasing the Subject Food Product.

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77. In absence of Defendants' misrepresentation and/or nondisclosure, as described above, Plaintiff and the other Class members would not have purchased the Subject Food Product.

78. Plaintiff and the other Class members are entitled to relief, including full restitution and/or disgorgement of all revenues, earnings, profits, compensation, and benefits which may have been obtained by Defendants as a result of such business acts or practices, and enjoining Defendants to cease and desist from engaging in the practices described herein.

SIXTH CAUSE OF ACTION

(Violation of the California Unfair Business Practices Act – Business & Professions Code §§ 17200, *et seq.*)

(Against CHIPOTLE and DOES 1 through 10)

79. Plaintiff incorporates by reference the allegations contained in paragraphs 1 through 78, and each and every part thereof with the same force and effect as though fully set forth herein.

80. California Business and Professions Code section 17200 prohibits any "unfair deceptive, untrue or misleading advertising." For the reasons discussed above, Defendants have engaged in unfair, deceptive, untrue and misleading advertising in violation of California Business & Professions Code section 17200, *et seq*.

81. California Business & Professions Code section 17200 also prohibits any "unlawful . . . business act or practice." Defendants have violated Sections 17200, *et seq*.'s prohibition against engaging in unlawful acts and practices by, among other things, making the representations and omissions of material facts, as set forth herein, and violating, among other things, Section 1770 of the California Consumers Legal Remedies Act. Defendants violated Section 1770 by:

a. Representing that goods have a characteristic that they do not have (California Civil Code § 1770(a)(5));

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Glendale, California 91203

b. Representing that goods are of a particular standard, quality or grade when they are of another (California Civil Code § 1770(a)(7)); and

c. Advertising goods with the intent not to sell them as advertised (California Civil Code § 1770(a)(9)).

82. Defendants had a duty to disclose that the Subject Food Product came partially or entirely from "conventionally raised" animals because this information was a material fact of which Defendant had exclusive knowledge; Defendant actively concealed this material fact; and because Defendant made partial representations about the Subject Food Product but suppressed some material facts. Plaintiff and the other Class members would not have purchased the Subject Food Product had they known that the Subject Food Product came partially or entirely from animals that were exposed to antibiotics, hormones, and/or cruel treatment.

83. Plaintiffs and the other Class members reserve the right to allege other violations of law which constitute other unlawful business acts or practices. Such conduct is ongoing and continues to this date.

84. California Business & Professions Code sections 17200, *et seq*. also prohibits any "unfair . . . business act or practice." Defendants' acts, omissions, misrepresentations, practices and non-disclosures as alleged herein also constitute "unfair" business acts and practices within the meaning of Business & Professions Code § 17200, *et seq*. in that Defendants' conduct is substantially injurious to consumers, offends public policy, and is immoral, unethical, oppressive, and unscrupulous as the gravity of the conduct outweighs any alleged benefits attributable to such conduct. Plaintiff asserts violations of the public policy of engaging in false and misleading advertising, unfair competition, and deceptive conduct towards consumers. There were reasonably available alternatives to further Defendants' legitimate business interests, other than the conduct described

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herein. This conduct constitutes violations of the unfair prong of California Business & Professions Code sections 17200, *et seq*.

85. Business & Professions Code sections 17200, *et seq*. also prohibit any "fraudulent business act or practice." Defendants' claims, nondisclosures, and misleading statements, as set forth above, were false, misleading, and/or likely to deceive reasonable consumers within the meaning of Business & Professions Code sections 17200, *et seq*. Defendants' business acts and practices are fraudulent because they are likely to, and in fact, did deceive reasonable consumers, including Plaintiff and the other Class members, into believing that the Subject Food Product comes entirely from animals that were "naturally raised."

86. Defendants' misrepresentations of the fact that the Subject Food Product comes entirely from "naturally raised" animals and/or Defendants' non-disclosure that the Subject Food Product comes partially or entirely from animals that were "conventionally raised" were the immediate and proximate cause of Plaintiff and the other Class members purchasing the Subject Food Product.

87. As a result of Defendants' misrepresentations and omissions, Plaintiffs and members of the putative Class lost money or property because had they known the Subject Food Product comes partially or entirely from animals that are not "naturally raised," they would not have purchased the Subject Food Product from Defendants, but rather, they would have used their money to purchase another product.

88. Defendants' conduct caused and continues to cause substantial injury to Plaintiff and the other Class members. Plaintiff and the other Class members have suffered injury in fact and have lost money as a result of Defendants' wrongful conduct.

89. Pursuant to Business & Professions Code section 17203, Plaintiff and the other Class members seek an order requiring Defendants to immediately cease

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such acts of unlawful, unfair, and fraudulent business practices and requiring Defendants to engage in a corrective advertising campaign.

90. Unless Defendants are enjoined from continuing to engage in these unfair, unlawful and fraudulent business practices, Plaintiff and the other Class members will continue to be injured by Defendants' actions and conduct.

91. Defendants have thus engaged in unlawful, unfair, and fraudulent business acts and practices, entitling Plaintiff and the other Class members to judgment and equitable relief against Defendants, as set forth in the Prayer for Relief, including full restitution and/or disgorgement of all revenues, earnings, profits, compensation, and benefits which may have been obtained by Defendants as a result of such business acts or practices, and enjoining Defendants to cease and desist from engaging in the practices described herein.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff, individually and on behalf of all other members of the Nationwide Class, prays for relief and judgment against CHIPOTLE and DOES 1 through 10, and each of them, jointly and severally, as follows:

Class Certification

1. That this action be certified as a Class action;
2. That Plaintiff be appointed as the Class representative;
3. That counsel for Plaintiff and the putative Class be appointed as Class counsel for the Nationwide Class;

As to the First through Sixth Causes of Action

4. That Plaintiff and the other Class members be awarded compensatory and general damages according to proof;
5. That Plaintiffs and the other Class members be awarded disgorgement and restitution of all monies wrongfully obtained and retained by Defendants as well as any other equitable relief as the Court deems proper;

6. That Plaintiffs and the other Class members be awarded interest on the monies wrongfully obtained from the date of collection through the date of entry of judgment in this action;

7. That Plaintiffs and the other Class members be awarded declaratory and injunctive relief as permitted by law or equity, including enjoining Defendants from continuing the unlawful practices as set forth herein, to ensure compliance with the California False Advertising Act, the California Unfair Business Practices Act, the California Consumers Legal remedies Act, and other applicable laws and regulations as stated herein;

8. That Defendants be mandated to make a payment to a *cy pres* fund;

9. That Defendants be mandated to engage in a corrective advertising campaign to correct the misperceptions that Defendants' deceptive, false and misleading acts have created;

10. That Defendants be mandated to issue an apology to Plaintiff and the other Class members;

11. That Plaintiff and the other Class members be awarded punitive damages as to the appropriate cause of action;

12. That Plaintiff and the other Class members be awarded their reasonable attorneys', expert-witness fees, and other costs pursuant to statutes as may be applicable; and

13. All such other and further relief as the Court deems just and proper.

Dated: June 25, 2012

LAWYERS *for* JUSTICE, PC

By: ______________________

Edwin Aiwazian
Attorneys for Plaintiff

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DEMAND FOR JURY TRIAL

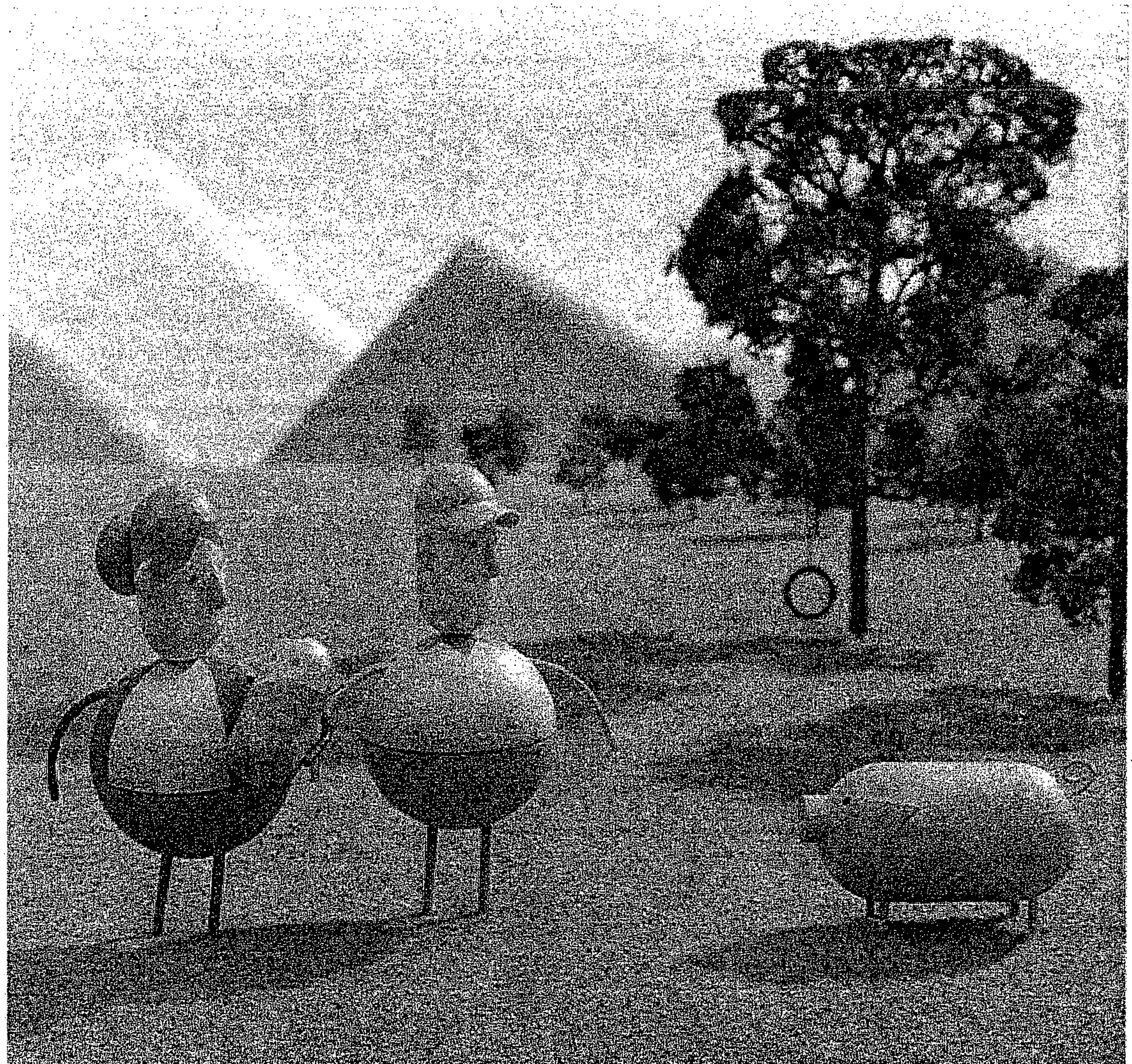
Plaintiff, ALAN HERNANDEZ, on behalf of himself and all other members of the general public similarly situated, hereby demands a jury trial.

Dated: June 25, 2012

LAWYERS *for* JUSTICE, PC

By: ______________________
Edwin Aiwazian
Attorneys for Plaintiff

Exhibit 1



2011 Annual Report
and Proxy Statement

CHIPOTLE MEXICAN GRILL

Dear Shareholders,

2011 was another successful year for Chipotle, as we all worked to advance our mission of changing the way people think about and eat fast food. We did this by focusing on our unique food culture based on serving the best tasting food made with ingredients from more sustainable sources and prepared using classic cooking techniques, and our unique people culture based on empowering top-performing employees to reach high standards and developing them into the future leaders of our company.

Throughout the year, we made considerable progress in both of these areas. We continue to serve more naturally raised meat than any other restaurant company, nearly 100 million pounds in 2011, and we estimate that we will serve 120 million pounds in 2012. We also expanded our use of dairy made with milk from cows raised on open pastures, and increased our use of locally grown produce to 10 million pounds. All of these changes help us improve the taste, quality, and integrity of the food we serve.

Our Restaurateur program continued to be the cornerstone of our people culture, as we added more than 100 new Restaurateurs during 2011. Today, these elite managers, and others who have come through the Restaurateur program and are now in field leadership positions, directly oversee about two-thirds of our restaurants. Our people culture is stronger now than ever, and continues to provide us with the future leaders we will need to accommodate our growth, even as we escalate our pace of restaurant openings.

The strength of our unique food and people cultures contributes directly to our success. Last year we opened 150 restaurants and our revenue grew 23.6% to $2.27 billion and comparable restaurant sales grew 11.2% for the full year. Our restaurant-level margins were among the highest in the industry at 26.0%. We also continued to seed future growth opportunities, opening our second restaurant in London, and opening our first ShopHouse Southeast Asian Kitchen in Washington DC.

As we grow, it is important to educate our customers about what makes Chipotle so unique. To help us do this, we recently launched "Farm Team," which is a web based program designed to educate our most passionate customers and help them to serve as ambassadors for our brand. We also created a signature event, our Cultivate Festival, to help customers connect with Chipotle in an experiential way. The festival, held in Chicago, drew 17,000 people, and rave reviews. We also created an animated short film called "Back to the Start," which illustrated differences between traditional sustainable farming and industrial farming, and was named one of the top ads of 2011. Finally, we created the Chipotle Cultivate Foundation, a nonprofit organization we created to support individuals and organizations working to make improvements in the areas of animal welfare, family farming, and in educating the next generation of sustainable farmers. This will allow us to expand the impacts of our philanthropic efforts. Collectively, we believe these programs will help us strengthen ties with customers and further differentiate Chipotle in a crowded field.

We believe that our continued focus on changing food culture through our special food and people cultures will allow us to continue to create a truly valuable company for our employees, customers, suppliers, and shareholders.

Sincerely,

Steve Ells
Founder, Chairman, & Co-CEO

Monty Moran
Co-CEO

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, 2011

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)

Annual Report

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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act (check one):

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

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, 2011, the aggregate market value of the registrant's outstanding common equity held by non-affiliates was $5.95 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 more than 5% 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 3, 2012, there were 31,262,463 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 2012 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, 2011.

Annual Report

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PART I

ITEM 1. BUSINESS

General

Chipotle Mexican Grill, Inc. and its subsidiaries ("Chipotle", the "Company", or "We") operate restaurants throughout the United States, as well as two restaurants in Toronto, Canada and two in London, England. As of December 31, 2011, we operated 1,230 restaurants, which includes one ShopHouse Southeast Asian Kitchen. Chipotle restaurants serve a focused menu of burritos, tacos, burrito bowls (a burrito without the tortilla) and salads, made using fresh ingredients. We focus on trying to find the highest quality ingredients we can to make great tasting food; on recruiting and retaining top performing people to ensure that the restaurant experience we provide is exceptional; on building restaurants that are operationally efficient and aesthetically pleasing; and on doing all of this with increasing awareness and respect for the environment. We have grown substantially over the past five years, and expect to open between 155 and 165 additional restaurants in 2012.

Our vision is to change the way people think about and eat fast food. We do this by avoiding a formulaic approach when creating our restaurant experience, looking to fine-dining restaurants for inspiration. We use high-quality raw ingredients, classic cooking methods and a distinctive interior design and have friendly people to take care of each customer—features that are more frequently found in the world of fine dining. Our approach is also guided by our belief in an idea we call "Food With Integrity". Our objective is to find the highest quality ingredients we can—ingredients that are grown or raised with respect for the environment, animals and people who grow or raise the food.

Annual Report

We manage our operations and restaurants based on six regions that aggregate into one reportable segment. Financial information about our operations, including our revenues and net income for the years ended December 31, 2011, 2010, and 2009, and our total assets as of December 31, 2011 and 2010, 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.

Our Menu and Food Preparation

Food With Integrity. Serving high quality food while still charging reasonable prices is critical to our vision to change the way people think about and eat fast food. As part of our Food With Integrity philosophy, we believe that using fresh ingredients is not enough, so 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 where we obtain each ingredient, and this has become a cornerstone of our continuous effort to improve our food. As of December 31, 2011, we were serving exclusively naturally raised meats in all of our restaurants in the U.S. Continuing to serve naturally raised meats in all of our restaurants is one of our goals, but as discussed below, we have and will continue to face challenges in doing so. Some of our restaurants served conventionally raised chicken or steak for much of 2011, a few markets reverted to conventionally raised beef in early 2012, and more of our restaurants may periodically serve conventionally raised meats in the future due to supply constraints. We define naturally raised as coming from animals that are never given antibiotics or added hormones and that are raised responsibly—that is, in accordance with our animal welfare standards.

We're also investigating the use of more sustainably grown produce, meaning produce grown by suppliers who we believe respect the environment and their employees. A portion of some of the produce items we serve is organically grown, or sourced locally while in season (by which we mean grown within 350 miles of the restaurant). A portion of our beans is organically grown and a portion is sustainably grown using conservation tillage methods that improve soil conditions, reduce erosion, and help preserve the environment in which the beans are grown. Our Food With Integrity commitment extends to the dairy products we serve as well. All of the sour cream and cheese we buy is made from milk that comes from cows that are not given rBGH (recombinant bovine growth hormone). Also, milk used to make much of our cheese and a portion of our sour cream is sourced from dairies that provide an even higher standard of animal welfare by providing pasture access for their cows.

We do, however, face challenges associated with pursuing Food With Integrity. For example, current economic conditions have led to naturally raised chicken and steak supply shortages. It can take longer to identify and secure relationships with suppliers that are able to meet our criteria, and there are higher costs and other risks associated with purchasing naturally raised or sustainably grown ingredients. 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. Organic and sustainable crops can take longer to grow and crop yields can be lower for organically or sustainably grown produce. Given the costs associated with natural and sustainable farming practices, and recently due to decreased demand as a result of the weak economic environment, many large suppliers have not found it economical to pursue business in this area. However, we believe that in addition to seeking great tasting and nutritious food, consumers are increasingly concerned about where their food comes from and how it is raised. And we believe that as consumers become more educated about better animal welfare and farming practices as well as social accountability, they will foster greater demand for sustainably grown foods in the long-term. We believe that increased demand for naturally raised meat and produce over the long-term will continue to attract the interest and capital investment of larger farms and suppliers. We also understand that we'll continue to be at the forefront of this trend and must balance our interest in advancing Food With Integrity with our desire to provide great food at reasonable prices. If we are able to continue growing while focusing on Food With Integrity our sourcing flexibility should improve over time, though we expect that most of these ingredients and other raw materials will remain more expensive than conventionally raised, commodity-priced equivalents.

Annual Report

A Few Things, Thousands of Ways. Chipotle restaurants serve only a few things: burritos, burrito bowls, tacos and salads. But because customers can choose from four different meats, two types of beans and a variety of extras such as salsas, guacamole, cheese and lettuce, there's enough variety to extend our menu to provide countless choices. We plan to keep a simple menu, but we'll consider additions that we think make sense. And if you can't find something on the menu that's quite what you're after, let us know. If we can make it from the ingredients we have, we'll do it.

In preparing our food, we use stoves and grills, pots and pans, cutting knives, wire whisks and other kitchen utensils, walk-in refrigerators stocked with a variety of fresh ingredients, herbs and spices and dry goods such as rice. Ingredients we use include chicken and steak that is marinated and grilled in our restaurants, carnitas (seasoned and braised pork), barbacoa (spicy shredded beef) and pinto and vegetarian black beans. We add our rice, which is tossed with lime juice and freshly chopped cilantro, as well as freshly shredded cheese, sour cream, lettuce, peppers and onions, depending on each customer's request. We use various herbs, spices and seasonings to prepare our meats and vegetables. We also provide a variety of extras such as guacamole, salsas and tortilla chips seasoned with fresh lime and kosher salt. In addition to sodas, fruit drinks and organic milk, most of our restaurants also offer a selection of beer and margaritas. Our food is prepared from scratch, with the majority prepared in our restaurants while some is prepared with the same fresh ingredients in commissaries.

Food Served Fast ... So That Customers Can Enjoy It Slowly. Our employees spend hours preparing our food on-site, but each customer order can be ready in seconds. Customers select exactly what they want and how they want it by speaking directly to the employees that prepared the food and are assembling the order. While we think that our customers return because of the great-tasting food, we also think that they like getting food served fast without having a "fast-food" experience, even when they're not in a hurry. And while our restaurants often have lines, we try to serve customers as quickly as possible. We've even been able to serve more than 300 customers an hour at some locations. The natural flow of our restaurant layout, including the floor plan and the design of our serving line, are designed to make the food ordering process intuitive and, we believe, more efficient. And we're focused on further improving the speed of service in all of our restaurants, so that we can accommodate more customers and larger orders without disrupting restaurant traffic. For instance, our restaurants accept orders by fax, online or through an iPhone ordering application in order to provide a more convenient experience by allowing customers to avoid standing in line. By emphasizing speed of service without compromising the genuine interactions between our customers and our crews, and by continually making improvements to our restaurants, we believe that we can provide a high quality experience to more and more customers.

Quality Assurance and Food Safety. We are committed to serving safe, high quality food to our customers. Quality and food safety is integrated throughout our supply chain and everything we do; from the farms that supply our food all the way through to our front line. We have established close relationships with some of the top suppliers in the industry, and we actively maintain a limited list of approved suppliers from whom our distributors must purchase. Our quality assurance department establishes and monitors our quality and food safety programs for our supply chain. Our training and risk management departments develop and implement operating standards for food quality, preparation, cleanliness and safety in the restaurants. Our food safety programs are also designed to assure that we comply with applicable federal, state and local food safety regulations.

Restaurant Management and Operations

Culture of Top Performers. In addition to the focus on our food, we have a similarly focused people culture with an emphasis on identifying, hiring and empowering top performing employees. We are committed to creating a performance based culture that leads to the best restaurant experience possible for our employees and our customers. The foundation of that culture starts with hiring the best people in our restaurants. We make an effort to hire employees who share a passion for food and who will operate our restaurants in a way that is consistent with our high standards, yet allows each of their unique personalities and strengths to contribute to our success. We believe we provide attractive career opportunities to crew and managers who are committed to work hard, provide great customer service and have the ability to lead and empower others. We provide hands on, shoulder-to-shoulder training to develop the full potential of our restaurant employees. We are committed to developing our people and promoting from within, with almost 98% of salaried management and more than 98% of hourly management coming from internal promotions. Our best restaurant managers, who run great restaurants and develop strong, empowered restaurant teams, are promoted to Restaurateur and in that role can earn bonuses for developing people. We've leveraged our outstanding Restaurateurs' leadership by giving select Restaurateurs responsibility for mentoring one or more nearby restaurants. This provides an opportunity for Restaurateurs to develop field leadership roles one restaurant at a time. Restaurateurs who have shown they can successfully run four restaurants by developing teams of all top performers (including at least one Restaurateur), thereby creating a culture of high standards, constant improvement and empowerment in each of their restaurants, can be promoted to Apprentice Team Leaders.

Annual Report

Importance of Methods and Culture. Although we have many restaurants, we believe that our departure from the automated cooking techniques and microwaves used by many traditional fast-food and fast-casual restaurants helps to set us apart. Our crews use classic cooking methods: they marinate and grill meats, hand-cut produce and herbs, make fresh salsa and guacamole, and cook rice in small batches throughout the day. They work in kitchens that more closely resemble those of high-end restaurants than they do a typical fast-food place. Despite our more labor-intensive method of food preparation, our focused menu creates efficiencies which allow us to serve high quality food made from ingredients typically found in fine dining restaurants.

The Front Line is Key. Our restaurant and kitchen designs intentionally place crew members up front with customers to reinforce our focus on service, and our open kitchen design allows customers to see that we prepare our food fresh, each and every day. All of our restaurant employees are encouraged to interact with customers no matter their job, whether preparing food or serving customers during our busiest period. We focus on attracting and retaining people who can deliver that experience for each customer "one burrito at a time". We provide each customer with individual attention and make every effort to respond to customer suggestions and concerns in a personal and hospitable way. We believe our focus on creating a positive and interactive experience helps build loyalty and enthusiasm for our brand among restaurant managers, crew members and customers alike.

The Basics. Each restaurant typically has a restaurant manager (a position we've characterized as the most important in the company), an apprentice manager (in about three-quarters of our restaurants), one or two hourly service managers, one or two hourly kitchen managers and an average of 20 full and part-time crew members. We generally have two shifts at our restaurants, which simplifies scheduling and provides stability for our employees. We tend to have more employees in our busier restaurants. We 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 restaurant 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 apprentice team leaders, team leaders or area managers, team directors and regional directors.

Supply Chain

Close Relationships with Suppliers. Maintaining the high levels of quality 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 distribution centers purchase from various suppliers we carefully select based on quality and their understanding of our mission, and we seek to develop mutually beneficial long-term relationships with suppliers. We work closely with our suppliers and use a mix of forward, fixed and formula pricing protocols. We've tried to increase, where necessary, the number of suppliers for our ingredients, which we believe can help mitigate pricing volatility and supply shortages, and we follow industry news, trade issues, weather, exchange rates, foreign demand, crises and other world events that may affect our ingredient prices. Certain key ingredients (beef, pork, chicken, beans, rice, sour cream, and tortillas) are purchased from a small number of suppliers.

Annual Report

We generally do not purchase raw materials directly from farmers or other suppliers, but have selected and approved all of the suppliers from whom ingredients are purchased for our restaurants. Distribution centers purchase ingredients and other supplies from suppliers we select and approve based on our quality specifications, and purchase within the pricing guidelines and protocols we have established with the suppliers.

Distribution Arrangements. We deliver ingredients and other supplies to our restaurants from 22 independently owned and operated regional distribution centers. As we continue to expand geographically, we expect to add additional regional distribution centers.

Marketing

Our marketing has always been based on the belief that the best and most recognizable brands aren't built through advertising or promotional campaigns alone, but rather through all of the ways people experience the brand. So we pay close attention to all of these details, looking to keep our communications closely aligned with the ways our customers experience Chipotle. Our advertising and promotional programs, in-store communications, and other design elements (such as menus and signs) all say something about who we are, and we believe it's important that we present our brand consistently in our communications and the experience our customers enjoy. That has always been a hallmark of our marketing, and we are constantly looking to do these things better.

When we open restaurants in new markets, we plan a range of activities to introduce Chipotle to the local community and to create interest in the restaurant from the start. In existing markets, our restaurants generally open strong, with volumes at or near market averages, even with little promotion surrounding the opening. Our advertising has generally included print, outdoor, transit and radio ads, but we are also incorporating online advertising into the mix, and adding strategic promotions that demonstrate how Chipotle is different than other restaurant concepts, or that connect us to like-minded individuals or organizations. In addition, we continue to generate considerable media coverage, with scores of publications writing favorably about our food, restaurant concept and business, and our food, restaurants and company have been featured in a number of television programs.

We also recognize the need for our marketing to evolve, much as we have evolved our food culture and our unique people culture. To this end, we have been testing more "owned media," including new video and music programs, and a more visible event strategy that includes the launch of our first festival of food, music and ideas, "Cultivate Chicago," and participation in relevant events in markets around the country. Many of these newer programs allow us to tell our story with more nuance than is afforded by traditional advertising, and help forge stronger emotional connections with our customers. We are also increasing our use of digital, mobile, and social media to our overall marketing mix, giving customers greater opportunity to access Chipotle in ways that are convenient for them, and broadening our ability to engage with our customers individually. Through our first ever customer loyalty program, the "Farm Team," we are inviting our most loyal and passionate customers to join a program that educates them about many of the things that make Chipotle special, and rewarding them for expanding and sharing their knowledge of our company.

Collectively, these efforts and our excellent restaurant teams have helped us create considerable word-of-mouth publicity, with our customers learning about us and telling others, allowing us to build awareness with relatively low advertising expenditures, even in a competitive category, and to differentiate Chipotle as a company that is committed to doing the right things in every facet of our business.

Competition

We compete with national and regional fast-casual, quick-service and casual dining restaurants. Our competition also includes a variety of locally owned restaurants and the deli sections and in-store cafés of several major grocery store chains. The number, size and strength of competitors vary by region, market and even restaurant. Competitors to our restaurants compete based on a number of factors, including taste, quality, speed of service, price and value, name recognition, location, customer service and the ambience and condition of the competitor. Unlike us, a number of our competitors grow through franchising.

We believe we're well-positioned to continue to grow our market position in existing and new markets given current consumer trends, including increasing awareness and concern among consumers about what they eat and how it is prepared and the increasing prevalence of the fast-casual segment. Some of our competitors have formats that might resemble ours. We believe, however, that Chipotle has become one of the most recognized fast-casual restaurants and that we are known for our focus on preparing food using a variety of fresh ingredients in an open restaurant kitchen to create delicious food, as well as our commitment to "Food With Integrity", which we think represents a significant competitive advantage in the segment in which we operate.

Restaurant Site Selection

We believe that site selection is critical to our success and thus we devote substantial time and effort to evaluating each potential location. Our site selection process includes the use of external real estate brokers with expertise in specific markets, taking direction from our internal team of real estate managers. Locations proposed by real estate managers are reviewed on site by a team of operations and development management as part of a formal site ride, as well as in a written real estate package. We study the surrounding trade area, demographic and business information within that area, and available information on competitors. Based on this analysis, including utilization of predictive modeling using proprietary formulas, we determine projected sales and targeted return on investment. 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, regional malls, downtown business districts, free-standing buildings, and even an airport location.

ShopHouse Test Concept

We believe that the fundamental principles on which our restaurants are based—finding the very best sustainably raised ingredients, prepared and cooked using classical methods in front of the customer, and served in an interactive format by special people dedicated to providing a great dining experience—can be adapted to cuisines other than the food we serve at Chipotle. In order to see how our model works when we use different ingredients and a different style of food, we opened ShopHouse Southeast Asian Kitchen during 2011. ShopHouse serves a menu that, like at Chipotle, is focused; main dishes consist of rice or noodle bowls or banh mi sandwiches, made with steak, chicken, meatballs made with pork and chicken, or tofu.

Notwithstanding our opening of ShopHouse Southeast Asian Kitchen and our plans to open one additional ShopHouse restaurant during 2012, our immediate focus will remain on thoughtfully growing the Chipotle brand.

Seasonality

Seasonal factors cause our profitability to fluctuate from quarter to quarter. Historically, our average daily restaurant sales and profits are 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.

Our Intellectual Property and Trademarks

"Chipotle," "Chipotle Mexican Grill," "Unburritable," "Food With Integrity," "Fresh Is Not Enough, Anymore," "The Gourmet Restaurant Where You Eat With Your Hands," "ShopHouse" and a number of related designs and logos are U.S. registered trademarks of Chipotle. We have filed trademark applications for a number of other marks in the U.S. 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 various countries as well.

We also believe that the design of our restaurants is our proprietary trade dress. 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.

Information Systems

Chipotle uses an integrated information system to manage the flow of information within each restaurant and between the restaurants and the corporate office. This system includes a point-of-sales local area network that helps facilitate the operations of the restaurant by recording sales transactions and printing orders in the appropriate locations within the restaurant. Additionally, the point-of-sales system is used to authorize, batch and transmit credit card transactions, to record employee time clock information, and to produce a variety of management reports. Select information that is captured from this system is transmitted to the corporate office on a daily basis, which enables management to continually monitor operating results. We believe that our current point-of-sales systems will be an adequate platform to support our continued expansion. See "Risk Factors—*We may incur costs resulting from security risks we face in connection with our electronic processing and transmission of confidential customer information*" below for a discussion of certain risks associated with our point-of-sales systems.

Employees

As of December 31, 2011, we had about 30,940 employees, including about 2,570 salaried employees and about 28,370 hourly employees. None of our employees are unionized or covered by a collective bargaining agreement.

Available Information

We maintain a website at www.chipotle.com. 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 on the investor page of our website at ir.chipotle.com 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, Room 1580, 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

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 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, 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 our projections of the number of restaurants we expect to open in 2012, our estimates of the amount of certain expected expenses and potential changes in our comparable restaurant sales during 2012, statements of our intention to open restaurants in one or more specified locations, statements regarding the potential impact of ongoing economic uncertainty on our business, and our projections of our effective tax rate for 2012. 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 uncertainties, risks and factors 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 other factors include those listed in this Item 1A. "Risk Factors," and elsewhere in this report.

Annual Report

When considering these forward-looking 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 those events 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 developments, except as required by applicable laws and regulations.

Increasing our sales and profitability depends substantially on our ability to open new restaurants, which is subject to many unpredictable factors.

We operated 1,230 restaurants as of December 31, 2011. We plan to increase the number of our restaurants significantly in the next three years, and plan to open between 155 and 165 new restaurants in 2012. However, we have in the past experienced delays in opening some restaurants and that could happen again as a result of any 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 qualified operating personnel in the local market;
- delay or cancellation of new site development by developers and landlords, which may become increasingly common during periods of economic uncertainty or tight credit;
- difficulty managing construction and development costs of new restaurants at affordable levels, particularly in competitive markets;
- difficulty negotiating leases with acceptable terms;
- any shortages of construction materials and labor;
- lack of availability of, or inability to obtain, adequate supplies of ingredients that meet our quality standards;

- failures or delays in securing required governmental approvals (including construction, parking and other permits); and
- the impact of inclement weather, natural disasters and other calamities.

One of our biggest challenges is staffing new restaurants. We seek to hire only top-performing employees and to promote restaurant managers from our crew, 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 "*Our business could be adversely affected by increased labor costs or difficulties in finding the right employees for our restaurants*."

Another significant challenge is locating and securing an adequate supply of suitable new restaurant sites. Competition for those sites in our target markets can be intense, and development and leasing costs are increasing, particularly for urban locations. These factors may be exacerbated by any ongoing tightness in credit markets, as developers may continue to delay or be unable to finance new projects. Delays or failures in opening new restaurants due to any of the reasons set forth above 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 restaurant base will decline, which may in turn slow our sales and profitability growth.

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. Similarly, our growth strategy and the substantial investment associated with the development of each new restaurant (as well as the impact of our new restaurants on the sales of our existing restaurants) may cause our operating results to fluctuate and be unpredictable or adversely affect our profits. We expect that our new restaurant openings in 2012 will be weighted more heavily to the second half of the year, though more evenly dispersed through the year than in 2011. The weighting of openings to the second half of 2012 may adversely affect our revenue growth during the first half of the year and our profitability in the second half.

Our sales and profit growth could be adversely affected if comparable restaurant sales increases are less than we expect, and we may not successfully increase comparable restaurant sales.

While future sales growth will depend substantially on our opening new restaurants, changes in comparable restaurant sales (which represent the change in period-over-period sales for restaurants beginning in their 13th full month of operations) will also affect our sales growth and will continue to be a critical factor affecting profit growth. This is because the profit margin on comparable restaurant sales is generally higher, as comparable restaurant sales increases enable fixed costs to be spread over a higher sales base. Conversely, declines in comparable restaurant sales can have a significant adverse effect on profitability due to the loss of the higher profit margins associated with comparable restaurant sales increases. We expect comparable restaurant sales increases in 2012 to be in the mid single digits due to difficult comparisons with 2011 and ongoing consumer and economic uncertainty.

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

- changes in consumer preferences and discretionary spending, including weaker consumer spending in difficult economic times such as those that have persisted throughout much of the past three years;
- consumer understanding and acceptance of the Chipotle experience and perceptions of the Chipotle brand;
- 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;
- competition, either from our competitors in the restaurant industry, or from our own restaurants as some customers who frequent one of our restaurants may begin to visit one of our new restaurants instead;

- executing our strategies effectively, including our development strategy, our marketing and branding strategies, our initiatives to increase the speed at which our crew serves each customer, and expanded use of fax service lines and online ordering, each of which we may not be able to accomplish;
- initial sales performance of new restaurants, which is subject to the risks described below under "*Our new restaurants, once opened, may not be profitable, and may adversely impact the sales of our existing restaurants*";
- weather, road construction and other factors limiting access to new restaurants; and
- changes in government regulation.

A number of these factors are beyond our control. As a result of these factors it is possible that we will not achieve our targeted comparable restaurant sales or that the change in comparable restaurant sales could be negative. If this were to happen, sales and profit growth would be adversely affected and our stock price would be likely to decline.

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 generated sales and income below the levels at which we expect them to normalize. This is in part due to the time it takes to build a customer base in a new area, higher fixed costs relating to increased labor and other start-up inefficiencies that are typical of new restaurants, and a larger proportion of our recent openings being in higher rent sites than we have historically targeted. It may also be difficult for us to attract a customer base if we are not able to staff our restaurants with employees who perform to our high standards. 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 similar results as our existing restaurants and may not be profitable. We also have lowered the average development cost of our new restaurants significantly in recent years, from about $916,000 in 2008 to about $800,000 in 2011, and expect development costs in 2012 to be similar to 2011. In the event we are not able to achieve the average development costs we expect for 2012 or sustain the benefits achieved in prior years, which could result from inflation, project mismanagement or other reasons, our new restaurant locations could also result in decreased profitability.

In addition, we have now 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.

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 soy oil, has increased markedly in some years, resulting in upward pricing pressures on almost all of our raw ingredients including chicken, beef, tortillas and rice, increasing our food costs. Food prices for a number of our key ingredients escalated markedly during 2011 and we expect that there will be additional pricing pressures on some of those ingredients, including beef, chicken, rice and beans, during 2012. We could also be adversely impacted by price increases specific to naturally raised meats 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 commodity food products. 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. Any increase in the prices of the ingredients most critical to our menu, such as beef, chicken, cheese, avocados, beans, rice, tomatoes and pork, would adversely affect 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 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.

Our business could be adversely affected by increased labor costs or difficulties in finding the right employees for our restaurants.

Labor is a primary component of our operating costs, and we believe good managers and crew are a key part of our success. We devote significant resources to recruiting and training our restaurant managers and crew. Increased labor costs due to factors like competition, increased minimum wage requirements, employee benefits and any changes in our restaurant staffing structure would adversely impact our operating costs. Our success also depends in part on the energy and skills of our employees and our ability to hire, motivate and keep qualified employees, especially restaurant managers and crew members. Our failure to find and keep enough employees who are a good fit with our culture could delay planned restaurant openings, result in higher employee turnover or require us to change our culture, any of which could have a material adverse effect on our business and results of operations. Restaurant operators have traditionally experienced relatively high employee turnover rates. Any increase in our turnover rates for managers or crew could be costly.

Various states in which we operate are considering or have already adopted new immigration laws, 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 as well. Some of these changes may increase our obligations for compliance and oversight, which could subject us to additional costs and make our hiring process more cumbersome, or reduce the availability of potential employees. Although we 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. This may subject us to fines or penalties, and 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. We are currently undergoing a similar audit in Virginia and the District of Columbia, and in April 2011 we received notice from the office of the United States Attorney for the District of Columbia that it is conducting an investigation into these matters through its criminal division. Termination of a significant number of employees in those or other markets or across our company will disrupt our operations including slowing our throughput, and may also cause additional adverse publicity and temporary increases in our labor costs as we train new employees. Our financial performance could be materially harmed as a result of any of these factors.

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 that shift some or all of these risks to franchisees.

Instances of food-borne or localized illnesses could cause the temporary closure of some restaurants or result in negative publicity, thereby resulting in a decline in our sales, and could adversely affect the price and availability of the meat, produce or dairy we use to prepare our food.

Instances of food-borne illnesses, real or perceived, whether at our restaurants or those of our competitors, could result in negative publicity about us or the restaurant industry, which could adversely affect sales. For instance, on a small number of occasions a Chipotle restaurant has been associated with customer illness, and on those occasions our sales have been adversely impacted, at times even in markets beyond those impacted by the illness. If our customers become ill from food-borne or localized illnesses, we could be forced to temporarily close some restaurants. 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, would adversely impact our restaurant sales and profitability.

In addition, reports linking a nationwide outbreak of salmonella during the summer of 2008 to a variety of fresh produce items caused us to temporarily suspend serving some produce items in our foods or to otherwise alter our menu. Similarly, past outbreaks of E. coli relating to certain food items caused consumers to avoid certain products and restaurant chains, Asian and European countries have experienced outbreaks of avian flu, and incidents of "mad cow" disease have occurred in Canadian and U.S. cattle herds. These problems, other food-borne illnesses (such as hepatitis A or norovirus) and injuries caused by food tampering have had in the past, and could have in the future, an adverse affect on the price and availability of affected ingredients. 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 costs resulting from supply problems associated with outbreaks of food-borne illnesses, which would also have a negative impact on our sales and profitability.

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 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. Consumers may also be more price-sensitive during difficult economic times, and we experienced some decrease in traffic during late 2008 and throughout 2009 that we attribute in part to menu price increases. Recent reports have indicated continued consumer uncertainty that may persist during 2012, so our ability to increase sales may be significantly hampered for the foreseeable future. If we do elect to increase menu prices, it may adversely impact our customer traffic.

Governmental regulation may adversely affect our existing and future operations and results, including by harming our ability to open new restaurants.

We are subject to various federal, state and local regulations. For example, 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 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. During 2010 an appeals court in California found that the design we formerly used for our serving line had violated the ADA, and although we are continuing to defend that case, in the event we are not successful in our defense, losses in that case and related class actions may exceed our accruals and could have a material impact on us.

We are also subject to various federal and state 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 lawsuit has been filed against us in California alleging violations of state laws regarding employee record-keeping, meal and rest breaks, payment of overtime and related practices with respect to our employees. We could suffer losses in this case or similar cases, and any such losses could be significant. In addition, several states in which we operate and the federal government have from time to time enacted minimum wage increases, and these increases could increase our labor costs. We also are audited from time to time for compliance with citizenship or work authorization requirements as well, and recent audit activity in this area is described in more detail above under "*Our business could be adversely affected by increased labor costs or difficulties in finding the right employees for our restaurants.*" 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. We could also experience adverse publicity arising from immigration-related enforcement activity that negatively impacts our brand and may make it more difficult to hire and keep qualified employees.

From time to time we are the target of litigation in connection with various of the laws and regulations that cover our business. The majority of this litigation occurs in California even though currently only about 16% 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.

A comprehensive U.S. health care reform law was enacted in 2010. We are evaluating the impact the new law will have on our employees. Although we cannot predict with certainty the financial and operational impacts the new law will have on us, we expect that our expenses will significantly increase over the long term as a result of the law, particularly in 2014 under the current version of the law, and any such increases will likely be large enough to materially impact our results of operations.

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. The U.S. health care reform law included nation-wide menu labeling and nutrition disclosure requirements as well, and our restaurants are covered by these national requirements. Initiatives in the area of nutrition disclosure or advertising, such as requirements to provide information about the nutritional content of our food, 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.

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.

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.

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 that shift some or all of these risks to franchisees.

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 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. Our competitors offer dine-in, carry-out and delivery services. 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. 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 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.

Several of our competitors 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 products and price competition.

Moreover, new companies may enter our markets and target our customers. For example, additional competitive pressures have come more recently from the 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 and casual dining outlets. These competitors may have, among other things, lower operating costs, better locations, better facilities, better management, more effective marketing and more efficient operations than we have.

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

Our Food With Integrity philosophy subjects us to risks.

Our approach to competing in the restaurant industry depends in large part on our continued ability to adhere to the principle of Food With Integrity. We use a substantial amount of naturally raised and sustainably grown ingredients, and try to make our food as fresh as we can, in light of pricing considerations. We do, however, face challenges associated with pursuing Food With Integrity. It can take longer to identify and secure relationships with suppliers that are able to meet our criteria, and there are higher costs and other risks associated with purchasing naturally raised or sustainably grown ingredients. 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. Organic and sustainable crops can take longer to grow and crop yields can be lower for organically or sustainably grown produce. Given the costs associated with natural and sustainable farming practices, and recently due to decreased demand as a result of the weak economic environment, many large suppliers have not found it economical to pursue business in this area. Although as of December 31, 2011 we served naturally raised meat in all of our restaurants in the U.S., we may experience shortages, particularly of naturally raised chicken or steak, due to suppliers suspending production, market conditions, or other forces beyond our control. A few of our markets reverted to serving conventionally raised beef in early 2012 due to supply shortages. Furthermore, as we grow, the ability of our suppliers to expand output or otherwise increase their supplies to meet our needs may be constrained. Moreover, we are broadening our commitment to serving local or organic produce and produce purchased from farmers markets when seasonally available. These initiatives may make it more difficult to keep quality consistent and present additional risk of food-borne illnesses given the greater number of suppliers involved in such a system and the difficulty imposing our quality assurance programs on all such suppliers.

Quality variations and food-borne illness concerns could adversely impact public perceptions of Food With Integrity or our brand generally.

If as a result of any of these factors we are unable to obtain a sufficient and consistent supply of these ingredients on a cost-effective basis, or at all, our food costs could increase, adversely impacting our operating margins. These factors could also cause us difficulties in aligning our brand with Food With Integrity, which could make us less popular among our customers and cause sales to decline. Our commitment to Food With Integrity 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 if suppliers, without our knowledge, do not adhere to all of the elements of our Food With Integrity programs, such as naturally raised meat protocols, requirements for organic or sustainable growing methods, and similar criteria on which we base our purchasing decisions. If any such supplier failures are publicized, our reputation would be harmed and our sales may be adversely impacted.

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 may make it more difficult for us to differentiate Chipotle and our restaurants, which could adversely impact our operating results.

Our expansion into new markets may present increased risks due to our unfamiliarity with those areas.

Some of our new restaurants are located in or planned for markets where we have little or no operating experience. For instance, over the past two years we've opened two restaurants in London, our first restaurants outside of North America, and we plan to open a restaurant in Paris in 2012. New markets, particularly outside the United States, may have different competitive conditions, consumer tastes and discretionary spending patterns than our existing markets. As a result, new restaurants in those markets may be less successful than restaurants in our existing markets. Consumers in a new market may not be familiar with the Chipotle brand, and we may need to build brand awareness in that market through greater investments in advertising and promotional activity than we originally planned. We may find it more difficult in new markets to hire, motivate and keep qualified employees who can project our vision, passion and culture. Restaurants opened in new markets, particularly outside the United States, may also have lower average restaurant sales than restaurants opened in existing markets, and may have higher construction, occupancy or operating costs than restaurants in existing markets. We may also 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. Sales at restaurants opened in new markets may take longer to ramp up and reach expected sales and profit levels, and may never do so, thereby affecting our overall profitability. Some or all of these factors may be more pronounced in markets outside the United States due to cultural, regulatory or economic differences with which we are not familiar, which may have a particularly adverse impact on our sales or profitability in those markets and could thereby adversely impact our overall results. Our overall results may also be 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.

ShopHouse Southeast Asian Kitchen may not contribute to our growth.

We believe that the fundamental principles on which Chipotle restaurants are based—finding the very best sustainably raised ingredients, prepared and cooked using classical methods in front of the customer, and served in an interactive format by special people dedicated to providing a great dining experience—can be adapted to cuisines other than the food we serve at Chipotle. In order to see how our model works when we use different ingredients and a different style of food, we opened ShopHouse Southeast Asian Kitchen during 2011. Notwithstanding our opening of ShopHouse and our plans to open one additional ShopHouse restaurant during

2012, our immediate focus will remain on thoughtfully growing the Chipotle brand. As a result, we do not expect ShopHouse to contribute to our growth in a meaningful way for at least the next several years, and we may determine not to move forward with the expansion of ShopHouse at all. This might limit our overall growth over the long term.

We expect general and administrative expenses to increase significantly during 2012.

Stock compensation awards are an important element of our compensation programs. Accounting rules require that we record non-cash stock-based compensation expense in connection with any stock compensation awards, with the expense recorded for stock-only stock appreciation rights, or SOSARs, determined by valuing the awards based on a number of accepted valuation methodologies. As a result of the significant increase in the price of our common stock, the computed value of SOSAR awards (and the associated non-cash stock-based compensation expense to be recorded) has increased significantly in recent years. Non-cash stock based compensation expense totaled approximately $43 million in 2011, and we expect that amount to increase by at least 50 percent for 2012 based on the higher stock price used to compute the value of SOSARs awarded during 2012, as well as the potential for additional expense associated with performance shares if they are determined to be probable to vest at a higher level. This significant increase will adversely impact our general and administrative expense for 2012. Our general and administrative expense for 2012 will also be impacted by up to $5.0 million in expenses associated with our biennial All Managers Conference, which we will hold during the third quarter of 2012. These increases in general and administrative expense will adversely impact our operating income and earnings per share during 2012.

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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 law regarding workplace and employment matters, discrimination 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 may adversely affect our existing and future operations and results, including by harming our ability to open new restaurants,*" above, for a description of particular claims of this type. From time to time, we also face claims alleging that technology we use in our business infringes patents held by third parties. We believe the number of all 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. Regardless of whether any claims against us are valid, or whether we're ultimately held liable, claims 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 may also materially and adversely affect our reputation or prospects, which in turn could adversely affect our results.

Failure to receive frequent deliveries of higher-quality food ingredients and other supplies 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, inclement weather, a supplier ceasing operations or other conditions could adversely affect the availability, quality and cost of our ingredients, which could harm our operations. We have almost no long-term contracts with suppliers, and we have relied largely on the same third party distribution network as McDonald's Corporation. If any of our distributors or suppliers performs inadequately, or our distribution or supply relationships are disrupted for any reason, 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, beans, rice, sour cream and tortillas. Due to the unique nature of the products we receive from our Food With Integrity suppliers and as described in more detail above, 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.

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. Our success also depends to a significant extent on consumer confidence, which is influenced by general economic conditions and discretionary income levels. Negative consumer sentiment in the wake of the economic downturn has been widely reported over the past three years and according to some forecasts will continue during 2012. Our sales may decline during economic downturns or periods of uncertainty, which can be caused by various factors such as high gasoline prices, high unemployment, 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.

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

Our plans call for a significant number of new restaurants. Our existing restaurant management systems, financial and management controls and information systems may be inadequate to support our expansion. Managing our growth effectively will require us to continue to enhance these systems, procedures and controls and to hire, train and retain restaurant managers and crew. We also are continuing to revise our field management structure, in an effort to develop additional top-performing restaurant managers more quickly. We may not respond quickly enough to the changing demands that our expansion will impose on management, crew and existing infrastructure, and changes to our operating structure may result in increased costs or inefficiencies that we cannot currently anticipate. Changes as we grow may have a negative impact on the operation of our restaurants, and cost increases resulting from our inability to effectively manage our growth could adversely impact our profitability. We also place a lot of importance on our culture, which we believe has been an important contributor to our success. As we grow, we may have difficulty maintaining our culture or adapting it sufficiently to meet the needs of our operations. Our failure to foster and maintain our corporate culture could also harm our business and operating results.

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

We maintain various insurance policies for employee health, worker's compensation, general liability and property damage. We are self-insured for our health plans, and have purchased a fully-insured stop loss policy to help offset our liability for both individual and aggregate claim costs. We are also responsible for losses up to a certain limit for worker's compensation, general liability and property damage 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 short and our significant growth rate could affect the accuracy of estimates based on historical experience. Should a greater amount of claims occur compared to what was estimated or medical costs increase beyond what was 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.

Our success may depend on the continued service and availability of key personnel.

Our Chairman and co-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 1,200 restaurants today. Monty Moran, our co-Chief Executive Officer, and Jack Hartung, our Chief Financial Officer, have also served with us for several years and much of our growth has occurred under their direction as well. We believe our executive officers have created an employee culture, food culture and business strategy at our company that has been critical to our success and that may be difficult to replicate under another management team. We also believe that it may be difficult to locate and retain executive officers who are able to grasp and implement our unique strategic vision. If our company culture were to deteriorate following a change in leadership or a new management team were to change or be unsuccessful in implementing our strategy, our growth prospects or future operating results may be adversely impacted.

We may incur costs resulting from security risks we face in connection with our electronic processing and transmission of confidential customer information.

We accept electronic payment cards for payment in our restaurants. During 2011 approximately 60% 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, including us, have experienced actual or potential security breaches in which credit and debit card information may have been stolen. In August 2004, the merchant bank that processed our credit and debit card transactions informed us that we may have been the victim of a possible theft of card data. As a result, we recorded losses and related expenses totaling $4.3 million from 2004 through 2006.

We may in the future become subject to additional claims for purportedly fraudulent transactions arising out of the actual or alleged theft of credit or debit card information, and we may also be subject to lawsuits or other proceedings in the future relating to these types of incidents. 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 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 because of various factors, including:

- changes in comparable restaurant sales and customer visits, including as a result of declining consumer confidence or the introduction of new menu items;
- 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;
- 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;
- profitability of our restaurants, especially in new markets;
- fluctuations in supply costs, particularly for our most significant food items;
- our ability to raise menu prices without adversely impacting customer traffic;
- the impact of inclement weather, natural disasters and other calamities, such as freezes that have impacted produce crops;
- variations in general economic conditions, including the impact of declining interest rates on our interest income;
- negative publicity about the ingredients we use or the occurrence of food-borne illnesses or other problems at our restaurants;
- changes in consumer preferences and discretionary spending;
- increases in infrastructure costs;
- tax expenses, impairment charges and other non-operating costs; and
- potential distraction or unusual expenses associated with our expansion into international markets or initiatives to explore 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. We believe the market price of our common stock reflects high market expectations for our future operating results, and 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.

Restrictions and indemnities in connection with the tax treatment of the exchange offer through which we separated from McDonald's could adversely affect us.

McDonald's Corporation was our majority owner from 2000 until October 2006. We understand that the exchange offer McDonald's completed in October 2006 to dispose of its interest in us was generally tax-free to McDonald's and its shareholders. In order to protect the tax-free status of the exchange offer, in the separation agreement we entered into with McDonald's in connection with the separation we agreed among other things to indemnify McDonald's for taxes and related losses it incurs as a result of the exchange failing to qualify as a tax-free transaction in certain situations, if the taxes and related losses are attributable to (i) certain direct or indirect acquisitions of our stock or assets (regardless of whether we consent to such acquisitions); (ii) negotiations, understandings, agreements or arrangements in respect of such acquisitions; or (iii) any amendment to our certificate of incorporation that affects the relative voting rights of any separate classes of our common stock. In December 2009, following completion of an extensive due diligence process, we completed a share conversion eliminating the existence of our class B common stock, and with it the superior voting rights of the class B common stock. In the event the share conversion is deemed to result in the McDonald's exchange offer failing to qualify as a tax-free transaction, we may have an indemnification obligation under the provision described above. We currently estimate that the indemnification obligation to McDonald's could exceed $450 million, and this estimate does not take into account related losses and depends upon several factors that are beyond our control. As a consequence, the indemnity to McDonald's could vary substantially from the estimate and may be much greater.

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, as well as the provisions of our separation agreement with McDonald's described above under "*Restrictions and indemnities in connection with the tax treatment of the exchange offer through which we separated from McDonald's could adversely affect us,*" 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, 2011, we operated 1,230 restaurants. The table below sets forth the locations (by state or country) of Chipotle restaurants in operation.

Alabama	3
Arizona	49
Arkansas	2
California	198
Colorado	71
Connecticut	7
Delaware	2
District of Columbia	11
Florida	65
Georgia	16
Idaho	1
Illinois	85
Indiana	17
Iowa	4
Kansas	17
Kentucky	8
Maine	1
Maryland	51
Massachusetts	29
Michigan	15
Minnesota	52
Missouri	26
Nebraska	7
Nevada	12
New Hampshire	3
New Jersey	20
New Mexico	1
New York	62
North Carolina	15
Ohio	134
Oklahoma	6
Oregon	12
Pennsylvania	26
Rhode Island	3
South Carolina	4
Tennessee	7
Texas	100
Utah	4
Virginia	54
Washington	13
Wisconsin	12
Wyoming	1
United Kingdom	2
Canada	2
Total	1,230

We categorize our restaurants as either 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, 2011, we had 232 free-standing units, 758 end-cap locations, 200 in-line locations and 40 other. The average restaurant size is about 2,565 square feet and seats about 57 people. Most of our restaurants also feature outdoor patio space.

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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 Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations—*Contractual Obligations*," as well as Note 7 to our Consolidated Financial Statements included in Item 8. "Financial Statements and Supplementary Data."

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

ITEM 3. LEGAL PROCEEDINGS

California ADA Cases

In 2006, Maurizio Antoninetti filed suit against us in the U.S. District Court for the Southern District of California, primarily claiming that the height of the serving line wall in our restaurants violated the Americans with Disabilities Act, or ADA, as well as California disability laws. On December 6, 2006, Mr. Antoninetti filed an additional lawsuit in the same court making the same allegations on a class action basis, on behalf of himself and a purported class of disabled individuals, and a similar class action was filed by James Perkins in U.S. District Court for the Central District of California on May 7, 2008.

In the individual Antoninetti action, the district court entered a ruling in which it found that although our counter height violated the ADA, we provided the plaintiff with an equivalent facilitation, and awarded attorney's fees and minimal damages to the plaintiff which we have accrued. We and the plaintiff appealed the district court's ruling to the U.S. Court of Appeals for the Ninth Circuit, and on July 26, 2010, the appeals court entered a ruling finding that we violated the ADA and did not provide the plaintiff with an equivalent facilitation, and remanded the case to the district court. The district court will now determine the damages and injunctive relief and final award of attorneys fees to which Antoninetti is entitled based on the court of appeals ruling.

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We lowered the height of our serving line walls throughout California some time ago, which makes injunctive relief in both the individual and class actions moot, and have the lower serving line walls in a significant majority of our restaurants outside of California as well. We will vigorously defend the class action cases, including by contesting certification of a plaintiff class. It is not possible at this time to reasonably estimate the outcome of, or any additional potential liability from, these cases.

Notices of Inspection of Work Authorization Documents

Following an inspection during 2010 by the U.S. Department of Homeland Security, or DHS, of the work authorization documents of our restaurant employees in Minnesota, the Immigration and Customs Enforcement arm of DHS, or ICE, issued to us a Notice of Suspect Documents identifying a large number of employees who, according to ICE and notwithstanding our review of work authorization documents for each employee at the time they were hired, appeared not to be authorized to work in the U.S. We approached each of the named employees to explain ICE's determination and afforded each employee an opportunity to confirm the validity of their original work eligibility documents, or provide valid work eligibility documents. Employees who were unable to provide valid work eligibility documents were terminated in accordance with the law. In December 2010, we were also requested by DHS to provide the work authorization documents of our restaurant employees in the District of Columbia and Virginia, and we provided the requested documents in January 2011. We have received additional requests for work authorization documents covering a small number of individual restaurants as well, and ICE's investigation remains ongoing. In April 2011, we also received notice from the office of the U.S. Attorney for the District of Columbia that it is conducting an investigation into these matters through its criminal division. The operating hours of our Minnesota, D.C. and Virginia restaurants have been uninterrupted by these developments, and we believe our practices with regard to the work authorization of our employees, including the review and retention of work authorization documents, are in compliance with applicable law. However, the termination of large numbers of employees in a short period of time does disrupt our operations and results in a temporary increase in labor costs as we train new employees. It is not possible at this time to determine whether we will incur any fines, penalties or further liabilities in connection with these matters.

Miscellaneous

A lawsuit has been filed against us in California alleging violations of state laws regarding employee record-keeping, meal and rest breaks, payment of overtime and related practices with respect to our employees. The case originally sought damages, penalties and attorney's fees on behalf of a purported class of our present and former employees. The trial court denied the plaintiff's motion to certify the purported class and the California Court of Appeals affirmed that decision, and as a result the action can proceed, if at all, as an action by a single plaintiff. The plaintiff has appealed the court's denial of class certification, and the appeal remains pending. Although the limitation to a single-plaintiff action significantly minimizes our current potential exposure from the case and we have various defenses, due to the possibility of further appeals and the uncertainties of litigation it is not possible at this time to reasonably estimate the outcome of, or any potential liability, from this case.

We're 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.

ITEM 4. (REMOVED AND RESERVED)

PART II

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 under the symbol "CMG."

	High	Low
2010		
First Quarter	$ 117.11	$ 86.00
Second Quarter	$ 155.42	$ 113.00
Third Quarter	$ 177.69	$ 127.30
Fourth Quarter	$ 262.77	$ 171.24

	High	Low
2011		
First Quarter	$ 275.00	$ 213.06
Second Quarter	$ 308.93	$ 249.58
Third Quarter	$ 346.78	$ 286.60
Fourth Quarter	$ 347.94	$ 285.39

As of January 23, 2012 there were approximately 1,217 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, the actual number of unique shareholders represented by these record holders is not known.

Purchases of Equity Securities by the Issuer

The table below reflects shares of common stock we repurchased during the fourth quarter of 2011.

	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 *Purchased 10/1 through 10/31*	24,919	$ 314.35	24,919	$ 20,416,921
November *Purchased 11/1 through 11/30*	22,658	$ 320.14	22,658	$ 13,163,259
December *Purchased 12/1 through 12/31*	19,995	$ 330.54	19,995	$ 6,554,037
Total	67,572	$ 321.08	67,572	$ 6,554,037

(1) All shares were purchased in open-market transactions under an agreement with a broker intended to comply with Exchange Act Rule 10b5-1(c).

(2) Shares were repurchased pursuant to a repurchase program publicly announced on July 22, 2010. Repurchases under the program are limited to $100 million in total repurchase price, and there is no expiration date. This column does not include an additional $100 million in authorized repurchases announced on February 1, 2012, nor an additional $200 million in shares repurchased under previously-announced programs that have been completed. Authorization of any ongoing repurchase program 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 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, 2006 through December 31, 2011 to that of the total return index for the S&P 500, the S&P 500 Restaurants Index, and the S&P SmallCap 600 Restaurants Index assuming an investment of $100 on December 31, 2006. In calculating total annual stockholder return, reinvestment of dividends, if any, is assumed. Historically we have compared the total return of Chipotle common stock to the total return index for the S&P SmallCap 600 Restaurants. We have chosen to replace the S&P SmallCap 600 Restaurants Index in these comparisons for future years with the S&P 500 Restaurants Index, because our market capitalization has become considerably larger than the average and median market capitalization of companies included in the S&P SmallCap 600 Restaurants Index. SEC rules require that we include the S&P SmallCap 600 Restaurants Index in the comparison for this year. 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.

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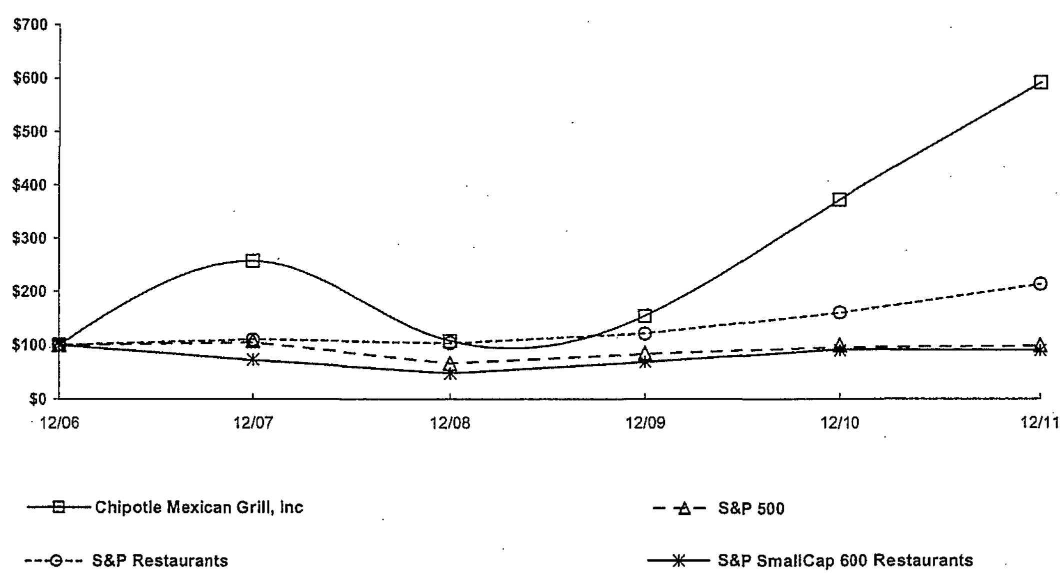
COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Chipotle Mexican Grill, Inc, the S&P 500 Index, the S&P Restaurants Index, and S&P SmallCap 600 Restaurants



*$100 invested on 12/31/06 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

ITEM 6. SELECTED CONSOLIDATED 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 (in thousands, except per share data).

	For the years ended December 31,				
	2011	2010	2009	2008	2007
Statement of Income:					
Total revenue	$ 2,269,548	$ 1,835,922	$ 1,518,417	$ 1,331,968	$ 1,085,782
Food, beverage and packaging costs	738,720	561,107	466,027	431,947	346,393
Labor costs	543,119	453,573	385,072	351,005	289,417
Occupancy costs	147,274	128,933	114,218	98,071	75,891
Other operating costs	251,208	202,904	174,581	164,018	131,512
General and administrative expenses	149,426	118,590	99,149	89,155	75,038
Depreciation and amortization	74,938	68,921	61,308	52,770	43,595
Pre-opening costs	8,495	7,767	8,401	11,624	9,585
Loss on disposal of assets	5,806	6,296	5,956	9,339	6,168
Total operating expenses	1,918,986	1,548,091	1,314,712	1,207,929	977,599
Income from operations	350,562	287,831	203,705	124,039	108,183
Interest and other income	2,088	1,499	925	3,469	6,115
Interest and other expense	(2,945)	(269)	(405)	(302)	(296)
Income before income taxes	349,705	289,061	204,225	127,206	114,002
Provision for income taxes	(134,760)	(110,080)	(77,380)	(49,004)	(43,439)
Net income	$ 214,945	$ 178,981	$ 126,845	$ 78,202	$ 70,563
Earnings per share					
Basic	$ 6.89	$ 5.73	$ 3.99	$ 2.39	$ 2.16
Diluted	$ 6.76	$ 5.64	$ 3.95	$ 2.36	$ 2.13
Weighted average common shares outstanding					
Basic	31,217	31,234	31,766	32,766	32,672
Diluted	31,775	31,735	32,102	33,146	33,146

	As of December 31,				
	2011	2010	2009	2008	2007
Balance Sheet Data:					
Total current assets	$ 501,192	$ 406,221	$ 297,454	$ 211,072	$ 201,844
Total assets	$ 1,425,308	$ 1,121,605	$ 961,505	$ 824,985	$ 722,115
Total current liabilities	$ 157,453	$ 123,054	$ 102,153	$ 76,788	$ 73,301
Total liabilities	$ 381,082	$ 310,732	$ 258,044	$ 202,395	$ 160,005
Total shareholders' equity	$ 1,044,226	$ 810,873	$ 703,461	$ 622,590	$ 562,110

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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 Consolidated 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

Chipotle operates fresh Mexican food restaurants serving burritos, tacos, burrito bowls (a burrito without the tortilla) and salads. We began with a simple philosophy: demonstrate that food served fast doesn't have to be a traditional "fast-food" experience. We do this by avoiding a formulaic approach when creating our restaurant experience, looking to fine dining restaurants for inspiration. We use high-quality raw ingredients, classic cooking methods and distinctive interior design, and have friendly people to take care of each customer—features that are more frequently found in the world of fine dining. Through our vision of Food With Integrity, Chipotle is seeking better food from using ingredients that are not only fresh, but that where possible are sustainably grown and naturally raised with respect for the animals, the land, and the farmers who produce the food. A similarly focused people culture, with an emphasis on identifying and empowering top performing employees, enables us to develop future leaders from within.

2011 Highlights and Trends

Restaurant Development. As of December 31, 2011, we had 1,230 restaurants, of which 1,226 were located throughout the United States, two located in Toronto, Canada, and two located in London, England. New restaurants have contributed substantially to our restaurant sales growth. We opened 150 restaurants in 2011, including one ShopHouse Southeast Asian Kitchen, our new concept serving bowls and banh mi sandwiches. We expect to open between 155 and 165 restaurants in 2012. Among the expected restaurant openings in 2012 is a restaurant in Paris, France, which will be our first restaurant in France, and one ShopHouse. We plan about 30% of the 2012 openings to be what we call "A Model" restaurants. A Model locations are being built primarily in secondary trade areas which have attractive demographics but are typically characterized by lower investment and occupancy costs than our recent traditional restaurant openings. Our introduction of A Model restaurants and our new, simpler design, which incorporates some A Model design elements, enabled us to lower the average development costs for new restaurants from about $850,000 in 2009 to about $800,000 in 2011. We anticipate average development costs for new restaurants to be opened in 2012 to be similar to 2011.

Sales Growth. Average restaurant sales were $2.013 million as of December 31, 2011, increasing from $1.840 million as of December 31, 2010. We define average restaurant sales as the average trailing 12-month sales for restaurants in operation for at least 12 full calendar months. Our comparable restaurant sales increases were 11.2% in 2011 and were driven primarily by an increase in customer visits, as well as the impact of menu price increases implemented during the year benefiting comparable restaurant sales by 2.9%. Comparable restaurant sales represent the change in period-over-period sales for restaurants beginning in their 13th full calendar month of operation. Due to the uncertain economic environment and difficult comparisons with 2011, we expect 2012 comparable restaurant sales increases to be in the mid single digits.

Food With Integrity. By the end of 2011, we were serving naturally raised meats in all of our restaurants in the U.S. We define naturally raised as coming from animals that are never given antibiotics or added hormones and that are raised responsibly—that is, in accordance with our animal welfare standards. In addition, a portion of some of the produce items we serve is organically grown, or sourced locally when in season (by which we mean within 350 miles of our restaurant), and a portion of the beans we serve is organically grown and a portion is grown using conservation tillage methods that improve soil conditions, reduce erosion and help preserve the environment in which they are grown. All of the sour cream and cheese we buy is made from milk that comes from cows that are not given rBGH. Milk used to make much of our cheese and a portion of our sour cream is sourced from dairies that provide an even higher standard of animal welfare by providing pasture access for their cows. We will continue to search for ingredients that not only taste delicious, but also benefit local farmers or the environment, or otherwise benefit or improve the sustainability of our supply chain.

Continuing to serve naturally raised meats in all of our restaurants is one of our primary goals, but we have and will continue to face challenges in doing so. Some of our restaurants served conventionally raised chicken or steak for much of 2011, a few markets reverted to conventionally raised beef in early 2012, and more of our restaurants may periodically serve conventionally raised meats in the future due to supply constraints.

Our food costs increased in 2011 as a result of inflationary pressures on almost all of our ingredients, particularly avocados, beef, chicken, and dairy. We expect that food cost inflation will continue in 2012 and that our food costs as a percentage of revenue will increase.

Stock Repurchases. In accordance with stock repurchases authorized by our Board of Directors we purchased stock with an aggregate total repurchase price of $63.5 million during 2011. As of December 31, 2011, $6.6 million was available to be repurchased under the current repurchase authorization. On February 1, 2012, we announced that our Board of Directors had authorized the expenditure of up to an additional $100 million to repurchase shares of our common stock. We have entered into an agreement with a broker under SEC rule 10b5-1(c), authorizing the broker to make open market purchases of common stock from time to time, subject to market conditions. The existing repurchase agreement and the Board's authorization of the repurchases may be modified, suspended, or discontinued at any time.

Restaurant Openings, Relocations and Closures

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

	For the years ended December 31		
	2011	2010	2009
Beginning of year	1,084	956	837
Openings	150	129	121
Closures and Relocations	(4)	(1)	(2)
Total restaurants at end of year	1,230	1,084	956

Results of Operations

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

Revenue

	For the years ended December 31			% increase 2011 over 2010	% increase 2010 over 2009
	2011	2010	2009		
	(dollars in millions)				
Revenue	$ 2,269.5	$ 1,835.9	$ 1,518.4	23.6%	20.9%
Average restaurant sales	$ 2.013	$ 1.840	$ 1.728	9.4%	6.5%
Comparable restaurant sales increase	11.2%	9.4%	2.2%		
Number of restaurants as of the end of the year	1,230	1,084	956	13.5%	13.4%
Number of restaurants opened in the year, net of closures and relocations	146	128	119		

The significant factors contributing to our increases in sales were new restaurant openings and comparable restaurant sales increases. Restaurant sales from restaurants not yet in the comparable base contributed to $237.9 million of the increase in sales in 2011, of which $92.8 million was attributable to restaurants opened during the year. In 2010, restaurant sales from restaurants not yet in the comparable restaurant base contributed to $178.7 million of the increase in sales, of which $75.2 million was attributable to restaurants opened in 2010.

Comparable restaurant sales increases contributed $195.6 million and $138.7 million of the increase in restaurant sales in 2011 and 2010, respectively. Comparable restaurant sales growth in 2011 was due primarily to increases in customer visits, as well as the impact of menu price increases implemented during the year. The increase in 2010 was primarily driven by increases in customer visits.

Food, Beverage and Packaging Costs

	For the years ended December 31			% increase 2011 over 2010	% increase 2010 over 2009
	2011	2010	2009		
	(dollars in millions)				
Food, beverage and packaging	$ 738.7	$ 561.1	$ 466.0	31.7%	20.4%
As a percentage of revenue	32.5%	30.6%	30.7%		

Food, beverage and packaging costs increased as a percentage of revenue in 2011 due to inflation on most food items, including avocados, beef, chicken, and dairy, partially offset by the impact of menu price increases. We expect that food cost inflation will continue in 2012 and that our food costs as a percentage of revenue will increase.

Food, beverage and packaging costs decreased as a percentage of revenue in 2010 due primarily to favorable food costs, primarily rice, corn and chicken as a result of our switch to commodity chicken in certain markets due to supply constraints, partially offset by the increased cost of barbacoa and steak as we increased the percentage of naturally raised beef we served in our restaurants.

Labor Costs

	For the years ended December 31			% increase 2011 over 2010	% increase 2010 over 2009
	2011	2010	2009		
	(dollars in millions)				
Labor costs	$ 543.1	$ 453.6	$ 385.1	19.7%	17.8%
As a percentage of revenue	23.9%	24.7%	25.4%		

Labor costs as a percentage of revenue decreased in 2011 due primarily to the benefit of higher average restaurant sales, including the impact of menu price increases, partially offset by increased average wage rates due to normal wage inflation, as well as labor inefficiencies.

Labor costs decreased as a percentage of revenue in 2010 primarily due to the benefit of higher average restaurant sales, partially offset by increased average wage rates due to normal wage inflation and increased insurance costs.

Occupancy Costs

	For the years ended December 31			% increase 2011 over 2010	% increase 2010 over 2009
	2011	2010	2009		
	(dollars in millions)				
Occupancy costs	$ 147.3	$ 128.9	$ 114.2	14.2%	12.9%
As a percentage of revenue	6.5%	7.0%	7.5%		

Annual Report

Occupancy costs decreased as a percentage of revenue in 2011 primarily due to the benefit of higher average restaurant sales on a partially fixed-cost base.

Occupancy costs decreased as a percentage of revenue in 2010 primarily due to the benefit of higher average sales on a partially fixed-cost base. The benefit of the lower occupancy costs from the A Model restaurants was offset by opening proportionately more restaurants in more expensive areas.

Other Operating Costs

	For the years ended December 31			% increase 2011 over 2010	% increase 2010 over 2009
	2011	2010	2009		
	(dollars in millions)				
Other operating costs	$ 251.2	$ 202.9	$ 174.6	23.8%	16.2%
As a percentage of revenue	11.1%	11.1%	11.5%		

Other operating costs remained consistent as a percentage of revenue in 2011. The benefit of higher average restaurant sales on a partially fixed-cost base and lower marketing and promotional spend as a percentage of revenue was offset by increased credit card fees resulting from a higher percentage of customers using credit cards, as well as increased maintenance of restaurants as they age and general inflationary pressures.

Other operating costs as a percentage of revenue decreased in 2010 primarily due to the benefit of higher average restaurant sales on a partially fixed-cost base, partially offset by increased credit card fees resulting from a higher percentage of customers using credit cards, as well as increased purchases of kitchen supplies.

General and Administrative Expenses

	For the years ended December 31			% increase 2011 over 2010	% increase 2010 over 2009
	2011	2010	2009		
	(dollars in millions)				
General and administrative expense	$ 149.4	$ 118.6	$ 99.1	26.0%	19.6%
As a percentage of revenue	6.6%	6.5%	6.5%		

The increase in general and administrative expenses in 2011 primarily resulted from an increase in non-cash stock-based compensation expense due to awards granted in 2011 with a significantly higher stock price on the date of grant as well as hiring more employees as we grew. These increases were partially offset by costs from the biennial all manager conference held during the third quarter of 2010.

The increase in general and administrative expenses in 2010 primarily resulted from an increase in stock-based compensation expense resulting from the stock-based compensation awards granted in 2010, costs from the biennial all manager conference, and hiring more employees as we grew.

We expect general and administrative expenses as a percentage of revenue to increase in 2012, which takes into consideration that we anticipate materially higher stock-based compensation expense than 2011 due to our higher stock price, as well as expenses related to the biennial all manager conference to be held in the third quarter of 2012.

Depreciation and Amortization

	For the years ended December 31			% increase 2011 over 2010	% increase 2010 over 2009
	2011	2010	2009		
	(dollars in millions)				
Depreciation and amortization	$ 74.9	$ 68.9	$ 61.3	8.7%	12.4%
As a percentage of revenue	3.3%	3.8%	4.0%		

As a percentage of total revenue, depreciation and amortization decreased in 2011 and 2010 as a result of the benefit of higher average restaurant sales on a partially fixed-cost base.

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Interest and Other Expense

	For the years ended December 31			% increase 2011 over 2010	% increase 2010 over 2009
	2011	2010	2009		
		(dollars in millions)			
Interest and other expense	$ 2.9	$ 0.0	$ 0.0	*	*

*-not meaningful

Interest and other expense increased in 2011 due to a loss recognized in the second quarter on our investment in ANGR Holdings, LLC, which operated the restaurants awarded on the television program America's Next Great Restaurant prior to their closure. The recognized losses represent the entire amount of our investment.

Income Tax Provision

	For the years ended December 31			% increase 2011 over 2010	% increase 2010 over 2009
	2011	2010	2009		
		(dollars in millions)			
Income tax provision	$ 134.8	$ 110.1	$ 77.4	22.4%	42.3%
Effective tax rate	38.5%	38.1%	37.9%		

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The 2011 effective tax rate increased primarily due to an increase in the state rate, smaller benefit from food donations and one-time adjustments partially offset by the one-time employment tax credits. We estimate our 2012 annual effective tax rate will be 39.3%. However, if certain federal tax credits we've benefitted from in 2011 are renewed by Congress, we estimate our annual effective tax rate would be lower by up to 0.4%.

The 2010 effective tax rate increased primarily due to a one-time benefit recognized in 2009 for prior period meals and entertainment deductions.

Quarterly Financial Data/Seasonality

The following table presents consolidated statement of income data for each of the eight quarters in the period ended December 31, 2011. The operating results for any quarter are not necessarily indicative of the results for any subsequent quarter.

	2011 Quarters Ended			
	Mar. 31	June 30	Sept. 30	Dec. 31
	(dollars in millions)			
Revenue	$ 509.4	$ 571.6	$ 591.9	$ 596.7
Operating income	$ 74.8	$ 83.9	$ 98.0	$ 93.9
Net income	$ 46.4	$ 50.7	$ 60.4	$ 57.5
Number of restaurants opened in quarter	12	39	32	67
Comparable restaurant sales increase	12.4%	10.0%	11.3%	11.1%
	2010 Quarters Ended			
	Mar. 31	June 30	Sept. 30	Dec. 31
	(dollars in millions)			
Revenue	$ 409.7	$ 466.8	$ 476.9	$ 482.5
Operating income	$ 61.3	$ 75.0	$ 77.6	$ 73.9
Net income	$ 37.8	$ 46.5	$ 48.2	$ 46.4
Number of restaurants opened in quarter	20	25	22	62
Comparable restaurant sales increase	4.3%	8.7%	11.4%	12.6%

Seasonal factors cause our profitability to fluctuate from quarter to quarter. Historically, our average daily restaurant sales and net income are 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. The number of trading days in a quarter can also affect our results. Overall, on an annual basis, changes in trading dates do not have a significant impact on our results.

Our quarterly results are also affected by other factors such as the number of new restaurants opened in a quarter 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. In addition, unanticipated events also impact our results. 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, working capital and general corporate needs. We have a cash and short-term investment balance of $456.2 million that we expect to utilize, along with cash flow from operations, to provide capital to support the growth of our business (primarily through opening restaurants), to repurchase up to an additional $106.6 million of our common stock subject to market conditions, to continue to maintain our existing restaurants and for general corporate purposes. We also have a long term investments balance of $128.2 million, which consists of U.S. treasury notes and certificate of deposit products with maturities of 13 months to approximately 2 years. We believe that cash from operations, together with our cash balance, 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.

While operations continue to provide cash, our primary use of cash is in new restaurant development. Our total capital expenditures for 2011 were $151.1 million, and we expect to incur capital expenditures of about $160 million to $170 million in 2012, of which $138 million relates to our construction of new restaurants before any reductions for landlord reimbursements, and the remainder primarily relates to restaurant reinvestments. In 2011, we spent on average about $800,000 in development and construction costs per restaurant, net of landlord reimbursements. The average development and construction costs per restaurant decreased from about $850,000 in 2009 due to cost savings realized, in part, from certain cost reduction efforts associated with the development of the A Model strategy and our new, simpler restaurant design. For new restaurants to be opened in 2012 we anticipate average development costs to be similar to 2011.

Contractual Obligations

Our contractual obligations as of December 31, 2011 were as follows:

	Payments Due by Period				
	Total	1 year	2-3 years	4-5 years	After 5 years
			(in thousands)		
Operating leases	$ 2,116,395	$ 133,813	$ 271,911	$ 275,512	$ 1,435,159
Deemed landlord financing	5,898	394	788	821	3,895
Other contractual obligations[(1)]	73,455	69,370	4,085	—	—
Total contractual cash obligations	$ 2,195,748	$ 203,577	$ 276,784	$ 276,333	$ 1,439,054

(1) We enter into various purchase obligations in the ordinary course of business. Those that are binding primarily relate to amounts owed under contractor and subcontractor agreements, orders submitted for equipment for restaurants under construction, and corporate sponsorships.

We're obligated under non-cancelable leases for our restaurants and administrative offices. Our leases generally have initial terms of either five to ten years with two or more five-year extensions, for end-cap and in-line restaurants, or 15 to 20 years with several five-year extensions, for free-standing restaurants. Our leases generally require us to pay a proportionate share of real estate taxes, insurance, common charges and other operating costs. Some restaurant leases provide for contingent rental payments based on sales thresholds, although we generally do not expect to pay significant contingent rent on these properties based on the thresholds in those leases.

Off-Balance Sheet Arrangements

As of December 31, 2011 and 2010, we had no off-balance sheet arrangements or obligations.

Inflation

The primary areas of our operations affected by inflation are food, labor, fuel, utility costs, materials used in the construction of our restaurants, and insurance. Although almost all of our crew members make more than the minimum wage, increases in the applicable federal or state minimum wage may have an impact on our labor costs. Additionally, many of our leases require us to pay taxes, maintenance, utilities and insurance, all of which are generally subject to inflationary increases.

Critical Accounting Estimates

We describe our significant accounting policies in Note 1 of our consolidated financial statements. 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 the following critical accounting estimates affect our more significant judgments and estimates used in the preparation of our financial statements:

Leases

We lease most of our restaurant locations. Our leases contain escalating rentals over the lease term as well as optional renewal periods. We account for our leases by recognizing rent expense on a straight-line basis over the lease term including reasonably assured renewal periods. We have estimated that our lease term, including reasonably assured renewal periods, is the lesser of the lease term or 20 years. If the estimate of our reasonably assured lease terms were 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, which requires assumptions to be made regarding our stock price volatility, the expected life of the award and expected dividend rates. The volatility and 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.

Insurance Liability

We maintain various insurance policies for workers' compensation, general liability and auto damage with varying deductibles as high as $500,000, and for property which has a $1 million deductible. We are self insured for employee health 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. In addition, our history of claims experience is short and our significant growth rate could affect the accuracy of estimates based on historical experience. Should a greater amount of claims occur compared to what was estimated or medical costs increase beyond what was expected, our accrued liabilities might not be sufficient and additional expenses may be recorded. 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, 2011 were $21.7 million.

Annual Report

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 ascertain the ultimate aggregate amount of monetary liability or financial impact with respect to these matters as of December 31, 2011 and 2010. Once resolved, however, these actions may affect our operating results and cash flows.

Unredeemed Gift Card Balances

We sell gift cards which do not have an expiration date and from which we do not deduct non-usage fees. We recognize revenue from gift cards when: (i) the gift card is redeemed by the customer; or (ii) the likelihood of the gift card being redeemed by the customer is remote (gift card breakage) and we determine that 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. Gift card breakage is recognized in revenue as the gift cards are used on a pro rata basis over a period of six months beginning at the date of the gift card sale. We have determined 5% of gift card sales will not be redeemed and will be retained by us. Any future revisions to the estimated breakage rate may result in changes in the amount of breakage revenue recognized in future periods.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Changing Interest Rates

We're 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, 2011, we had $382.8 million in investments, including a trust account classified in other assets, and $204.0 million in FDIC insured accounts with an earnings credit we classify as interest income, which combined earned a weighted average interest rate of 0.36%.

Commodity Price Risks

We are also exposed to commodity price risks. Many of the ingredients we use to prepare our food, as well as our packaging materials, are commodities or ingredients 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, and 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.

However, a portion of the dollar value of goods purchased by us is effectively at spot prices. Generally our pricing protocols with suppliers can remain in effect for periods ranging from one to 18 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 necessary, 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 not to increase menu prices at the same pace for competitive or other reasons.

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 limited at this date.

MANAGEMENT TEAM

Steve Ells
Founder, Chairman & Co-Chief Executive Officer

Monty Moran
Co-Chief Executive Officer

Jack Hartung
Chief Financial Officer

Bob Blessing
Chief Development Officer

Mark Crumpacker
Chief Marketing Officer

BOARD OF DIRECTORS

Steve Ells
Chairman of the Board

Monty Moran
Director

Albert S. Baldocchi
Director
Independent Financial Consultant and Strategic Advisor

John S. Charlesworth
Director
President, Midwest Division, McDonald's Corp. (retired)

Neil W. Flanzraich
Director
Former Vice Chairman and President, IVAX Corporation; Private Investor

Patrick J. Flynn
Director
Executive Vice President, Strategic Planning and Acquisitions, McDonald's Corp. (retired)

Darlene J. Friedman
Director
Senior Vice President, Human Resources, Syntex Corp. (retired)

STOCK EXCHANGE LISTING

New York Stock Exchange
Symbol: CMG

AUDITORS

Ernst & Young LLP
Denver, Colorado

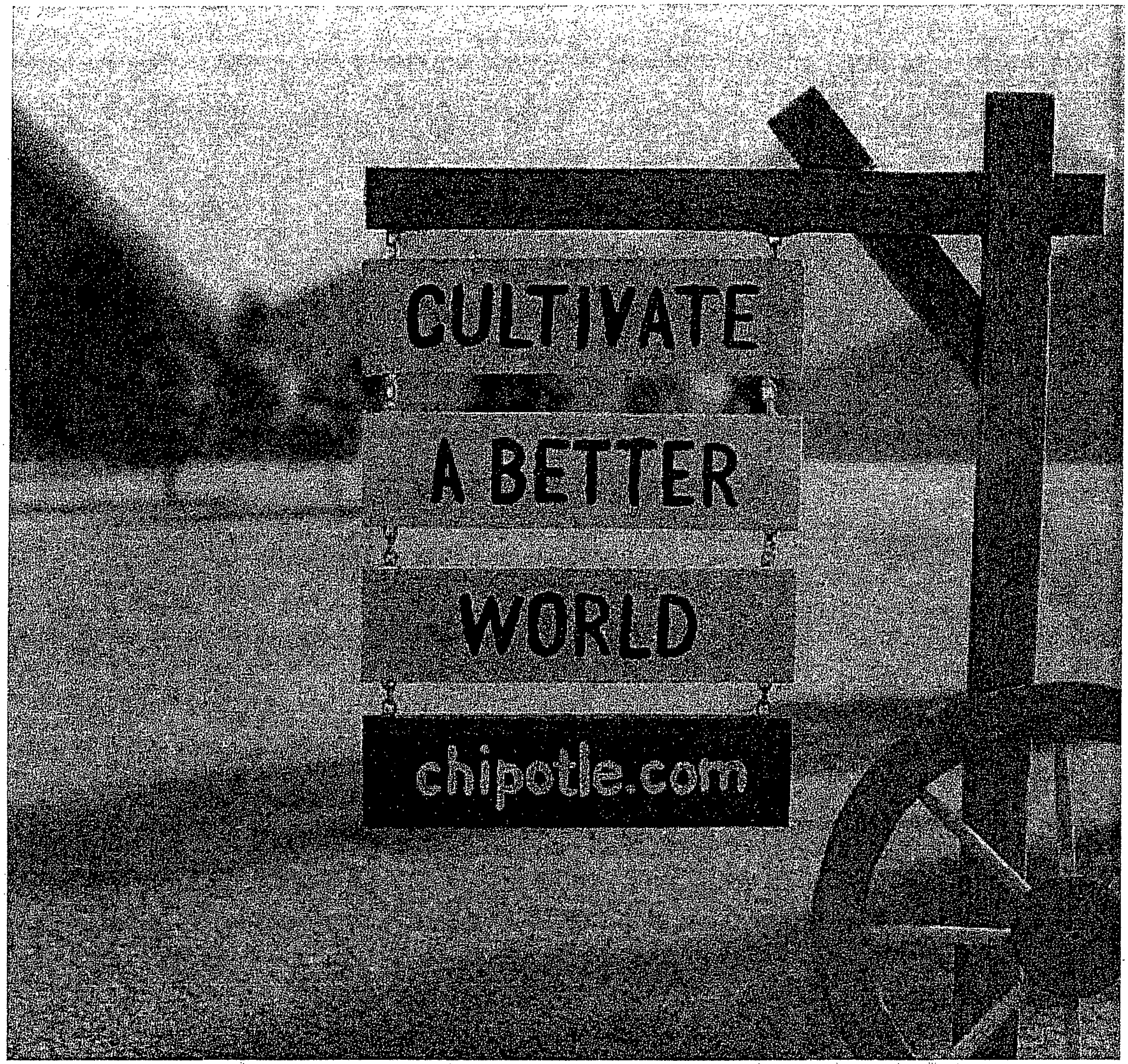
STOCK TRANSFER AGENT

By mail:
Wells Fargo Shareowner Services
161 N. Concord Exchange, South St. Paul, MN 55075

By phone:
1-855-598-5490

Online:
www.shareowneronline.com

Stockholders may obtain copies of Chipotle's annual report on Form 10-K for the year ended December 31, 2011 (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.



Back to The Start

This short film, by filmmaker Johnny Kelly, depicts the life of a farmer as he slowly turns his family farm into an industrial animal factory before seeing the error of his ways and opting for a more sustainable future. Coldplay's haunting classic "The Scientist" is performed by country music legend Willie Nelson for the soundtrack. Chipotle's inspiration in creating the film was to emphasize, in an accessible and entertaining way, the importance of developing a more sustainable food system.

Exhibit 2

2010
ANNUAL REPORT
& PROXY STATEMENT

FOOD WITH INTEGRITY
• SINCE 1993 •

Dear Shareholders,

2010 was a very good year for us. We are extremely proud of the financial results we achieved for the year, but, more importantly, we are proud that we delivered these results while advancing our mission to serve Food With Integrity and our commitment to building a unique and special people culture.

Throughout the year, we celebrated a number of significant accomplishments, including the opening of our 1,000th restaurant, opening our first restaurant in Europe (in London), and increasing our use of better ingredients raised or grown in more sustainable ways. We also continued to add to the number of outstanding managers in our elite Restaurateur program, finishing the year with 181 Restaurateurs. Including Restaurateurs who are now in mid-management positions, they now oversee more than half of our restaurants. Collectively, these things demonstrate the progress we are making toward our vision to change the way people think about and eat fast food.

The cornerstone of our vision is the philosophy we call "Food With Integrity" (FWI). FWI is our ongoing commitment to serve food made with the very best ingredients – ingredients that are raised with respect for the animals, the environment, and the farmers. We began this quest more than a decade ago, and continue to make progress every year. In 2010, we used more than 75 million pounds of naturally raised meat – meat from animals that are raised in a humane way, never given antibiotics, or added hormones, and fed a pure vegetarian diet with no animal byproducts, and plan on increasing that number in 2011. In addition to naturally raised meat, we expect to increase the percentage of our cheese and sour cream made with milk from pasture-raised cows. This is important in that we believe dairy cows should have access to pasture rather than spending much of their time in confinement. We'll of course also continue to serve cheese and sour cream made only with milk from cows not treated with the synthetic hormone rBGH.

We will also continue to make progress using produce from more sustainable sources. In 2011, we expect to increase the amount of organically grown cilantro to 80%, compared with about 55% in 2010, and we will continue to purchase about 40% of our beans from organic farms. Additionally, around 5% of our beans will be grown using conservative tillage methods, which improves soil conditions, reduces soil erosion, and helps preserve the environment in which the beans are grown.

Beyond our efforts to source FWI, our people culture is the strongest it has ever been. Each year, our high performing teams provide better service, cleaner restaurants, higher sales, and better tasting food. Our people culture is best personified by our Restaurateurs, our most elite managers who have demonstrated the ability to run great restaurants and develop crew members into managers. During 2010, we promoted 72 managers and finished the year with 181 Restaurateurs. It's incredibly satisfying for us to see what a high performing, empowered team of restaurant managers and crew can accomplish. They set the standard of how our restaurants should operate. They hire and develop our future leaders, proudly serve great tasting food, and treat our customers to the best service and overall dining experience they can. As we continue to develop teams of high performers, we continue to add to our already strong pipeline of future leaders, which positions us well for future growth.

Our constant focus on these things that are at the core of our business continues to drive strong business performance as well. In 2010, we opened 129 restaurants, delivered restaurant margins which far surpassed the record-level margins we delivered in 2009, and further strengthened our unit economic model. We continue to believe that our focus on doing just a few things, but doing them better than anyone else, will continue to benefit Chipotle, our employees, our customers, and our shareholders for many years to come.

Sincerely,

Steve Ells
Founder, Chairman, & Co-CEO

Monty Moran
Co-CEO

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, 2010

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

Annual Report

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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act (check one):

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

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, 2010, the aggregate market value of the registrant's outstanding common equity held by non-affiliates was $2.63 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 more than 5% 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 15, 2011, there were 31,037,621 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 2011 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, 2010.

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PART I

ITEM 1. BUSINESS

General

Chipotle Mexican Grill, Inc. and its subsidiaries ("Chipotle", the "Company", or "We") operate restaurants throughout the United States, as well as two restaurants in Toronto, Canada and one in London, England. As of December 31, 2010, we operated 1,084 restaurants. Our restaurants serve a focused menu of tacos, burritos, salads and burrito bowls (a burrito without the tortilla), made using fresh ingredients. We focus on trying to find the highest quality ingredients we can to make great tasting food; on recruiting and retaining top performing people to ensure that the restaurant experience we provide is exceptional; on building restaurants that are operationally efficient and aesthetically pleasing; and on doing all of this with increasing awareness and respect for the environment. We have grown substantially over the past five years, and expect to open between 135 and 145 additional restaurants in 2011.

Chipotle began with a simple philosophy: demonstrate that food served fast doesn't have to be a traditional "fast-food" experience. Over the years, that vision has evolved. Today, our vision is to change the way people think about and eat fast food. We do this by avoiding a formulaic approach when creating our restaurant experience, looking to fine-dining restaurants for inspiration. We use high-quality raw ingredients, classic cooking methods and a distinctive interior design and have friendly people to take care of each customer—features that are more frequently found in the world of fine dining. Our approach is also guided by our belief in an idea we call "Food With Integrity". Our objective is to find the highest quality ingredients we can—ingredients that are grown or raised with respect for the environment, animals and people who grow or raise the food.

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We manage our operations and restaurants based on five regions that all report into a single segment. Financial information about our operations, including our revenues and net income for the years ended December 31, 2010, 2009, and 2008, and our total assets as of December 31, 2010 and 2009, 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.

Chipotle Mexican Grill, Inc. is a Delaware corporation. Our business was founded in Colorado in 1993, and McDonald's Corporation made a series of equity investments in us beginning in February 1998, becoming our majority shareholder in 2000. We completed our initial public offering in January 2006. McDonald's sold a portion of its interest in us in the initial public offering, sold an additional portion of its interest in us in a secondary offering in May 2006, and disposed of its remaining interest in us in an exchange offer to its shareholders that was completed in October 2006.

Our Menu and Food Preparation

Food With Integrity. Serving high quality food is what motivates us and is critical to our vision to change the way people think about and eat fast food. As part of our Food With Integrity philosophy, we believe that using fresh ingredients is not enough, so we spend time on farms and in the field to understand where our ingredients come from and how the animals are raised. Because our menu is so focused, we can concentrate on where we obtain each ingredient, and this has become a cornerstone of our continuous effort to improve our food. For example, as of December 31, 2010, all of our restaurants served carnitas made with naturally raised pork, as well as barbacoa made with naturally raised beef. Also as of December 31, 2010, about 80% of our restaurants served naturally raised steak and about 86% of our restaurants served naturally raised chicken. As a result of ongoing supply challenges, we had to suspend serving naturally raised chicken in certain markets beginning in the second quarter of 2010. We expect additional supplies of naturally raised chicken to become available during 2011. We define naturally raised as coming from animals that are fed a pure vegetarian diet, never given antibiotics or hormones, and raised humanely. Our definition is more stringent than the U.S. Department of Agriculture's standard for naturally raised marketing claims. In addition, we work with leading animal welfare authorities to try to support more humane farming practices.

We're also investigating the use of more sustainably grown produce, meaning produce grown by suppliers who we believe respect the environment and their employees, while still charging reasonable prices for our food. Today, about 40% of all of the beans we buy are organically grown—that is, they meet U.S. Food and Drug Administration standards for "organic". In 2011, a portion of our beans – about 5% based on our current expectations – will be grown using conservation tillage methods, which improves soil conditions, reduces erosion, and helps preserve the environment in which they are grown. As of the end of 2010, about 78% of the cilantro we serve was organic. During 2010 we exceeded our local produce goal by purchasing about 9.4 million pounds of produce that travelled 350 miles or less from the farm to our restaurants. We expect to increase the amount of local produce purchased during 2011.

Our Food With Integrity commitment extends to the dairy products we serve as well. All of the sour cream and cheese we buy is made from milk that comes from cows that are not given rBGH, or recombinant bovine growth hormone which stimulates milk production. By the end of 2010, about 76% of the cheese used in our restaurants was made using milk from cows that are given access to pasture, as opposed to being kept in confinement, and we expect to increase that percentage during 2011.

We do, however, face challenges associated with pursuing Food With Integrity. For example, current economic conditions have led to natural chicken and steak supply shortages. It can take longer to identify and secure relationships with suppliers meeting our criteria, and there are higher costs and other risks associated with purchasing naturally raised or sustainably grown ingredients. The growing time for naturally raised meat and sustainably grown vegetables can be longer. Herd losses can also be greater when animals are not treated with antibiotics and hormones and field losses can be higher for organically grown produce. Given the costs associated with natural and sustainable farming practices, and recently due to decreased demand as a result of the weak economic environment, many large suppliers have not found it economical to pursue business in this area. However, we believe that consumers' increasing concern about where and how food is raised and the taste and health benefits of their food, and about the environmental management, animal husbandry and labor practices of food suppliers, will continue to foster demand for these natural and sustainable foods over the long-term. We believe that increased demand for naturally raised meat and produce over the long-term will continue to attract the interest and capital investment of larger farms and suppliers. We also understand that we'll continue to be at the forefront of this trend and must balance our interest in advancing Food With Integrity with our desire to provide great food at reasonable prices. If we are able to continue growing while focusing on Food With Integrity our sourcing flexibility should improve over time, though we expect that most of these ingredients and other raw materials will remain more expensive than commodity-priced equivalents.

A Few Things, Thousands of Ways. We serve only a few things: burritos, burrito bowls, tacos and salads. But because customers can choose from four different meats, two types of beans and a variety of extras such as salsas, guacamole, cheese and lettuce, there's enough variety to extend our menu to provide countless choices. We plan to keep a simple menu, but we'll consider additions that we think make sense. And if you can't find something on the menu that's quite what you're after, let us know. If we can make it from the ingredients we have, we'll do it.

In preparing our food, we use stoves and grills, pots and pans, cutting knives, wire whisks and other kitchen utensils, walk-in refrigerators stocked with a variety of fresh ingredients, herbs and spices and dry goods such as rice. Ingredients we use include chicken and steak that is marinated and grilled in our restaurants, carnitas (seasoned and braised pork), barbacoa (spicy shredded beef) and pinto and vegetarian black beans. We add our rice, which is tossed with lime juice and freshly chopped cilantro, as well as freshly shredded cheese, sour cream, lettuce, peppers and onions, depending on each customer's request. We use various herbs, spices and seasonings to prepare our meats and vegetables. We also provide a variety of extras such as guacamole, salsas and tortilla chips seasoned with fresh lime and kosher salt. In addition to sodas, fruit drinks and organic milk, most of our restaurants also offer a selection of beer and margaritas. Our food is prepared from scratch, with the majority prepared in our restaurants while some is prepared with the same fresh ingredients in commissaries.

Food Served Fast ... So That Customers Can Enjoy It Slowly. Our employees spend hours preparing our food on-site, but each customer order can be ready in seconds. Customers select exactly what they want and how they want it by speaking directly to the employees that have prepared the food. While we think that our customers return because of the great-tasting food, we also think that they like getting food served fast without having a "fast-food" experience, even when they're not in a hurry. And while our restaurants often have lines, we try to serve customers as quickly as possible. We've even been able to serve more than 300 customers an hour at some locations. The natural flow of our restaurant layout, including the floor plan and the design of our serving line, are designed to make the food ordering process intuitive and, we believe, more efficient. And we're focused on further improving the speed of service in all of our restaurants, so that we can accommodate more customers and larger orders without disrupting restaurant traffic. For instance, our restaurants accept orders by fax, online or through an iPhone ordering application in order to provide a more convenient experience by allowing customers to avoid standing in line. We have installed change machines at the cashier station in virtually all of our restaurants, and have implemented a hand-held point-of-sale terminal in a small number of our restaurants which allows customers to pay with a credit card while waiting in line. We continue to focus on scheduling and deployment to improve the speed of service. By emphasizing speed of service without compromising the genuine interactions between our customers and our crews, and by continually making improvements to our restaurants, we believe that we can provide the Chipotle experience to more and more customers.

Quality Assurance and Food Safety. Chipotle is committed to serving safe, high quality food to our customers. Quality and food safety is integrated throughout our supply chain and everything we do; from the farms that supply our food all the way through to our front line. We have established close relationships with some of the top suppliers in the industry, and we actively maintain a limited list of approved suppliers from whom our distributors must purchase. Our quality assurance department establishes and monitors our quality and food safety programs for our supply chains. Our training and risk management departments develop and implement operating standards for food quality, preparation, cleanliness and safety in the restaurants. Our food safety programs are also designed to ensure that we comply with applicable federal, state and local food safety regulations.

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Restaurant Management and Operations

Culture of High Performers. We value the individuality of our company, our employees and our customers, which we believe results in a management, operations and training philosophy distinct from that of our competitors. We are committed to creating a performance based culture that leads to the best restaurant experience possible for our customers. The foundation of that culture starts with hiring the best teams in our restaurants. We make an effort to hire employees who share a passion for food, and who will operate our restaurants in a way that is consistent with our high standards but that allows each of their unique personalities and strengths to contribute to our success. We provide attractive career opportunities to crew and managers who are committed to work hard, provide great customer service and have the ability to lead and empower others. We provide hands on, shoulder to shoulder training to develop the full potential of our restaurant employees. Through language programs our Spanish-speaking workers learn English, which helps our crew provide better customer service and provides greater career opportunities. This program helps encourage our staff members to develop skills that will enhance their work experience and enrich their personal lives. We are committed to developing our people and promoting from within, with almost 90% of salaried management and more than 95% of hourly management coming from internal promotions. Our best restaurant managers, who run great restaurants and develop strong, empowered restaurant teams, are promoted to Restaurateur and in that role can earn bonuses for developing people. We've leveraged our outstanding Restaurateurs' leadership by giving select Restaurateurs responsibility for mentoring one or more nearby restaurants. This provides an opportunity for Restaurateurs to develop in field leadership roles one restaurant at a time. Restaurateurs who have shown they can successfully run four restaurants by developing teams of all top performers (including at least one Restaurateur), thereby creating a culture of high standards, constant improvement and empowerment in each of their restaurants, may be promoted to Apprentice Team Leaders.

Importance of Methods and Culture. Although we have many restaurants, we believe that our departure from the automated cooking techniques and microwaves used by many traditional fast-food and fast-casual restaurants helps to set us apart. Our crews use classic cooking methods: they marinate and grill meats, hand-chop produce and herbs, make fresh salsa and guacamole, and steam rice in small batches throughout the day. They work in kitchens that more closely resemble those of high-end restaurants than they do a typical fast-food place. Despite our more labor-intensive method of food preparation, our focused menu creates efficiencies which allow us to serve high quality food made from ingredients typically found in fine dining restaurants.

The Front Line is Key. Our restaurant and kitchen designs intentionally place crew members up front with customers to reinforce our focus on service. All of our restaurant employees are encouraged to have genuine interactions with customers no matter their job, whether preparing food or serving customers during our busiest period. We focus on attracting and retaining people who can deliver that experience for each customer "one entree at a time". We provide each customer with individual attention and make every effort to respond to customer suggestions and concerns in a personal and hospitable way. We believe our focus on creating a positive and interactive experience helps build loyalty and enthusiasm for our brand among restaurant managers, crew members and customers alike.

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The Basics. Each restaurant typically has a restaurant manager (a position we've characterized as the most important in the company), an apprentice manager (in about three-quarters of our restaurants), one or two hourly service managers, one or two hourly kitchen managers and an average of 22 full and part-time crew members. We generally have two shifts at our restaurants, which simplifies scheduling and provides stability for our employees. We tend to have more employees in our busier restaurants. We 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 greater variety and the opportunity to develop a wider array of skills. Consistent with our emphasis on customer service, we encourage our restaurant managers and crew members to welcome and interact with customers throughout the day. And although they may increase our labor costs, we believe that the benefits we provide to our employees, which include language training and a company car program for qualified restaurant managers, help us to attract and keep top performing restaurant managers and crew members. In addition to the employees serving our customers at each restaurant, we also have a field support system that includes apprentice team leaders, team leaders or area managers, team or operations directors and regional directors.

Provisions and Supplies

Close Relationships With Suppliers. Maintaining the high levels of quality we expect in our restaurants depends in part on our ability to acquire fresh ingredients and other necessary supplies that meet our specifications from reliable suppliers. We purchase from various suppliers, carefully selected based on quality and their understanding of our mission, and we seek to develop mutually beneficial long-term relationships with them. We work closely with our suppliers and use a mix of forward, fixed and formula pricing protocols. We've tried to increase, where necessary, the number of suppliers for our ingredients, which we believe can help mitigate pricing volatility and supply shortages, and we follow industry news, trade issues, weather, exchange rates, foreign demand, crises and other world events that may affect our ingredient prices.

We generally do not purchase raw materials directly from farmers or other suppliers, but have selected and approved all of the suppliers from whom ingredients are purchased for our restaurants. Distribution centers purchase ingredients and other supplies from suppliers we select based on our quality specifications, and purchase within the pricing guidelines and protocols we have established with the suppliers.

Distribution Arrangements. We deliver ingredients and other supplies to our restaurants from 22 independently owned and operated regional distribution centers. As we continue to expand geographically, we expect to add additional regional distribution centers.

Marketing

Our marketing has historically been based on the belief that the best and most recognizable brands aren't built through advertising or promotional campaigns alone, but rather through all of the ways people experience the brand. So we pay close attention to all of these variables, looking to keep our communications closely aligned with the ways our customers experience Chipotle. Our advertising and promotional programs, in-store communications, and other design elements (such as menus and signs) all say something about who we are, and we believe it's important that we present our brand consistently in our communications and the experience our customers enjoy. That has always been a hallmark of our marketing, and we are constantly looking to do these things better.

When we open a new restaurant, we plan a range of activities to introduce Chipotle to the local community and to create interest in the restaurant from the start. Our advertising has generally included print, outdoor, transit and radio ads but we are also incorporating online advertising into the mix, and adding strategic promotions that demonstrate how Chipotle is different than other restaurant concepts, or that connect us to like-minded individuals or organizations. In addition, we continue to generate considerable media coverage, with scores of publications writing favorably about our food, restaurant concept and business, and our food, restaurants and company have been featured in a number of television programs.

Collectively, these efforts have helped us create considerable word-of-mouth publicity, with our customers learning about us and telling others, allowing us to build awareness with relatively low advertising expenditures.

We also recognize the need for our marketing to evolve, much as we have evolved our food culture and our unique people culture. To this end, we have developed and introduced new logos, advertising and other branding elements, and are increasingly aligning our marketing message around our emphasis on making great tasting food using the best quality ingredients from more sustainable sources and prepared using classic cooking techniques. We continue to review our entire marketing strategy and messaging approach to make it more effective, and are developing new strategies, including a loyalty program that will reward our customers for their knowledge of Chipotle, and a greater emphasis on web and mobile channels that we intend to implement in 2011, as well as our involvement with the upcoming NBC reality television program "America's Next Great Restaurant". Our goals are to effectively encourage customers to discover how Chipotle is different than other restaurant concepts and ensure that our marketing message resonates more with our customers.

Competition

The fast-casual segment of the restaurant industry is highly competitive and fragmented. In addition, fast-casual restaurants compete against other segments of the restaurant industry, including quick-service restaurants and casual dining restaurants. The number, size and strength of competitors vary by region, market and even restaurant. All of these restaurants compete based on a number of factors, including taste, quality, speed of service, price and value, name recognition, restaurant location, customer service and the ambience and condition of each restaurant.

We compete with national and regional fast-casual, quick-service and casual dining restaurants. Our competition also includes a variety of locally owned restaurants and the deli sections and in-store cafés of several major grocery store chains. Some of our competitors have greater financial and other resources, have been in business longer, and have greater name recognition than we have, and are better established than we are in the markets where our restaurants are located or are planned to be located.

We believe we're well-positioned to continue to grow our market position in existing and new markets given current consumer trends, including the increasing impact of Hispanic culture on food, the growth of the Mexican food segment and increasing awareness and concern among consumers about what they eat and how it is prepared. Some of our competitors have formats that might resemble ours. We believe, however, that Chipotle has become one of the most recognized fast-casual restaurants and that we are known for our focus on preparing food using a variety of fresh ingredients in an open restaurant kitchen to create delicious food, as well as our commitment to "Food With Integrity", which we think represents a significant competitive advantage in the segment in which we operate.

Restaurant Site Selection

We believe that site selection is critical to our success and thus we devote substantial time and effort to evaluating each potential location. Our site selection process includes the use of external real estate brokers with expertise in specific markets, taking direction from our internal team of real estate managers. Locations proposed by real estate managers are reviewed on site by a team of operations and development management as part of a formal site ride, as well as in a written real estate package. We study the surrounding trade area, demographic and business information within that area, and available information on competitors. Based on this analysis, including utilization of predictive modeling using proprietary formulas, we determine projected sales and targeted return on investment. 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, regional malls, downtown business districts, free-standing buildings, and even an airport location.

Seasonality

Seasonal factors cause our profitability to fluctuate from quarter to quarter. Historically, our average daily restaurant sales and profits are 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.

Our Intellectual Property and Trademarks

"Chipotle," "Chipotle Mexican Grill," "Unburritable," "Food With Integrity," "Fresh Is Not Enough, Anymore," "The Gourmet Restaurant Where You Eat With Your Hands," and a number of related designs and logos are U.S. registered trademarks of Chipotle. We have filed trademark applications for a number of other marks in the U.S. 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 various countries as well.

We also believe that the design of our restaurants is our proprietary trade dress. 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.

Information Systems

Chipotle uses an integrated information system to manage the flow of information within each restaurant and between the restaurants and the corporate office. This system includes a point-of-sales local area network that helps facilitate the operations of the restaurant by recording sales transactions and printing orders in the appropriate locations within the restaurant. Additionally, the point-of-sales system is used to authorize, batch and transmit credit card transactions, to record employee time clock information, and to produce a variety of management reports. Select information that is captured from this system is transmitted to the corporate office on a daily basis, which enables management to continually monitor operating results. We believe that our current point-of-sales systems will be an adequate platform to support our continued expansion.

Employees

As of December 31, 2010, we had about 26,500 employees, including about 2,370 salaried employees and about 24,130 hourly employees. None of our employees are unionized or covered by a collective bargaining agreement.

Test Concept Development

We believe that the fundamental principles on which our restaurants are based – finding the very best sustainably raised ingredients, prepared and cooked using classical methods in front of the customer, and served in an interactive format by special people dedicated to providing a great dining experience – can be adapted to cuisines other than the food we serve at Chipotle. In order to see how our model works when we use different ingredients and a different style of food, we plan to open one Asian-inspired restaurant during 2011. Our focus, however, will remain on thoughtfully growing the Chipotle brand.

Available Information

We maintain a website at www.chipotle.com. 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 on the investor page of our website at ir.chipotle.com 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, Room 1580, 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

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 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, 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 our projections of the number of restaurants we expect to open in 2011, our estimates of the amount of certain expected expenses and potential changes in our comparable restaurant sales during 2011, statements of our intention to open restaurants in one or more specified locations, and statements regarding the potential impact of ongoing economic uncertainty on our business. 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 uncertainties, risks and factors 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 other factors include those listed in this Item 1A. "Risk Factors," and elsewhere in this report.

When considering these forward-looking statements, you should keep in mind the cautionary statements in this report and the documents incorporated by reference. New risks and uncertainties arise from time to time, and we cannot predict those events 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 developments, except as required by applicable laws and regulations.

Increasing our sales and profitability depends substantially on our ability to open new restaurants, which is subject to many unpredictable factors.

There were 1,084 Chipotle restaurants as of December 31, 2010. We plan to increase the number of our restaurants significantly in the next three years, and plan to open between 135 and 145 new restaurants in 2011, weighted towards the fourth quarter of the year. However, we have in the past experienced delays in opening some restaurants and that could happen again as a result of any of the following factors:

- our potential inability to locate and secure new restaurant sites in locations that we believe to be attractive;
- delay or cancellation of new site development by developers and landlords, which may become more common during 2011 in the event of a resurgence in economic uncertainty and tight credit markets;
- difficulty managing construction and development costs of new restaurants at affordable levels, particularly in competitive markets;
- obstacles to hiring and training qualified operating personnel in the local market;
- any shortages of construction materials and labor;
- difficulty negotiating leases with acceptable terms;
- lack of availability of, or inability to obtain, adequate supplies of ingredients that meet our quality standards;
- failures or delays in securing required governmental approvals (including construction, parking and other permits); and
- the impact of inclement weather, natural disasters and other calamities.

One of our biggest challenges is locating and securing an adequate supply of suitable new restaurant sites. Competition for those sites in our target markets can be intense, and development and leasing costs are increasing, particularly for urban locations. These factors may be exacerbated by any ongoing sluggishness in commercial real estate or credit markets, as developers may continue to delay or be unable to finance new projects. Delays or failures in opening new restaurants due to any of the reasons set forth above 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 restaurant base will decline, which may in turn slow our sales and profitability growth.

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. Similarly, our growth strategy and the substantial investment associated with the development of each new restaurant (as well as the impact of our new restaurants on the sales of our existing restaurants) may cause our operating results to fluctuate and be unpredictable or adversely affect our profits. We expect that our new restaurant openings in 2011 will be weighted more heavily to the fourth quarter of the year, with openings in the first quarter being approximately half of our new restaurant openings during the first quarter of 2010. The weighting of openings to the fourth quarter of 2011 may adversely affect our revenue growth during the first three quarters of the year and our profitability in the fourth quarter.

Our sales and profit growth could be adversely affected if comparable restaurant sales increases are less than we expect, and we may not successfully increase comparable restaurant sales.

While future sales growth will depend substantially on our opening new restaurants, changes in comparable restaurant sales (which represent the change in period-over-period sales for restaurants beginning in their 13th full month of operations) will also affect our sales growth and will continue to be a critical factor affecting profit growth. This is because the profit margin on comparable restaurant sales is generally higher, as comparable restaurant sales increases enable fixed costs to be spread over a higher sales base. Conversely, declines in comparable restaurant sales can have a significant adverse effect on profitability due to the loss of the higher profit margins associated with comparable restaurant sales. We expect comparable restaurant sales increases in 2011 to be in the low single digits due to difficult comparisons with 2010 and ongoing consumer uncertainty.

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

- changes in consumer preferences and discretionary spending, including weaker consumer spending in difficult economic times, such as those that persisted throughout 2009 and into 2010;
- consumer understanding and acceptance of the Chipotle experience;
- 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;
- competition, either from our competitors in the restaurant industry, or from our own restaurants as some customers who frequent one of our restaurants may begin to visit one of our new restaurants instead;
- other impacts of changes in general economic conditions, which can affect local labor costs and prices we pay for the ingredients and other supplies we use;
- executing our strategies effectively, including our development strategy, our marketing and branding strategies, our initiatives to increase the speed at which our crew serves each customer, and expanded use of fax service lines and online ordering, each of which we may not be able to accomplish;
- initial sales performance of new restaurants, which is subject to the risks described below under "*Our new restaurants, once opened, may not be profitable, and may adversely impact the sales of our existing restaurants*";
- weather, road construction and other factors limiting access to new restaurants; and
- changes in government regulation.

A number of these factors are beyond our control. As a result of these factors it is possible that we will not achieve our targeted comparable restaurant sales or that the change in comparable restaurant sales could be negative. If this were to happen, sales and profit growth would be adversely affected and our stock price would be likely to decline.

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 generated sales and income below the levels at which we expect them to normalize. This is in part due to the time it takes to build a customer base in a new area, higher fixed costs relating to increased labor and other start-up inefficiencies that are typical of new restaurants, and a larger proportion of our recent openings being in higher rent sites than we have historically targeted. 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 similar results as our existing restaurants and may not be profitable. We also have lowered the average development cost of our new restaurants significantly in recent years, from $916,000 in 2008 to $795,000 in 2010, and expect development costs in 2011 to be similar to 2010. In the event we are not able to achieve the average development costs we expect for 2011 or sustain the benefits achieved in prior years, which could result from inflation, project mismanagement or other reasons, our new restaurant locations could also result in decreased profitability.

In addition, we have now 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.

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 soy oil, has increased markedly in some years, resulting in upward pricing pressures on almost all of our raw ingredients including chicken, beef, tortillas and rice, increasing our food costs. Although the food price environment was generally favorable for us during 2010, food prices began to escalate at the end of the year and we expect that there will be additional and potentially worsening pricing pressures on some of our key ingredients, including beef, dairy, avocados and chicken, during 2011. We could also be adversely impacted by price increases specific to naturally-raised meats 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 commodity food products. Weather related issues, such as recent freezes in Mexico and Florida, may also lead to temporary spikes in the prices of some ingredients such as tomatoes. Any increase in the prices of the ingredients most critical to our menu, such as beef, chicken, cheese, avocados, beans, rice, tomatoes and pork, would adversely affect 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 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.

Our business could be adversely affected by increased labor costs or difficulties in finding the right employees for our restaurants.

Labor is a primary component of our operating costs, and we believe good managers and crew are a key part of our success. We devote significant resources to recruiting and training our restaurant managers and crew. Increased labor costs due to factors like competition, increased minimum wage requirements, employee benefits and any changes in our restaurant staffing structure would adversely impact our operating costs. Our success also depends in part on the energy and skills of our employees and our ability to hire, motivate and keep qualified employees, especially restaurant managers and crew members. Our failure to find and keep enough employees who are a good fit with our culture could delay planned restaurant openings, result in higher employee turnover or require us to change our culture, any of which could have a material adverse effect on our business and results of operations. Restaurant operators have traditionally experienced relatively high employee turnover rates. Any increase in our turnover rates for managers or crew could be costly.

Various states in which we operate are considering or have already adopted new immigration laws, 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 as well. Some of these changes may increase our obligations for compliance and oversight, which could subject us to additional costs and make our hiring process more cumbersome, or reduce the availability of potential employees. Although we 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 are subject to deportation and may subject us to fines or penalties, and if any of our workers are found to be unauthorized 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 were required to terminate approximately 450 employees, resulting in a temporary increase in labor costs as we train new employees, as well as some degree of negative publicity. We are currently undergoing a similar audit in Virginia and the District of Columbia. Termination of a significant number of employees in those or other markets or across our company may disrupt our operations, cause temporary increases in our labor costs as we train new employees and result in additional adverse publicity. Our financial performance could be materially harmed as a result of any of these factors.

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 that shift some or all of these risks to franchisees.

Instances of food-borne or localized illnesses could cause the temporary closure of some restaurants or result in negative publicity, thereby resulting in a decline in our sales, and could adversely affect the price and availability of the meat, produce or dairy we use to prepare our food.

Instances of food-borne illnesses, real or perceived, whether at our restaurants or those of our competitors, could result in negative publicity about us or the restaurant industry, which could adversely affect sales. For instance, on a small number of occasions a Chipotle restaurant has been associated with customer illness, and on those occasions our sales have been adversely impacted, at times even in markets beyond those impacted by the illness. If our customers become ill from food-borne or localized illnesses, we could be forced to temporarily close some restaurants. 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, would adversely impact our restaurant sales and profitability.

In addition, reports linking a nationwide outbreak of salmonella during the summer of 2008 to a variety of fresh produce items caused us to temporarily suspend serving some produce items in our foods or to otherwise alter our menu. Similarly, past outbreaks of E. coli relating to certain food items caused consumers to avoid certain products and restaurant chains, Asian and European countries have experienced outbreaks of avian flu, and incidents of "mad cow" disease have occurred in Canadian and U.S. cattle herds. These problems, other food-borne illnesses (such as hepatitis A or norovirus) and injuries caused by food tampering have had in the past, and could have in the future, an adverse affect on the price and availability of affected ingredients. 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 costs resulting from supply problems associated with outbreaks of food-borne illnesses, which would also have a negative impact on our sales and profitability.

Our expansion into new markets may present increased risks due to our unfamiliarity with those areas.

Some of our new restaurants are located in or planned for markets where we have little or no operating experience. For instance, we opened a restaurant in London in 2010, our first restaurant outside of North America, and plan to open a restaurant in Paris during the second half of 2011 as well. New markets, particularly outside the United States, may have different competitive conditions, consumer tastes and discretionary spending patterns than our existing markets. As a result, new restaurants in those markets may be less successful than restaurants in our existing markets. Consumers in a new market may not be familiar with the Chipotle brand, and we may need to build brand awareness in that market through greater investments in advertising and promotional activity than we originally planned. We may find it more difficult in new markets to hire, motivate and keep qualified employees who can project our vision, passion and culture. Restaurants opened in new markets, particularly outside the United States, may also have lower average restaurant sales than restaurants opened in existing markets, and may have higher construction, occupancy or operating costs than restaurants in existing markets. We may also 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. Sales at restaurants opened in new markets may take longer to ramp up and reach expected sales and profit levels, and may never do so, thereby affecting our overall profitability. Some or all of these factors may be more pronounced in markets outside the United States due to cultural, regulatory or economic differences with which we are not familiar, which may have a particularly adverse impact on our sales or profitability in those markets and could thereby adversely impact our overall results. Our overall results may also be 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.

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 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 or the brand identity that we have tried to create. Consumers may also be more price-sensitive during difficult economic times, and we experienced some decrease in traffic during late 2008 and throughout 2009 that we attribute in part to menu price increases. Recent reports have indicated continued consumer uncertainty that may continue during 2011, so our ability to increase sales may be significantly hampered for the foreseeable future. If we do elect to increase menu prices, it may adversely impact our customer traffic.

Governmental regulation may adversely affect our existing and future operations and results, including by harming our ability to open new restaurants.

We are subject to various federal, state and local regulations. For example, 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 may in the future have to modify restaurants, for example by adding access ramps or redesigning certain architectural fixtures, 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. During 2010 an appeals court in California found that the design we formerly used for our serving line had violated the ADA, and although we are pursuing an appeal of that ruling, in the event we are not successful in an appeal losses in that case or related class actions may exceed our accruals and could have a material impact on us.

We are also subject to various federal and state 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 lawsuit has been filed against us in California alleging violations of state laws regarding employee record-keeping, meal and rest breaks, payment of overtime and related practices with respect to our employees. We could suffer losses in this case or similar cases, and any such losses could be significant. In addition, several states in which we operate and the federal government have from time to time enacted minimum wage increases, and these increases could increase our labor costs. We also are audited from time to time for compliance with citizenship or work authorization requirements as well, and recent audit activity in this area is described in more detail above under

"*Our business could be adversely affected by increased labor costs or difficulties in finding the right employees for our restaurants.*" Unauthorized workers are subject to deportation and 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. We could also experience adverse publicity arising from immigration-related enforcement activity that negatively impacts our brand and may make it more difficult to hire and keep qualified employees.

From time to time we are the target of litigation in connection with various of the laws and regulations that cover our business. The majority of this litigation occurs in California even though currently only about 15% 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.

A comprehensive U.S. health care reform law was enacted in 2010. We are evaluating the impact the new law will have on our employees. Although we cannot predict with certainty the financial and operational impacts the new law will have on us, we expect that our expenses will significantly increase over the long term as a result of the law, particularly in 2014 under the current version of the law, and any such increases could be large enough to materially impact our results of operations.

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 growing 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. The U.S. health care reform law included nation-wide menu labeling and nutrition disclosure requirements as well, and our restaurants are covered by these national requirements. Initiatives in the area of nutrition disclosure or advertising, such as requirements to provide information about the nutritional content of our food, 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.

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.

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.

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 that shift some or all of these risks to franchisees.

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 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. Our competitors offer dine-in, carry-out and delivery services. 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. 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 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.

Several of our competitors 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 products and price competition.

Moreover, new companies may enter our markets and target our customers. For example, additional competitive pressures have come more recently from the 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 and casual dining outlets. These competitors may have, among other things, lower operating costs, better locations, better facilities, better management, more effective marketing and more efficient operations than we have.

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

Our Food With Integrity philosophy subjects us to risks.

Our approach to competing in the restaurant industry depends in large part on our continued ability to adhere to the principle of Food With Integrity. We use a substantial amount of naturally raised and sustainably grown ingredients, and try to make our food as fresh as we can, in light of pricing considerations. We do, however, face challenges associated with pursuing Food With Integrity. It can take longer to identify and secure relationships with suppliers meeting our criteria, and there are higher costs and other risks associated with purchasing naturally raised or sustainably grown ingredients. The growth process for naturally raised meat and sustainably grown vegetables is longer. Herd losses can also be greater when animals are not treated with antibiotics and hormones. Given the costs associated with natural and sustainable farming practices, and recently due to decreased demand as a result of the weak economic environment, many large suppliers have not found it economical to pursue business in this area. We expect shortages of naturally-raised chicken for at least the first half of 2011 due to a supplier suspending production. Furthermore, as we increase our use of these ingredients, the ability of our suppliers to expand output or otherwise increase their supplies to meet our needs may be constrained. Moreover, we are broadening our commitment to serving local produce and produce purchased from farmers markets when seasonally available. These initiatives may make it more difficult to keep quality consistent and present additional risk of food-borne illnesses given the greater number of suppliers involved in such a system and the difficulty imposing our quality assurance programs on all such suppliers. Quality variations and food-borne illness concerns could adversely impact public perceptions of Food With Integrity or our brand generally. If as a result of any of these factors we are unable to obtain a sufficient and consistent supply of these ingredients on a cost-effective basis, or at all, our food costs could increase, adversely impacting our operating margins. These factors could also cause us difficulties in aligning our brand with Food With Integrity, which could make us less popular among our customers and cause sales to decline. Our commitment to Food With Integrity 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.

Failure to receive frequent deliveries of higher-quality food ingredients and other supplies 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, inclement weather, a supplier ceasing operations or other conditions could adversely affect the availability, quality and cost of our ingredients, which could harm our operations. We have almost no long-term contracts with suppliers, and we have relied largely on the same third party distribution network as McDonald's Corporation. If any of our distributors or suppliers performs inadequately, or our distribution or supply relationships are disrupted for any reason, 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, beans, rice, sour cream and tortillas. Due to the unique nature of the products we receive from our Food With Integrity suppliers and as described in more detail above, 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.

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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. Our success also depends to a significant extent on consumer confidence, which is influenced by general economic conditions and discretionary income levels. Negative consumer sentiment in the wake of the economic downturn has been widely reported over the past two years and according to some forecasts will continue during 2011. Our sales may decline during this or future economic downturns, which can be caused by various factors such as high gasoline prices, high unemployment, declining home prices or tight credit markets. 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.

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

Our plans call for a significant number of new restaurants. Our existing restaurant management systems, financial and management controls and information systems may be inadequate to support our expansion. Managing our growth effectively will require us to continue to enhance these systems, procedures and controls and to hire, train and retain restaurant managers and crew. We also are continuing to revise our field management structure, in an effort to develop additional top-performing restaurant managers more quickly. We may not respond quickly enough to the changing demands that our expansion will impose on management, crew and existing infrastructure, and changes to our operating structure may result in increased costs or inefficiencies that we cannot currently anticipate. Changes as we grow may have a negative impact on the operation of our restaurants, and cost increases resulting from our inability to effectively manage our growth could adversely impact our profitability. We also place a lot of importance on our culture, which we believe has been an important contributor to our success. As we grow, we may have difficulty maintaining our culture or adapting it sufficiently to meet the needs of our operations. Our failure to foster and maintain our corporate culture could also harm our business and operating results.

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

We maintain various insurance policies for employee health, worker's compensation, general liability and property damage. We are self-insured for our health plans, and have purchased a fully-insured stop loss policy to help offset our liability for both individual and aggregate claim costs. We are also responsible for losses up to a certain limit for worker's compensation, general liability and property damage 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 short and our significant growth rate could affect the accuracy of estimates based on historical experience. Should a greater amount of claims occur compared to what was estimated or medical costs increase beyond what was 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 that reported under these programs, which could adversely impact our results of operations.

Our success may be dependent on the continued service and availability of key personnel.

Our Chairman and co-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 1,000 restaurants today. Monty Moran, our co-Chief Executive Officer, and Jack Hartung, our Chief Financial Officer, have also served with us for several years and much of our growth has occurred under their direction as well. We believe our executive officers have created an employee culture, food culture and business strategy at our company that has been critical to our success and that may be difficult to replicate under another management team. We also believe that it may be difficult to locate and retain executive officers who are able to grasp and implement our unique strategic vision. If our company culture were to deteriorate following a change in leadership or a new management team were to change or be unsuccessful in implementing our strategy, our growth prospects or future operating results may be adversely impacted.

Our new marketing and branding strategies may not be successful, which could adversely impact our business.

Over the past two years we have been refocusing our marketing and branding strategy. As part of this initiative we developed and introduced new logos, a new advertising approach, new restaurant design and other branding elements. We also plan to introduce a unique loyalty program during 2011, and are planning a number of media-related events to further promote our brand. We do not have any assurance that our latest marketing strategies will be successful. If new advertising, modified branding and other marketing programs 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. In addition, one of our marketing initiatives during 2011 is the participation by Steve Ells, our founder, Chairman and Co-Chief Executive Officer, as a judge on the NBC reality television program "America's Next Great Restaurant." We do not control the timing or content of or the portrayal of our brand on the program. As a result, we may not realize the marketing value we hope to achieve from it, and our brand may be portrayed in a negative light, adversely impacting us.

We may incur costs resulting from security risks we face in connection with our electronic processing and transmission of confidential customer information.

We accept electronic payment cards for payment in our restaurants. During 2010 approximately 57% 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, including us, have experienced actual or potential security breaches in which credit and debit card information may have been stolen. In August 2004, the merchant bank that processed our credit and debit card transactions informed us that we may have been the victim of a possible theft of card data. As a result, we recorded losses and related expenses totaling $4.3 million from 2004 through 2006.

We may in the future become subject to additional claims for purportedly fraudulent transactions arising out of the actual or alleged theft of credit or debit card information, and we may also be subject to lawsuits or other proceedings in the future relating to these types of incidents. 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.

The impact on us of continuing economic uncertainty may be exacerbated if our suppliers, landlords and other counterparties are not able to continue to do business with us or are forced to alter the terms on which they do business with us.

Some of our suppliers and other vendors have been or will be adversely impacted by tightening of the credit markets, decreased economic activity, fluctuations in commodity prices and other consequences of ongoing economic difficulties. Some vendors have sought to change the terms on which they do business with us in order to lessen the impact of the economic environment on their business. If we are forced to find alternative vendors for key services, whether due to demands from the vendor or the vendor's bankruptcy or ceasing operations, that could be a distraction to us and adversely impact our business.

For example, we are aware that the economic environment has forced some food suppliers to seek financing in order to stabilize their businesses, and some suppliers have ceased operations completely. Additional suppliers may encounter difficulties in sustaining their business, and if any of our major suppliers or a large number of other suppliers suspend or cease operations, we may not be able to further our Food With Integrity initiative and may have difficulty keeping our restaurants fully supplied with the high quality ingredients we require. If we were forced to suspend serving one or more of our menu items, that could have a significant adverse impact on our restaurant traffic and public perceptions of us, which would be harmful to our business.

Similarly, our restaurant expansion strategy relies in part on the development of new retail centers and similar projects. Many developers rely on the availability of financing to complete these types of projects, and due to current conditions in the credit and commercial real estate markets financing may not be available on attractive terms or at all. Developers may also delay or cancel projects in light of uncertainty in the commercial real estate market or economic conditions generally. If developers do not proceed with projects in which we plan to locate restaurants, our expansion plans may be hampered, which would adversely impact our growth and could impair our future profitability.

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

Our quarterly operating results may fluctuate significantly because of various factors, including:

- changes in comparable restaurant sales and customer visits, including as a result of declining consumer confidence or the introduction of new menu items;
- 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;
- 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;
- profitability of our restaurants, especially in new markets;
- fluctuations in supply costs, particularly for our most significant food items;
- our ability to raise menu prices without adversely impacting customer traffic;
- the impact of inclement weather, natural disasters and other calamities, such as recent freezes in Mexico and Florida that have impacted tomato, tomatillo and pepper crops;
- variations in general economic conditions, including the impact of declining interest rates on our interest income;
- negative publicity about the ingredients we use or the occurrence of food-borne illnesses or other problems at our restaurants;
- changes in consumer preferences and discretionary spending;
- increases in infrastructure costs;
- tax expenses, impairment charges and other non-operating costs; and
- potential distraction or unusual expenses associated with our expansion into international markets or initiatives to explore new concepts.

Seasonal factors also cause our operating 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 revenue 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. We believe the market price of our common stock reflects high market expectations for our future operating results, and 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.

Restrictions and indemnities in connection with the tax treatment of the exchange offer through which we separated from McDonald's could adversely affect us.

We understand that the exchange offer McDonald's completed in October 2006 to dispose of its interest in us was generally tax-free to McDonald's and its shareholders. In order to protect the tax-free status of the exchange offer, in the separation agreement we entered into with McDonald's in connection with the separation we agreed among other things to indemnify McDonald's for taxes and related losses it incurs as a result of the exchange failing to qualify as a tax-free transaction in certain situations, if the taxes and related losses are attributable to (i) certain direct or indirect acquisitions of our stock or assets (regardless of whether we consent to such acquisitions); (ii) negotiations, understandings, agreements or arrangements in respect of such acquisitions; or (iii) any amendment to our certificate of incorporation that affects the relative voting rights of any separate classes of our common stock. In December 2009, following completion of an extensive due diligence process, we completed a share conversion eliminating the existence of our class B common stock, and with it the superior voting rights of the class B common stock. In the event the share conversion is deemed to result in the McDonald's exchange offer failing to qualify as a tax-free transaction, we may have an indemnification obligation under the provision described above. We currently estimate that the indemnification obligation to McDonald's could exceed $450 million, and this estimate does not take into account related losses and depends upon several factors that are beyond our control. As a consequence, the indemnity to McDonald's could vary substantially from the estimate and may be much greater.

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, as well as the provisions of our separation agreement with McDonald's described above under "*Restrictions and indemnities in connection with the tax treatment of the exchange offer through which we separated from McDonald's could adversely affect us,*" 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.

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ITEM 2. PROPERTIES

As of December 31, 2010, we operated 1,084 restaurants. The table below sets forth the locations (by state or country) of Chipotle restaurants in operation.

Alabama	3
Arizona	41
California	165
Colorado	71
Connecticut	3
Delaware	1
District of Columbia	8
Florida	58
Georgia	13
Illinois	78
Indiana	14
Iowa	2
Kansas	17
Kentucky	8
Maine	1
Maryland	40
Massachusetts	23
Michigan	12
Minnesota	51
Missouri	24
Nebraska	7
Nevada	11
New Hampshire	2
New Jersey	17
New York	50
North Carolina	12
Ohio	123
Oklahoma	6
Oregon	12
Pennsylvania	24
Rhode Island	3
South Carolina	2
Tennessee	5
Texas	93
Utah	4
Virginia	52
Washington	12
Wisconsin	12
Wyoming	1
United Kingdom	1
Canada	2
Total	1,084

We categorize our restaurants as either 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, 2010, we had 212 free-standing units, 663 end-cap locations, 174 in-line locations and 35 other. The average restaurant size is about 2,590 square feet and seats about 58 people. Most 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 Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations—*Contractual Obligations*."

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

ITEM 3. LEGAL PROCEEDINGS

California ADA Cases

In 2006, Maurizio Antoninetti filed suit against us in the U.S. District Court for the Southern District of California, primarily claiming that the height of the serving line wall in our restaurants violated the Americans with Disabilities Act, or ADA, as well as California disability laws. On December 6, 2006, Mr. Antoninetti filed an additional lawsuit in the same court making the same allegations on a class action basis, on behalf of himself and a purported class of disabled individuals, and a similar class action was filed by James Perkins in U.S. District Court for the Central District of California on May 7, 2008.

In the individual Antoninetti action, the district court entered a ruling in which it found that although our counter height violated the ADA, we provided the plaintiff with an equivalent facilitation, and awarded attorney's fees and minimal damages to the plaintiff. We and the plaintiff appealed the district court's ruling to the U.S. Court of Appeals for the Ninth Circuit, and on July 26, 2010, the appeals court entered a ruling finding that we violated the ADA and did not provide the plaintiff with an equivalent facilitation, and remanded the case to the district court.

We are pursuing an appeal of the recent ruling from the appeals court in the individual Antoninetti action. In the event we are not successful in the appeal, we will vigorously defend the class action ADA cases. We lowered the height of our serving line walls throughout California some time ago, which makes injunctive relief in these actions moot, and have the lower serving lines in a significant majority of our restaurants outside of California as well. We also expect to contest certification of a plaintiff class in these actions. It is not possible at this time to reasonably estimate the outcome of, or any potential liability from, these cases.

Notices of Inspection of Work Authorization Documents

Following an audit during 2010 by the U.S. Department of Homeland Security, or DHS, of the work authorization documents of our restaurant employees in Minnesota, the Immigration and Customs Enforcement arm of DHS, or ICE, issued to us a Notice of Suspect Documents identifying a large number of employees who, according to ICE and notwithstanding our review of work authorization documents for each employee at the time they were hired, appeared not to be authorized to work in the U.S. We approached each of the named employees to explain ICE's determination and afforded each employee an opportunity to confirm the validity of their original work eligibility documents, or provide valid work eligibility documents. Employees who were unable to provide valid work eligibility documents were terminated in accordance with the law. In December 2010, we were also requested by DHS to provide the work authorization documents of our restaurant employees in the District of Columbia and Virginia, and we provided the requested documents in January 2011. We have received additional requests for work authorization documents covering a small number of individual restaurants. The operating hours of our Minnesota, D.C. and Virginia restaurants have been uninterrupted by these developments, and we believe our practices with regard to the work authorization of our employees, including the review and retention of work authorization documents, are in compliance with applicable law. However, the termination of large numbers of employees does disrupt our operations and results in a temporary increase in labor costs as we train new employees. It is not possible at this time to determine whether we will incur any fines, penalties or further liabilities in connection with these matters.

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Miscellaneous

A lawsuit has been filed against us in California alleging violations of state laws regarding employee record-keeping, meal and rest breaks, payment of overtime and related practices with respect to our employees. The case originally sought damages, penalties and attorney's fees on behalf of a purported class of our present and former employees. The trial court denied the plaintiff's motion to certify the purported class and the California Court of Appeals affirmed that decision, and as a result the action can proceed, if at all, as an action by a single plaintiff. The plaintiff has appealed the court's denial of class certification, and the appeal remains pending. Although the limitation to a single-plaintiff action significantly minimizes our current potential exposure from the case and we have various defenses, due to the possibility of further appeals and the uncertainties of litigation it is not possible at this time to reasonably estimate the outcome of, or any potential liability, from this case.

We're 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.

ITEM 4. (REMOVED AND RESERVED)

PART II

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 under the symbol "CMG."

	High	Low
2009		
First Quarter	$ 70.75	$ 46.46
Second Quarter	$ 92.39	$ 66.08
Third Quarter	$ 98.66	$ 76.75
Fourth Quarter	$ 97.11	$ 79.02

	High	Low
2010		
First Quarter	$ 117.11	$ 86.00
Second Quarter	$ 155.42	$ 113.00
Third Quarter	$ 177.69	$ 127.30
Fourth Quarter	$ 262.77	$ 171.24

As of February 1, 2011, there were approximately 1,289 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, the actual number of unique shareholders represented by these record holders is not known.

Purchases of Equity Securities by the Issuer

The table below reflects shares of common stock we repurchased during the fourth quarter of 2010.

	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 1 – October 31	46,358 (3)	$ 180.75	—	$ 76,628,828
November 1 – November 30	484	$ 257.93	484	$ 76,503,988
December 1 – December 31	28,077	$ 229.67	28,077	$ 70,055,541
Total	74,919	$ 199.58	28,561	$ 70,055,541

(1) All shares were purchased in open-market transactions under an agreement with a broker intended to comply with Exchange Act Rule 10b5-1(c).

(2) Shares were repurchased pursuant to a repurchase program publicly announced on July 22, 2010. Repurchases under the program are limited to $100 million in total repurchase price, and there is no expiration date. Authorization of the repurchase program may be modified, suspended, or discontinued at any time.

(3) Represents shares of common stock that were surrendered by participants under the Amended and Restated Chipotle Mexican Grill, Inc. 2006 Stock Incentive Plan as payment of applicable tax withholding on the vesting of shares of performance-contingent restricted stock. Shares surrendered by the participants pursuant to the terms of that plan and the applicable award agreements are deemed repurchased by us, but are not part of publicly announced share repurchase programs.

Dividend Policy

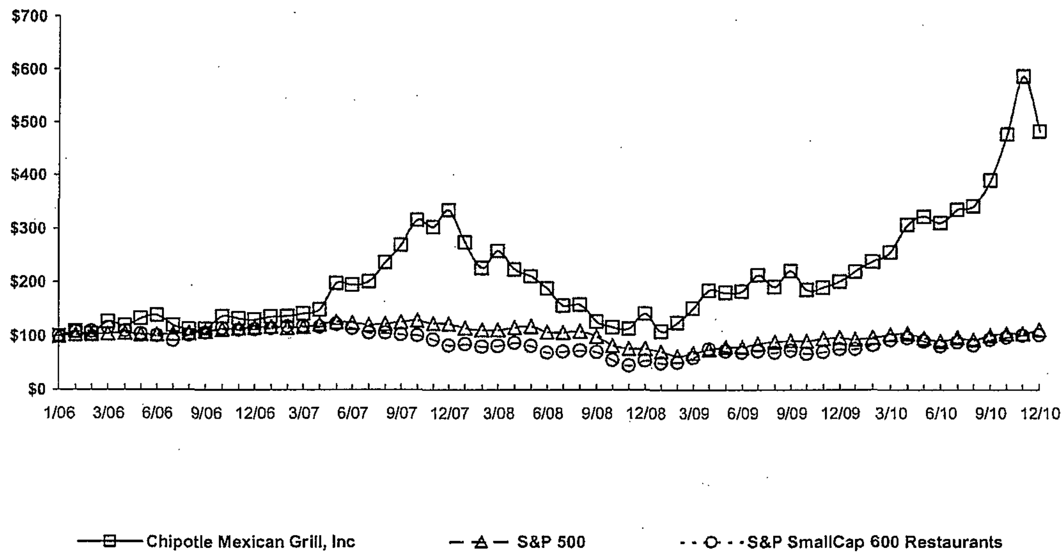
We are not required to pay any dividends and have not declared or paid any cash dividends on our common stock, and our unsecured revolving credit facility prohibits us from paying cash dividends on any outstanding common stock. We intend to continue to retain earnings for use in the operation and expansion of our business 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 the date trading began on the NYSE (January 26, 2006) through December 31, 2010 to that of the total return index for the S&P 500 and the S&P SmallCap 600 Restaurants Index assuming an investment of $100 on January 26, 2006. In calculating total annual stockholder return, reinvestment of dividends, if any, is assumed. The indices are included for comparative purpose only. They do not necessarily reflect management's opinion that such indices are an appropriate measure of the relative performance of the 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 S&P SmallCap 600 Restaurants



ITEM 6. SELECTED CONSOLIDATED 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 (in thousands, except per share data).

	For the years ended December 31,				
	2010	2009	2008	2007	2006
Statements of Income:					
Total revenue	$ 1,835,922	$ 1,518,417	$ 1,331,968	$ 1,085,782	$ 822,930
Food, beverage and packaging costs	561,107	466,027	431,947	346,393	257,998
Labor costs	453,573	385,072	351,005	289,417	231,134
Occupancy costs	128,933	114,218	98,071	75,891	58,804
Other operating costs	202,904	174,581	164,018	131,512	102,745
General and administrative expenses	118,590	99,149	89,155	75,038	65,284
Depreciation and amortization	68,921	61,308	52,770	43,595	34,253
Pre-opening costs	7,767	8,401	11,624	9,585	6,778
Loss on disposal of assets	6,296	5,956	9,339	6,168	3,982
Total operating expenses	1,548,091	1,314,712	1,207,929	977,599	760,978
Income from operations	287,831	203,705	124,039	108,183	61,952
Interest and other income	1,499	925	3,469	6,115	6,574
Interest and other expense	(269)	(405)	(302)	(296)	(271)
Income before income taxes	289,061	204,225	127,206	114,002	68,255
Provision for income taxes	(110,080)	(77,380)	(49,004)	(43,439)	(26,832)
Net income	$ 178,981	$ 126,845	$ 78,202	$ 70,563	$ 41,423
Earnings per share					
Basic	$ 5.73	$ 3.99	$ 2.39	$ 2.16	$ 1.29
Diluted	$ 5.64	$ 3.95	$ 2.36	$ 2.13	$ 1.28
Shares used in computing earnings per share					
Basic	31,234	31,766	32,766	32,672	32,051
Diluted	31,735	32,102	33,146	33,146	32,465

	As of December 31,				
	2010	2009	2008	2007	2006
Balance Sheet Data:					
Total current assets	$ 406,221	$ 297,454	$ 211,072	$ 201,844	$ 178,837
Total assets	$ 1,121,605	$ 961,505	$ 824,985	$ 722,115	$ 604,208
Total current liabilities	$ 123,054	$ 102,153	$ 76,788	$ 73,301	$ 61,201
Total liabilities	$ 310,732	$ 258,044	$ 202,395	$ 160,005	$ 130,251
Total shareholders' equity	$ 810,873	$ 703,461	$ 622,590	$ 562,110	$ 473,957

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 Consolidated 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

Chipotle operates fresh Mexican food restaurants serving burritos, tacos, burrito bowls (a burrito without the tortilla) and salads. We began with a simple philosophy: demonstrate that food served fast doesn't have to be a traditional "fast-food" experience. Over the years, that vision has evolved. Today, our vision is to change the way people think about and eat fast food. We do this by avoiding a formulaic approach when creating our restaurant experience, looking to fine-dining restaurants for inspiration. We use high-quality raw ingredients, classic cooking methods and a distinctive interior design, and have friendly people to take care of each customer—features that are more frequently found in the world of fine dining. Our approach is also guided by our belief in an idea we call "Food With Integrity". Our objective is to find the highest quality ingredients we can—ingredients that are grown or raised with respect for the environment, animals and people who grow or raise the food.

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2010 Highlights and Trends

Restaurant Development. As of December 31, 2010, we had 1,084 restaurants, of which 1,081 were located throughout the United States, two were located in Toronto, Canada, and one was located in London, England. New restaurants have contributed substantially to our restaurant sales growth. We opened 129 restaurants in 2010. We expect to open between 135 and 145 restaurants in 2011. Among the expected restaurant openings in 2011 is a restaurant in Paris, France, which will be our first restaurant in France. About 30% of the 2011 openings will be what we call "A Model" restaurants. A Model locations are being built primarily in secondary trade areas which have attractive demographics but are typically characterized by lower investment and occupancy costs than our recent traditional restaurant openings. Our introduction of A Model restaurants and our new, simpler design, which incorporates some A Model design elements, enabled us to lower the average development costs for new restaurants from $850,000 in 2009 to $795,000 in 2010. We anticipate average development costs for new restaurants to be opened in 2011 to be approximately the same as in 2010.

Sales Growth. Average restaurant sales were $1.840 million as of December 31, 2010, increasing from $1.728 million as of December 31, 2009. We define average restaurant sales as the average trailing 12-month sales for restaurants in operation for at least 12 full calendar months. Our comparable restaurant sales increases were 9.4% in 2010 and were driven primarily by an increase in customer visits. Comparable restaurant sales represent the change in period-over-period sales for restaurants beginning in their 13th full calendar month of operation. We expect comparable restaurant sales increases in 2011 to be in the low single digits due to difficult comparisons with 2010 and ongoing consumer uncertainty.

Food With Integrity. We continue to serve naturally raised pork in all our restaurants. In 2010 we increased the percentage of our restaurants serving barbacoa made with naturally raised beef to 100%, and increased the percentage of our restaurants serving naturally raised steak to about 80%. We began the year serving naturally raised chicken in all our restaurants, but increased sales and ongoing supply challenges caused us to suspend serving it in certain markets. We reached a point we could only buy naturally raised chicken for 80% of our restaurants in the second quarter, but increased that to 86% of our restaurants as of December 31, 2010. We hope to be back to 100% naturally raised chicken during the first half of 2011, which will increase food costs. We define naturally raised as coming from animals that are fed a pure vegetarian diet, never given antibiotics or hormones, and raised humanely. Our definition is more stringent than the USDA's standard for naturally raised marketing claims.

We began our local produce program in 2008 and have increased the amount of local produce purchased each subsequent year. During 2010 we exceeded our goal by purchasing about 9.4 million pounds of locally grown produce. We define locally grown produce as produce that travels no more than 350 miles from the farm to our restaurants. Also for 2010, 40% of all the beans we bought were organically grown, up from 35% in 2009. We increased the percentage of organically grown cilantro used in our restaurants to 78% by the end of 2010. Additionally, 76% of the cheese used in our restaurants as of the end of 2010 was made using milk from cows given access to pasture, as opposed to being kept in confinement like most dairy cows.

Due to inflationary pressures, recent freezes in Mexico and Florida, and continued Food With Integrity initiatives, we expect food costs as a percentage of revenue to increase during 2011.

Stock Repurchases. In accordance with stock repurchases authorized by our Board of Directors, we purchased stock with an aggregate total repurchase price of $115.9 million during 2010. As of December 31, 2010, $70.1 million was available to be repurchased under the current repurchase authorization. We have entered into an agreement with a broker authorizing the broker to make open market purchases of common stock from time to time, subject to market conditions. The repurchase agreement and the Board's authorization of the repurchases may be modified, suspended, or discontinued at any time.

Restaurant Openings, Relocations and Closures

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

	For the years ended December 31, 2010	2009	2008
Beginning of year	956	837	704
Openings	129	121	136
Closures and Relocations	(1)	(2)	(3)
Total restaurants at end of year	1,084	956	837

Results of Operations

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

Revenue

	For the years ended December 31, 2010	2009	2008	% increase 2010 over 2009	% increase (decrease) 2009 over 2008
		(dollars in millions)			
Revenue	$ 1,835.9	$ 1,518.4	$ 1,332.0	20.9%	14.0%
Average restaurant sales	$ 1.840	$ 1.728	$ 1.763	6.5%	(2.0)%
Comparable restaurant sales increase	9.4%	2.2%	5.8%		
Number of restaurants as of the end of the year	1,084	956	837	13.4%	14.2%
Number of restaurants opened in the year, net of closures and relocations	128	119	133		

The significant factors contributing to our increases in sales were new restaurant openings and comparable restaurant sales increases. Restaurant sales from restaurants not yet in the comparable base contributed to $178.7 million of the increase in sales in 2010, of which $75.2 million was attributable to restaurants opened during the year. In 2009, restaurant sales from restaurants not yet in the comparable restaurant base contributed to $161.7 million of the increase in sales, of which $73.6 million was attributable to restaurants opened in 2009.

Comparable restaurant sales increases contributed $138.7 million and $26.3 million of the increase in restaurant sales in 2010 and 2009, respectively. The increase in 2010 was primarily driven by increases in customer visits. The increase in 2009 was primarily driven by the impact of menu price increases initiated beginning in late 2008. In 2009 the impact of the menu price increases was partially offset by a decrease in customer visits and the average check not increasing by the full amount of the menu price increases.

Food, Beverage and Packaging Costs

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	For the years ended December 31,			% increase 2010 over 2009	% increase 2009 over 2008
	2010	2009	2008		
	(dollars in millions)				
Food, beverage and packaging	$ 561.1	$ 466.0	$ 431.9	20.4%	7.9%
As a percentage of revenue	30.6%	30.7%	32.4%		

Food, beverage and packaging costs decreased as a percentage of revenue in 2010 due primarily to favorable food costs, primarily rice and corn, as well as chicken as a result of our switch to commodity chicken in certain markets due to supply constraints, which we are working to alleviate as soon as possible. The decrease was partially offset by the increased cost of barbacoa and steak as we increased the percentage of naturally raised beef we serve in our restaurants. We expect to see food costs increase as a percentage of revenue in 2011 due to inflationary pressures, recent freezes in Mexico and Florida, and Food With Integrity initiatives.

Food, beverage and packaging costs decreased as a percentage of revenue in 2009 due primarily to the impact of menu price increases.

Labor Costs

	For the years ended December 31,			% increase 2010 over 2009	% increase 2009 over 2008
	2010	2009	2008		
	(dollars in millions)				
Labor costs	$ 453.6	$ 385.1	$ 351.0	17.8%	9.7%
As a percentage of revenue	24.7%	25.4%	26.4%		

Labor costs decreased as a percentage of revenue in 2010 primarily due to the benefit of higher average restaurant sales, partially offset by increased average wage rates and increased insurance costs.

Labor costs decreased as a percentage of revenue in 2009 primarily due to the impact of menu price increases and labor efficiencies partially offset by increased average wage rates and lower transaction volumes.

Occupancy Costs

	For the years ended December 31,			% increase 2010 over 2009	% increase 2009 over 2008
	2010	2009	2008		
	(dollars in millions)				
Occupancy costs	$ 128.9	$ 114.2	$ 98.1	12.9%	16.5%
As a percentage of revenue	7.0%	7.5%	7.4%		

Occupancy costs decreased as a percentage of revenue in 2010 primarily due to the benefit of higher average sales on a partially fixed-cost base. The benefit of the lower occupancy costs from the A Model restaurants was offset by opening proportionately more restaurants in more expensive areas.

Occupancy costs increased as a percentage of revenue in 2009 primarily due to higher average rents for new locations as we opened proportionately more restaurants in more expensive areas than we have historically.

Other Operating Costs

	For the years ended December 31, 2010	2009	2008	% increase 2010 over 2009	% increase 2009 over 2008
	(dollars in millions)				
Other operating costs	$ 202.9	$ 174.6	$ 164.0	16.2%	6.4%
As a percentage of revenue	11.1%	11.5%	12.3%		

Other operating costs as a percentage of revenue decreased in 2010 primarily due to the benefit of higher average restaurant sales on a partially fixed-cost base, partially offset by increased credit card fees resulting from a higher percentage of customers using credit cards, as well as increased purchases of kitchen supplies.

Other operating costs as a percentage of revenue decreased in 2009 primarily due to the impact of menu price increases and decreased marketing and promotional expenditures.

General and Administrative Expenses

	For the years ended December 31, 2010	2009	2008	% increase 2010 over 2009	% increase 2009 over 2008
	(dollars in millions)				
General and administrative expense	$ 118.6	$ 99.1	$89.2	19.6%	11.2%
As a percentage of revenue	6.5%	6.5%	6.7%		

The increase in general and administrative expenses in 2010 primarily resulted from an increase in stock-based compensation expense resulting from the stock-based compensation awards granted in 2010, costs from the biennial all manager conference, and hiring more employees as we grew. As a percentage of revenue, general and administrative expenses remained consistent with 2009 due primarily to the benefit of higher average restaurant sales on a partially fixed-cost base, offset by the expenses listed above.

The increase in general and administrative expenses in 2009 primarily resulted from an increase in performance related bonus accruals, an increase in stock-based compensation expense resulting from the stock-based compensation awards granted in 2009, wage inflation and hiring more employees as we grew. This increase was partially offset by careful management of expenses, primarily travel costs. As a percentage of revenue, general and administrative expenses decreased in 2009 due primarily to the impact of menu price increases and lower travel costs, partially offset by the expenses listed above.

We expect general and administrative expenses as a percentage of revenue to remain consistent in 2011 with the previous two years, which takes into consideration that we anticipate materially higher stock-based compensation expense than 2010 due to our higher stock price.

Depreciation and Amortization

	For the years ended December 31, 2010	2009	2008	% increase 2010 over 2009	% increase 2009 over 2008
	(dollars in millions)				
Depreciation and amortization	$ 68.9	$ 61.3	$ 52.8	12.4%	16.2%
As a percentage of revenue	3.8%	4.0%	4.0%		

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Depreciation and amortization as a percentage of revenue decreased in 2010 as a result of the benefit of higher average restaurant sales on a partially fixed-cost base. As a percentage of total revenue, depreciation and amortization remained constant in 2009 compared to 2008.

Pre-opening Costs

	For the years ended December 31, 2010	2009	2008	% decrease 2010 over 2009	% decrease 2009 over 2008
	(dollars in millions)				
Pre-opening costs	$ 7.8	$ 8.4	$ 11.6	(7.5)%	(27.7)%
As a percentage of revenue	0.4%	0.6%	0.9%		
Restaurant openings	129	121	136		

Pre-opening costs decreased in 2010 as a result of cost control efforts around restaurant pre-opening activities and lower pre-opening rent due to the shorter development cycle of the A Model restaurants.

Pre-opening costs decreased in 2009 as a result of a decrease in the number of restaurants opened and under construction in 2009, partially offset by an increase in rent expense recognized during the construction period due to higher rents for more expensive locations. Pre-opening costs include non-cash straight-line rent expense of $4.2 million, $4.4 million and $5.9 million for 2010, 2009 and 2008, respectively.

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Loss on Disposal of Assets

	For the years ended December 31, 2010	2009	2008	% increase 2010 over 2009	% decrease 2009 over 2008
	(dollars in millions)				
Loss on disposal of assets	$ 6.3	$ 6.0	$ 9.3	5.7%	(36.2)%
As a percentage of revenue	0.3%	0.4%	0.7%		

Loss on disposal of assets increased in 2010 as a result of an impairment charge related to a restaurant closure partially offset by lower costs as a result of a comprehensive maintenance and repair program instituted over the last couple of years and continued assessment of, and in some cases adjustments to, our estimated useful lives.

Loss on disposal of assets decreased in 2009 as a result of decreases in the number of remodels and in write-offs associated with investigating potential restaurant sites that we considered but subsequently rejected, and also as a result of our not recording any restaurant impairment charges.

Interest and Other Income

	For the years ended December 31, 2010	2009	2008	% increase 2010 over 2009	% decrease 2009 over 2008
	(dollars in millions)				
Interest and other income	$ 1.5	$ 0.9	$ 3.5	62.1%	(73.3)%
As a percentage of revenue	0.1%	0.1%	0.3%		

Interest and other income increased in 2010 primarily due to higher average cash balances throughout the year and higher yields on our investments.

Interest and other income decreased in 2009 primarily due to lower yields on our investments. These decreases were partially offset by a higher average cash balance and fewer tax-exempt securities which have lower interest rates but are exempt from federal income taxes.

Income Tax Provision

	For the years ended December 31, 2010	2009	2008	% increase 2010 over 2009	% increase 2009 over 2008
	(dollars in millions)				
Income tax provision	$ 110.1	$ 77.4	$ 49.0	42.3%	57.9%
Effective tax rate	38.1%	37.9%	38.5%		

The 2010 effective tax rate increased primarily due to a one-time benefit recognized in 2009 for prior period meals and entertainment deductions.

The 2009 effective tax rate decreased primarily due to a one-time benefit for prior period meals and entertainment deductions and 2008 federal tax return adjustments, a decrease in our estimated statutory state tax rate and an increase in deductions for food donations, partially offset by a reduction in earnings on tax-exempt investments.

Annual Report

Quarterly Financial Data/Seasonality

The following table presents consolidated statement of income data for each of the eight quarters in the period ended December 31, 2010. The operating results for any quarter are not necessarily indicative of the results for any subsequent quarter.

	2010 Quarters Ended Mar. 31	June 30	Sept. 30	Dec. 31
	(dollars in millions)			
Revenue	$ 409.7	$ 466.8	$ 476.9	$ 482.5
Operating income	$ 61.3	$ 75.0	$ 77.6	$ 73.9
Net income	$ 37.8	$ 46.5	$ 48.2	$ 46.4
Number of restaurants opened in quarter	20	25	22	62
Comparable restaurant sales increase	4.3%	8.7%	11.4%	12.6%

	2009 Quarters Ended Mar. 31	June 30	Sept. 30	Dec. 31
	(dollars in millions)			
Revenue	$ 354.5	$ 388.8	$ 387.6	$ 387.5
Operating income	$ 41.2	$ 57.3	$ 54.8	$ 50.4
Net income	$ 25.4	$ 35.4	$ 34.5	$ 31.6
Number of restaurants opened in quarter	26	24	26	45
Comparable restaurant sales increase	2.2%	1.7%	2.7%	2.0%

Seasonal factors cause our profitability to fluctuate from quarter to quarter. Historically, our average daily restaurant sales and net income are 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. The number of trading days in a quarter can also affect our results. Overall, on an annual basis, changes in trading dates do not have a significant impact on our results.

Our quarterly results are also affected by other factors such as the number of new restaurants opened in a quarter 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. In addition, unanticipated events also impact our results. 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, working capital and general corporate needs. We have a cash and short-term investment balance of $349.6 million that we expect to utilize, along with cash flow from operations, to provide capital to support the growth of our business (primarily through opening restaurants), to repurchase up to an additional $70.1 million of our common stock subject to market conditions, to continue to maintain our existing restaurants and for general corporate purposes. We believe that cash from operations, together with our cash balance, will be enough to meet ongoing capital expenditures, working capital requirements and other cash needs over at least the next 24 months.

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.

In February 2009, we entered into an unsecured revolving credit facility with Bank of America, N.A. with an initial principal amount of $25 million and an additional $25 million accordion feature. Borrowings under the credit facility will bear interest at a rate set, at our option, at either (i) an adjusted LIBOR rate plus a margin ranging from 0.75% to 2.0% depending on a lease-adjusted leverage ratio, or (ii) a daily rate equal to (a) the highest of the federal funds rate plus 0.5%, the bank's published prime rate, or one-month LIBOR plus 1.0%, plus (b) a margin ranging from 0.0% to 1.0% depending on a lease-adjusted leverage ratio. The facility includes a commitment fee on the unused balance ranging from 0.25% to 0.5%, based on the lease-adjusted leverage ratio. Availability of borrowings under the facility is conditioned on our compliance with specified covenants including a maximum lease-adjusted leverage ratio and a minimum fixed charge coverage ratio. We were in compliance with these covenants as of December 31, 2010. As of December 31, 2010 there were no amounts outstanding and available borrowings were $25 million. We have provided the bank with written notice of termination of the credit facility, to be effective February 23, 2011.

While operations continue to provide cash, our primary use of cash is in new restaurant development. Our total capital expenditures for 2010 were $113.2 million, and we expect to incur capital expenditures of about $131 million in 2011, of which $111 million relates to our construction of new restaurants and the remainder primarily relates to restaurant reinvestments. In 2010, we spent on average about $795,000 in development and construction costs per restaurant, net of landlord reimbursements. The average development and construction costs per restaurant decreased from $850,000 in 2009 due to cost savings realized, in part, from certain cost reduction efforts associated with the development of the A Model strategy and our new, simpler restaurant design. For new restaurants to be opened in 2011 we anticipate average development costs to be approximately the same as in 2010.

Contractual Obligations

Our contractual obligations as of December 31, 2010 were as follows:

	Payments Due by Period				
	Total	1 year	2-3 years	4-5 years	After 5 years
			(in thousands)		
Operating leases	$ 1,872,872	$ 114,754	$ 232,528	$ 237,496	$ 1,288,094
Deemed landlord financing	6,289	391	788	794	4,316
Other contractual obligations(1)	47,385	44,598	2,156	631	—
Total contractual cash obligations	$ 1,926,546	$ 159,743	$ 235,472	$ 238,921	$ 1,292,410

(1) We enter into various purchase obligations in the ordinary course of business. Those that are binding primarily relate to amounts owed under contractor and subcontractor agreements, orders submitted for equipment for restaurants under construction, and corporate sponsorships.

We're obligated under non-cancelable leases for our restaurants and administrative offices. Our leases generally have initial terms of either five to ten years with two or more five-year extensions, for end-cap and in-line restaurants, or 15 to 20 years with several five-year extensions, for free-standing restaurants. Our leases generally require us to pay a proportionate share of real estate taxes, insurance, common charges and other operating costs. Some restaurant leases provide for contingent rental payments based on sales thresholds, although we generally do not expect to pay significant contingent rent on these properties based on the thresholds in those leases.

Off-Balance Sheet Arrangements

As of December 31, 2010 and 2009, we had no off-balance sheet arrangements or obligations.

Inflation

The primary areas of our operations affected by inflation are food, labor, fuel, utility costs, materials used in the construction of our restaurants, and insurance. Although almost all of our crew members make more than the minimum wage, increases in the applicable federal or state minimum wage may have an impact on our labor costs. Additionally, many of our leases require us to pay taxes, maintenance, utilities and insurance, all of which are generally subject to inflationary increases.

Critical Accounting Estimates

We describe our significant accounting policies in Note 1 of our consolidated financial statements. 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 the following critical accounting estimates affect our more significant judgments and estimates used in the preparation of our financial statements:

Leases

We lease most of our restaurant locations. Our leases contain escalating rentals over the lease term as well as optional renewal periods. We account for our leases by recognizing rent expense on a straight-line basis over the lease term including reasonably assured renewal periods. We have estimated that our lease term, including reasonably assured renewal periods, is the lesser of the lease term or 20 years. If the estimate of our reasonably assured lease terms were 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 options and stock appreciation rights, which requires assumptions to be made regarding our stock price volatility, the expected life of the award and expected dividend rates. The volatility assumptions were derived from our actual volatilities. Had we arrived at different assumptions of stock price volatility or expected lives of our options and stock appreciation rights, our stock-based compensation expense and results of operations could have been different.

Insurance Liability

We maintain various insurance policies for workers' compensation, general liability, property and auto damage with varying deductibles as high as $500,000. We are self insured for employee health 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. In addition, our

MANAGEMENT TEAM

Steve Ells
Founder, Chairman & Co-Chief Executive Officer

Monty Moran
Co-Chief Executive Officer

Jack Hartung
Chief Financial Officer

Bob Blessing
Chief Development Officer

Mark Crumpacker
Chief Marketing Officer

BOARD OF DIRECTORS

Steve Ells
Chairman of the Board

Montgomery F. Moran
Director

Albert S. Baldocchi
Director
Independent Financial Consultant and Strategic Advisor

John S. Charlesworth
Director
President, Midwest Division, McDonald's Corp. (retired)

Neil W. Flanzraich
Director
Former Vice Chairman and President, IVAX Corporation; Private Investor

Patrick J. Flynn
Director
Executive Vice President, Strategic Planning and Acquisitions, McDonald's Corp. (retired)

Darlene J. Friedman
Director
Senior Vice President, Human Resources, Syntex Corp. (retired)

STOCK EXCHANGE LISTING

New York Stock Exchange
Symbol: CMG

AUDITORS

Ernst & Young LLP
Denver, Colorado

STOCK TRANSFER AGENT

By mail:
Computershare Trust Company, N.A.
P.O. Box 43070 Providence, RI 02940-3070

By phone:
1-800-962-4284

Online:
www.computershare.com

Stockholders may obtain copies of Chipotle's annual report on Form 10-K for the year ended December 31, 2010 (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.

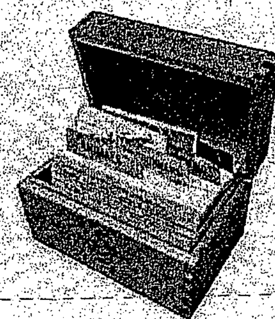
CHIPOTLE
MEXICAN GRILL

FOOD WITH INTEGRITY

Our commitment to finding the very best ingredients raised with respect for the animals, the environment and the farmers.

Exhibit 3

If you are hungry for more information about Food With Integrity, check out all of these little nuggets of knowledge. You can share them with your friends (via Facebook or Twitter) or whip them out at parties to become the FWI MVP.



View as: Single Facts | Multiple Facts

Chipotle's commitment to Food with Integrity began over a decade ago. Like any great journey, there have been a few bumps in the road. At Chipotle, we do our best to serve naturally raised meat - that is, meat from animals that have been humanely raised, fed a vegetarian diet, and not given antibiotics. Recently, however, we have encountered regional shortages in our supply of naturally raised chicken. We are working diligently with all of our suppliers so we can return to serving 100% naturally raised chicken.

Source: Chipotle

Share:

66 of 78

Exhibit 4

CHIPOTLE

MEXICAN GRILL

BURRITOS, TACOS & SALADS

BURRITO
Tortilla, choice of rice, beans, meat, salsa and cheese or sour cream. Add peppers and onions instead of beans for a fajita burrito.
CALORIES: 350-930

BURRITO BOWL
Just like a burrito, but served in a bowl with no tortilla.
CALORIES: 160-640

TACOS
Your choice of three crispy corn, soft corn or soft flour tortillas with meat, salsa, cheese or sour cream and romaine lettuce.
CALORIES: 320-670

SALAD
Chopped romaine lettuce with choice of beans, meat, salsa and cheese, with or without chipotle-honey vinaigrette.
CALORIES: 170-780

CHICKEN
Naturally raised, marinated in our chipotle adobo, then grilled.
$5.95

STEAK
Naturally raised, marinated in our chipotle adobo, then grilled.
$6.35

BARBACOA
Naturally raised beef. Braised for hours, then shredded.
$6.35

CARNITAS
Naturally raised pork. Braised for hours, then shredded.
$6.35

VEGETARIAN
Includes our fresh guacamole and vegetarian black beans.
$5.95

SALSAS

Fresh Tomato (Mild)	Roasted Chili-Corn (Medium)	Tomatillo-Green Chili (Medium Hot)	Tomatillo-Red Chili (Hot)
Calories: 20	Calories: 80	Calories: 15	Calories: 40

EXTRAS & DRINKS

Chips & Guacamole: Serves 2 (Cal: 360 ea/720 tot)	2.95
Chips & Salsa: Serves 2 (Cal: 295-325 ea/590-650 tot)	1.65
Guacamole (Calories: 150)	1.80
Chips: Serves 2 (Calories: 285 ea/570 tot)	1.15
Beer (Calories: 100-170)	3.35 / 3.90
Bottled Drinks (Calories: 0-280)	2.10 / 2.40
Soda (Calories: 0-290)	1.55 / 1.85
Kid's Drinks (Calories: 100-150)	1.55 / 2.10

KID'S MENU

All Kid's Menu items served with kid's chips and a drink.
Kid's Drinks: Juice, Organic Milk (plain or chocolate)

1. **Small Cheese Quesadilla** — $2.95
   With a side of rice and beans
   Calories: 620-670
2. **Small Meat & Cheese Quesadilla** — $3.50
   With a side of rice and beans
   Calories: 680-730
3. **Single Taco** — $3.50
   Soft or crispy shell, and a choice of any three items (one meat or guacamole) and a side of rice
   Calories: 470-630
4. **Taco Kit (they build it)** — $3.95
   Choose any three ingredients (one meat or guacamole) and two soft or crispy shells. Served on a tray for easy building.
   Calories: 420-610

You can also order online at chipotle.com, on your iPhone or by fax. Additional nutrition information is on the back of this menu.

NUTRITION FACTS

	Serving	Calories	Calories From Fat	Total Fat (g)	Saturated Fat (g)	Trans Fat (g)	Cholesterol (mg)	Sodium (mg)	Carbohydrates (g)	Dietary Fiber (g)	Sugars (g)	Protein (g)
Flour Tortilla (burrito)	1 ea	290	80	9	3	0	0	670	44	2	0	7
Flour Tortilla (taco)	1 ea	90	25	2.5	1	0	0	200	13	1	0	2
Crispy Taco Shell	1 ea	60	20	2	0.5	0	0	10	9	1	<1	<1
Soft Corn Tortilla	1 ea	60	5	0.5	0	0	0	25	13	1	0	1.5
Cilantro-Lime Rice	3 oz	130	30	3	0.5	0	0	150	23	0	0	2
Black Beans	4 oz	120	10	1	0	0	0	250	23	11	1	7
Pinto Beans*	4 oz	120	10	1	0	0	5	330	22	10	1	7
Fajita Vegetables	2.5 oz	20	5	0.5	0	0	0	170	4	1	2	1
Barbacoa	4 oz	170	60	7	2.5	0	60	510	2	0	1	24
Chicken	4 oz	190	60	6.5	2	0	115	370	1	0	1	32
Carnitas	4 oz	190	70	8	2.5	0	70	540	1	0	0	27
Steak	4 oz	190	60	6.5	2	0	65	320	2	0	1	30
Chorizo	3 oz	300	210	23	8	0	70	870	5	1	0	20
Fresh Tomato Salsa	3.5 oz	20	0	0	0	0	0	470	4	1	3	1
Roasted Chili-Corn Salsa	3.5 oz	80	15	1.5	0	0	0	410	15	3	4	3
Tomatillo-Green Chili Salsa	2 fl oz	15	5	0	0	0	0	230	3	1	2	1
Tomatillo-Red Chili Salsa	2 fl oz	40	10	1	0	0	0	510	8	4	4	2
Cheese	1 oz	100	80	8.5	5	0	30	180	0	0	0	8
Sour Cream	2 oz	120	90	10	7	0	40	30	2	0	2	2
Guacamole	3.5 oz	150	120	13	2	0	0	190	8	6	1	2
Romaine Lettuce (salad)	2.5 oz	10	0	0	0	0	0	5	2	1	1	1
Romaine Lettuce (tacos)	1 oz	5	0	0	0	0	0	0	1	1	0	0
Chips	4 oz	570	240	27	3.5	0	0	420	73	8	4	8
Vinaigrette	1.5 fl oz	200	170	19.5	3	0	0	620	8	1	7	0
Margarita	12 fl oz	210	0	0	0	0	0	0	19	0	19	0
Barq's Root Beer	22 fl oz	210	0	0	0	0	0	45	56	0	56	0
	32 fl oz	290	0	0	0	0	0	60	80	0	80	0
Coca-Cola Classic	22 fl oz	180	0	0	0	0	0	5	50	0	50	0
	32 fl oz	260	0	0	0	0	0	5	71	0	71	0
Diet Coke	22 fl oz	0	0	0	0	0	0	20	0	0	0	0
	32 fl oz	0	0	0	0	0	0	25	0	0	0	0
Iced Tea	22 fl oz	0	0	0	0	0	0	15	0	0	0	0
	32 fl oz	0	0	0	0	0	0	20	1	0	0	0
Minute Maid Lemonade	22 fl oz	180	0	0	0	0	0	75	47	0	47	0
	32 fl oz	260	0	0	0	0	0	110	67	0	67	0
Pibb Xtra	22 fl oz	180	0	0	0	0	0	25	49	0	49	0
	32 fl oz	260	0	0	0	0	0	35	69	0	69	0
Sprite	22 fl oz	180	0	0	0	0	0	40	48	0	48	0
	32 fl oz	260	0	0	0	0	0	60	69	0	69	0
Regular Beer	12 fl oz	153	0	0	0	0	0	14	13	0	0	0
Light Beer	12 fl oz	103	0	0	0	0	0	14	6	0	0	0

KID'S MENU NUTRITION FACTS

	Serving	Calories	Calories From Fat	Total Fat (g)	Saturated Fat (g)	Trans Fat (g)	Cholesterol (mg)	Sodium (mg)	Carbohydrates (g)	Dietary Fiber (g)	Sugars (g)	Protein (g)
Flour Tortilla (taco)	1 ea	90	25	2.5	1	0	0	200	13	<1	0	2
Crispy Taco Shell	1 ea	60	20	2	0.5	0	0	10	9	1	<1	<1
Soft Corn Tortilla	1 ea	60	5	0.5	0	0	0	25	13	1	0	1.5
Cilantro-Lime Rice (taco)	1 oz	40	10	1	0	0	0	50	8	0	0	1
Cilantro-Lime Rice (side)	2.5 oz	110	25	2.5	0.5	0	0	130	19	0	0	2
Black Beans (taco)	1.3 oz	40	5	0.5	0	0	0	80	8	4	0	2
Black Beans (side)	2.5 oz	80	5	0.5	0	0	0	160	14	7	<1	4
Pinto Beans* (taco)	1.3 oz	40	5	0.5	0	0	0	110	7	3	0	2
Pinto Beans* (side)	2.5 oz	80	5	0.5	0	0	5	210	14	6	<1	4
Fajita Vegetables	.8 oz	5	0	0	0	0	0	60	1	0	1	0
Barbacoa	1.3 oz	60	20	2.5	1	0	20	170	1	0	0	8
Chicken	1.8 oz	60	20	2	0.5	0	40	120	0	0	0	10
Carnitas	1.3 oz	60	25	2.5	1	0	25	180	0	0	0	9
Steak	1.3 oz	60	20	2	0.5	0	20	110	1	0	0	10
Chorizo	1.3 oz	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fresh Tomato Salsa	1.2 oz	5	0	0	0	0	0	160	1	0	1	0
Roasted Chili-Corn Salsa	1.2 oz	25	5	0.5	0	0	0	140	5	1	1	1
Tomatillo-Green Chili Salsa	.7 fl oz	5	0	0	0	0	0	80	1	0	1	0
Tomatillo-Red Chili Salsa	.7 fl oz	15	5	0.5	0	0	0	170	3	1	1	1
Cheese (taco)	.3 oz	35	25	3	1.5	0	10	60	0	0	0	3
Cheese (small quesadilla)	1 oz	100	80	8.5	5	0	30	180	0	0	0	8
Sour Cream	.7 oz	40	30	3.5	2.5	0	15	10	1	0	1	1
Guacamole	1.2 oz	50	40	4.5	0.5	0	0	60	3	2	0	1
Romaine Lettuce (taco)	.1 oz	5	0	0	0	0	0	0	1	<1	0	0
Chips	1 oz	140	60	7	1	0	0	110	18	2	1	2

May 2011

*Our Pinto Beans are cooked with bacon.

Our steak is cooked to medium rare. Consuming raw or undercooked meats may increase your risk of food borne illness.

Nutritional content may vary because of variations in portion size or recipes, changes in growing seasons or differences in the sources of our ingredients. We may update this chart from time to time.

The Dietary Guidelines for Americans recommend limiting saturated fat to 20 grams and sodium to 2,300 milligrams for a 2,000 calorie diet. Recommended limits may be higher or lower depending upon daily caloric consumption.

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

NOTICE OF ASSIGNMENT TO UNITED STATES MAGISTRATE JUDGE FOR DISCOVERY

This case has been assigned to District Judge Dale S. Fischer and the assigned discovery Magistrate Judge is Jacqueline Chooljian.

The case number on all documents filed with the Court should read as follows:

CV12- 5543 DSF (JCx)

Pursuant to General Order 05-07 of the United States District Court for the Central District of California, the Magistrate Judge has been designated to hear discovery related motions.

All discovery related motions should be noticed on the calendar of the Magistrate Judge

NOTICE TO COUNSEL

A copy of this notice must be served with the summons and complaint on all defendants (if a removal action is filed, a copy of this notice must be served on all plaintiffs).

Subsequent documents must be filed at the following location:

[X] Western Division
312 N. Spring St., Rm. G-8
Los Angeles, CA 90012

[_] Southern Division
411 West Fourth St., Rm. 1-053
Santa Ana, CA 92701-4516

[_] Eastern Division
3470 Twelfth St., Rm. 134
Riverside, CA 92501

Failure to file at the proper location will result in your documents being returned to you.

Name & Address:
Edwin Aiwazian (SBN 232943)
Lawyers for Justice, PC
410 West Arden Avenue, Suite 203
Glendale, California 91203

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

ALAN HERNANDEZ, indivisually, and on behalf of other members of the general public smilarly situated,

PLAINTIFF(S)

v.

CHIPOTLE MEXICAN GRILL, INC., a Delaware corporation; and DOES 1 through 10, inclusive,

DEFENDANT(S).

CASE NUMBER
CV12-05543 DSF(JCx)

SUMMONS

TO: DEFENDANT(S):

A lawsuit has been filed against you.

Within 21 days after service of this summons on you (not counting the day you received it), you must serve on the plaintiff an answer to the attached ☑ complaint ☐ ____________ amended complaint ☐ counterclaim ☐ cross-claim or a motion under Rule 12 of the Federal Rules of Civil Procedure. The answer or motion must be served on the plaintiff's attorney, Edwin Aiwazian, Esq., whose address is 410 West Arden Avenue, Glendale, California 91203. If you fail to do so, judgment by default will be entered against you for the relief demanded in the complaint. You also must file your answer or motion with the court.

Dated: JUN 26 2012

Clerk, U.S. District Court

By: JULIE PRADO
Deputy Clerk

1154

(Seal of the Court)

[Use 60 days if the defendant is the United States or a United States agency, or is an officer or employee of the United States. Allowed 60 days by Rule 12(a)(3)].

UNITED STATES DISTRICT COURT, CENTRAL DISTRICT OF CALIFORNIA
CIVIL COVER SHEET

I (a) PLAINTIFFS (Check box if you are representing yourself ☐)
ALAN HERNANDEZ, individually, and on behalf of other members of the general public similarly situated, Plaintiffs,

DEFENDANTS
CHIPOTLE MEXICAN GRILL, INC., a Delaware corporation; and DOES 1 through 10, inclusive.

(b) Attorneys (Firm Name, Address and Telephone Number. If you are representing yourself, provide same.)
Edwin Aiwazian (SBN 232942); Lawyers for Justice, PC,
410 West Arden Avenue, Suite 203, Glendale, California; Tel: (818) 265-1020

Attorneys (If Known)

II. BASIS OF JURISDICTION (Place an X in one box only.)

☐ 1 U.S. Government Plaintiff
☐ 3 Federal Question (U.S. Government Not a Party)
☐ 2 U.S. Government Defendant
☑ 4 Diversity (Indicate Citizenship of Parties in Item III)

III. CITIZENSHIP OF PRINCIPAL PARTIES - For Diversity Cases Only (Place an X in one box for plaintiff and one for defendant.)

	PTF	DEF		PTF	DEF
Citizen of This State	☑ 1	☐ 1	Incorporated or Principal Place of Business in this State	☐ 4	☐ 4
Citizen of Another State	☐ 2	☐ 2	Incorporated and Principal Place of Business in Another State	☐ 5	☑ 5
Citizen or Subject of a Foreign Country	☐ 3	☐ 3	Foreign Nation	☐ 6	☐ 6

IV. ORIGIN (Place an X in one box only.)

☑ 1 Original Proceeding ☐ 2 Removed from State Court ☐ 3 Remanded from Appellate Court ☐ 4 Reinstated or Reopened ☐ 5 Transferred from another district (specify): ☐ 6 Multi-District Litigation ☐ 7 Appeal to District Judge from Magistrate Judge

V. REQUESTED IN COMPLAINT: JURY DEMAND: ☑ Yes ☐ No (Check 'Yes' only if demanded in complaint.)

CLASS ACTION under F.R.C.P. 23: ☑ Yes ☐ No ☐ **MONEY DEMANDED IN COMPLAINT: $**________

VI. CAUSE OF ACTION (Cite the U.S. Civil Statute under which you are filing and write a brief statement of cause. Do not cite jurisdictional statutes unless diversity.)
California Business and Professions Code Sections, 17500, et seq. and California Business and Professions Code Sections, 17200, et seq.

VII. NATURE OF SUIT (Place an X in one box only.)

OTHER STATUTES
☐ 400 State Reapportionment
☐ 410 Antitrust
☐ 430 Banks and Banking
☐ 450 Commerce/ICC Rates/etc.
☐ 460 Deportation
☐ 470 Racketeer Influenced and Corrupt Organizations
☐ 480 Consumer Credit
☐ 490 Cable/Sat TV
☐ 810 Selective Service
☐ 850 Securities/Commodities/ Exchange
☐ 875 Customer Challenge 12 USC 3410
☐ 890 Other Statutory Actions
☐ 891 Agricultural Act
☐ 892 Economic Stabilization Act
☐ 893 Environmental Matters
☐ 894 Energy Allocation Act
☐ 895 Freedom of Info. Act
☐ 900 Appeal of Fee Determination Under Equal Access to Justice
☐ 950 Constitutionality of State Statutes

CONTRACT
☐ 110 Insurance
☐ 120 Marine
☐ 130 Miller Act
☐ 140 Negotiable Instrument
☐ 150 Recovery of Overpayment & Enforcement of Judgment
☐ 151 Medicare Act
☐ 152 Recovery of Defaulted Student Loan (Excl. Veterans)
☐ 153 Recovery of Overpayment of Veteran's Benefits
☐ 160 Stockholders' Suits
☐ 190 Other Contract
☐ 195 Contract Product Liability
☐ 196 Franchise

REAL PROPERTY
☐ 210 Land Condemnation
☐ 220 Foreclosure
☐ 230 Rent Lease & Ejectment
☐ 240 Torts to Land
☐ 245 Tort Product Liability
☐ 290 All Other Real Property

TORTS — PERSONAL INJURY
☐ 310 Airplane
☐ 315 Airplane Product Liability
☐ 320 Assault, Libel & Slander
☐ 330 Fed. Employers' Liability
☐ 340 Marine
☐ 345 Marine Product Liability
☐ 350 Motor Vehicle
☐ 355 Motor Vehicle Product Liability
☐ 360 Other Personal Injury
☐ 362 Personal Injury-Med Malpractice
☐ 365 Personal Injury-Product Liability
☐ 368 Asbestos Personal Injury Product Liability

IMMIGRATION
☐ 462 Naturalization Application
☐ 463 Habeas Corpus-Alien Detainee
☐ 465 Other Immigration Actions

TORTS — PERSONAL PROPERTY
☑ 370 Other Fraud
☐ 371 Truth in Lending
☐ 380 Other Personal Property Damage
☐ 385 Property Damage Product Liability

BANKRUPTCY
☐ 422 Appeal 28 USC 158
☐ 423 Withdrawal 28 USC 157

CIVIL RIGHTS
☐ 441 Voting
☐ 442 Employment
☐ 443 Housing/Accommodations
☐ 444 Welfare
☐ 445 American with Disabilities - Employment
☐ 446 American with Disabilities - Other
☐ 440 Other Civil Rights

PRISONER PETITIONS
☐ 510 Motions to Vacate Sentence Habeas Corpus
☐ 530 General
☐ 535 Death Penalty
☐ 540 Mandamus/ Other
☐ 550 Civil Rights
☐ 555 Prison Condition

FORFEITURE / PENALTY
☐ 610 Agriculture
☐ 620 Other Food & Drug
☐ 625 Drug Related Seizure of Property 21 USC 881
☐ 630 Liquor Laws
☐ 640 R.R. & Truck
☐ 650 Airline Regs
☐ 660 Occupational Safety /Health
☐ 690 Other

LABOR
☐ 710 Fair Labor Standards Act
☐ 720 Labor/Mgmt. Relations
☐ 730 Labor/Mgmt. Reporting & Disclosure Act
☐ 740 Railway Labor Act
☐ 790 Other Labor Litigation
☐ 791 Empl. Ret. Inc. Security Act

PROPERTY RIGHTS
☐ 820 Copyrights
☐ 830 Patent
☐ 840 Trademark

SOCIAL SECURITY
☐ 861 HIA (1395ff)
☐ 862 Black Lung (923)
☐ 863 DIWC/DIWW (405(g))
☐ 864 SSID Title XVI
☐ 865 RSI (405(g))

FEDERAL TAX SUITS
☐ 870 Taxes (U.S. Plaintiff or Defendant)
☐ 871 IRS-Third Party 26 USC 7609

FOR OFFICE USE ONLY: Case Number: CV12-05543

AFTER COMPLETING THE FRONT SIDE OF FORM CV-71, COMPLETE THE INFORMATION REQUESTED BELOW.

UNITED STATES DISTRICT COURT, CENTRAL DISTRICT OF CALIFORNIA
CIVIL COVER SHEET

VIII(a). IDENTICAL CASES: Has this action been previously filed in this court and dismissed, remanded or closed? ☑ No ☐ Yes
If yes, list case number(s):

VIII(b). RELATED CASES: Have any cases been previously filed in this court that are related to the present case? ☑ No ☐ Yes
If yes, list case number(s):

Civil cases are deemed related if a previously filed case and the present case:
(Check all boxes that apply) ☐ A. Arise from the same or closely related transactions, happenings, or events; or
☐ B. Call for determination of the same or substantially related or similar questions of law and fact; or
☐ C. For other reasons would entail substantial duplication of labor if heard by different judges; or
☐ D. Involve the same patent, trademark or copyright, and one of the factors identified above in a, b or c also is present.

IX. VENUE: (When completing the following information, use an additional sheet if necessary.)

(a) List the County in this District; California County outside of this District; State if other than California; or Foreign Country, in which **EACH** named plaintiff resides.
☐ Check here if the government, its agencies or employees is a named plaintiff. If this box is checked, go to item (b).

County in this District:*	California County outside of this District; State, if other than California; or Foreign Country
Los Angeles	

(b) List the County in this District; California County outside of this District; State if other than California; or Foreign Country, in which **EACH** named defendant resides.
☐ Check here if the government, its agencies or employees is a named defendant. If this box is checked, go to item (c).

County in this District:*	California County outside of this District; State, if other than California; or Foreign Country
	Delaware

(c) List the County in this District; California County outside of this District; State if other than California; or Foreign Country, in which **EACH** claim arose.
Note: In land condemnation cases, use the location of the tract of land involved.

County in this District:*	California County outside of this District; State, if other than California; or Foreign Country
Los Angeles	

*** Los Angeles, Orange, San Bernardino, Riverside, Ventura, Santa Barbara, or San Luis Obispo Counties**
Note: In land condemnation cases, use the location of the tract of land involved

X. SIGNATURE OF ATTORNEY (OR PRO PER): Edwin Aiwazian **Date** June 25, 2012

Notice to Counsel/Parties: The CV-71 (JS-44) Civil Cover Sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law. This form, approved by the Judicial Conference of the United States in September 1974, is required pursuant to Local Rule 3-1 is not filed but is used by the Clerk of the Court for the purpose of statistics, venue and initiating the civil docket sheet. (For more detailed instructions, see separate instructions sheet.)

Key to Statistical codes relating to Social Security Cases:

Nature of Suit Code	Abbreviation	Substantive Statement of Cause of Action
861	HIA	All claims for health insurance benefits (Medicare) under Title 18, Part A, of the Social Security Act, as amended. Also, include claims by hospitals, skilled nursing facilities, etc., for certification as providers of services under the program. (42 U.S.C. 1935FF(b))
862	BL	All claims for "Black Lung" benefits under Title 4, Part B, of the Federal Coal Mine Health and Safety Act of 1969. (30 U.S.C. 923)
863	DIWC	All claims filed by insured workers for disability insurance benefits under Title 2 of the Social Security Act, as amended; plus all claims filed for child's insurance benefits based on disability. (42 U.S.C. 405(g))
863	DIWW	All claims filed for widows or widowers insurance benefits based on disability under Title 2 of the Social Security Act, as amended. (42 U.S.C. 405(g))
864	SSID	All claims for supplemental security income payments based upon disability filed under Title 16 of the Social Security Act, as amended.
865	RSI	All claims for retirement (old age) and survivors benefits under Title 2 of the Social Security Act, as amended. (42 U.S.C. (g))