

McDERMOTT
QUILTY &
MILLER LLP

28 STATE STREET, SUITE 802
BOSTON, MA 02109

June 22, 2018

VIA FEDEX OVERNIGHT DELIVERY

Board of Selectmen
Natick Town Hall, 2nd floor
13 East Central Street
Natick, MA 01760
Attn: Donna Donovan

**Re: New C.V. 7-Day Wine and Malt Beverages License Application
Chipotle Mexican Grill of Colorado, LLC
219 N. Main Street, Natick, MA 01760**

RECEIVED

JUN 25 2018

BOARD OF SELECTMEN
NATICK, MA

Dear Ms. Donovan:

This office represents Chipotle Mexican Grill of Colorado, LLC (the "Applicant") in its application for a New C.V. 7-Day Wine and Malt Beverages License to be exercised at 219 N. Main Street, Natick, MA 01760 (the "Premises"). The Applicant was recently approved for a Common Victualler license in the same location. Enclosed please find **two (2) sets** of the following application materials and copies of the supplemental documents regarding the above-referenced matter:

- 1) Monetary Transmittal Form
- 2) ABCC Application for New C.V. 7-Day Wine and Malt Beverages License Application
- 3) Articles of Organization
- 4) Corporate Structure Chart
- 5) Floor Plan
- 6) Vote of the LLC
- 7) Proof of Citizenship for Proposed Manager of Record
- 8) ABCC Criminal Record Form for Proposed Manager of Record
- 9) ABCC Criminal Record Forms for Officers
- 10) Beneficial Interest Forms for Officers and Parent Company
- 11) Lease Agreement
- 12) Financial Statement- Form 10K

Also enclosed please find a check made payable to the City of Natick for Two Hundred Fifty Dollars and 00/100 (\$250.00) and a receipt providing for payment of Two Hundred Dollars and 00/100 (\$200.00) to the Alcoholic Beverages Control Commission.

We respectfully request that this matter be placed on your agenda for your most recent upcoming hearing.

Thank you. Please do not hesitate to contact our office with any questions or requests for additional information.

Sincerely,

A handwritten signature in dark ink, appearing to read 'SVM' followed by a circled monogram or initials.

Stephen V. Miller, Esq.

SVM/rm
Enclosures



1401 WYNKOOP STREET
SUITE 500
DENVER, CO 80202

FOR PAYMENT INQUIRIES CALL
614-318-2400

No. 58025

DATE 11-Jun-2018

VENDOR NAME TOWN OF NATICK

VENDOR NO. 102831

INVOICE NO.	INVOICE DATE	DESCRIPTION	DISCOUNT AMOUNT	NET AMOUNT
2987/06081814249	8-Jun-18	WB:Liquor License Application Fee	0.00	250.00
Thank You				250.00

PLEASE DETACH AND RETAIN THIS STATEMENT AS YOUR RECORD OF PAYMENT.

THIS CHECK CONTAINS SAFETY FRONT AND BACK. DO NOT CASH UNLESS YOU CAN SEE THE WORD "SAFE" WHEN HOLDING AT AN ANGLE.



1401 WYNKOOP STREET
SUITE 500
DENVER, CO 80202

JPMorgan Chase Bank, N.A.
Columbus, Ohio
55-1544 / 441

No. 58025

CHECK DATE	CHECK NUMBER	CHECK AMOUNT
11-Jun-2018	58025	\$ **250.00

PAY

Two Hundred Fifty Dollars And Zero Cents*****

Void after 180 days

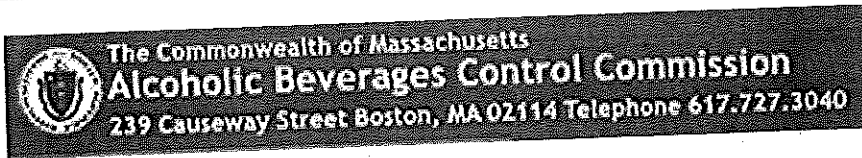
TO
THE
ORDER
OF

TOWN OF NATICK
13 E CENTRAL ST
NATICK, MA 01760
United States

Jack Hartung

58025 0441154430

693194300

**To pay your bill online:**

1. Enter Your Account Number
2. Select the payment type and enter a payment amount - [Please click here for our ACH FAQ](#)
3. Select the payment type and enter a payment amount
4. Confirm your entries
5. On approval, write down the Confirmation Number for future reference

[Privacy Statement](#)

**Your Payment Has Been Approved**

Customer Name Chipotle Mexican Grill

License Type Retail License Filing Fee

Method Of Payment Checking

Bank Account Number ****0591

Your Confirmation Number Is 173005.

[Exit](#)

[Make Another Payment](#)

[Print](#)

Monetary Transmittal Form



The Commonwealth of Massachusetts
Alcoholic Beverages Control Commission
 239 Causeway Street
 Boston, MA 02114
www.mass.gov/abcc

**RETAIL ALCOHOLIC BEVERAGES LICENSE APPLICATION
 MONETARY TRANSMITTAL FORM**

APPLICATION SHOULD BE COMPLETED ON-LINE, PRINTED, SIGNED, AND SUBMITTED TO THE LOCAL
 LICENSING AUTHORITY.

ECRT CODE: RETA

CHECK PAYABLE TO ABCC OR COMMONWEALTH OF MA: \$200.00

(CHECK MUST DENOTE THE NAME OF THE LICENSEE CORPORATION, LLC, PARTNERSHIP, OR INDIVIDUAL)

CHECK NUMBER

N/A

IF USED EPAY, CONFIRMATION NUMBER

173005

A.B.C.C. LICENSE NUMBER (IF AN EXISTING LICENSEE, CAN BE OBTAINED FROM THE CITY)

N/A

LICENSEE NAME

Chipotle Mexican Grill of Colorado, LLC

ADDRESS

219 N. Main Street

CITY/TOWN

Natick

STATE

MA

ZIP CODE

01760

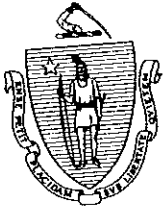
TRANSACTION TYPE (Please check all relevant transactions):

- | | | | |
|--|---|---|---|
| <input type="checkbox"/> Alteration of Licensed Premises | <input type="checkbox"/> Cordials/Liqueurs Permit | <input type="checkbox"/> New Officer/Director | <input type="checkbox"/> Transfer of License |
| <input type="checkbox"/> Change Corporate Name | <input type="checkbox"/> Issuance of Stock | <input type="checkbox"/> New Stockholder | <input type="checkbox"/> Transfer of Stock |
| <input type="checkbox"/> Change of License Type | <input type="checkbox"/> Management/Operating Agreement | <input type="checkbox"/> Pledge of Stock | <input type="checkbox"/> Wine & Malt to All Alcohol |
| <input type="checkbox"/> Change of Location | <input type="checkbox"/> More than (3) \$15 | <input type="checkbox"/> Pledge of License | <input type="checkbox"/> 6-Day to 7-Day License |
| <input type="checkbox"/> Change of Manager | <input checked="" type="checkbox"/> New License | <input type="checkbox"/> Seasonal to Annual | |
| <input type="checkbox"/> Other | | | |

THE LOCAL LICENSING AUTHORITY MUST MAIL THIS TRANSMITTAL FORM ALONG WITH THE
 CHECK, COMPLETED APPLICATION, AND SUPPORTING DOCUMENTS TO:

ALCOHOLIC BEVERAGES CONTROL COMMISSION
 239 CAUSEWAY STREET
 BOSTON, MA 02241-3396

**ABCC Application for New
C.V. 7-Day Wine and Malt
Beverages License
Application**



The Commonwealth of Massachusetts
Alcoholic Beverages Control Commission
239 Causeway Street
Boston, MA 02114
www.mass.gov/abcc

APPLICATION FOR A RETAIL ALCOHOLIC BEVERAGES LICENSE

Please complete this entire application, leaving no fields blank. If field does not apply to your situation, please write N/A.

1. NAME OF PROPOSED LICENSEE (Business Contact)

Chipotle Mexican Grill of Colorado, LLC

This is the corporation or LLC which will hold the license, **not** the individual submitting this application. If you are applying for this license as a sole proprietor, not an LLC, corporation or other legal entity, you may enter your personal name here.

2. RETAIL APPLICATION INFORMATION

There are two ways to obtain an alcoholic beverages license in the Commonwealth of Massachusetts, either by obtaining an existing license through a transfer or by applying for a new license.

Are you applying for a new license ☒ New ☐ Transfer
or the transfer of an existing license?
If applying for a new license, are you applying for this license pursuant to special legislation?

☐ Yes ☒ No

Chapter

Acts of

If transferring, please indicate the current ABCC license number you are seeking to obtain:

If transferring, by what method is the license being transferred?

3. LICENSE INFORMATION / QUOTA CHECK

City/Town

Natick, MA

TYPE

\$12 Restaurant

CATEGORY

Wines and Malt Beverages

On/Off-Premises

On-Premises

CLASS

Annual

4. APPLICATION CONTACT

The application contact is required and is the person who will be contacted with any questions regarding this application.

First Name:

Stephen

Middle: V.

Last Name: Miller, Esq.

Title:

Attorney

Primary Phone:

617-946-4600

Email: smiller@mqmlp.com

5. OWNERSHIP

Please list all individuals or entities with a direct or indirect, beneficial or financial interest in this license.
An individual or entity has a **direct beneficial interest** in a license when the individual or entity owns or controls any part of the license. For example, if John Smith owns Smith LLC, a licensee, John Smith has a direct beneficial interest in the license.

An individual or entity has an **indirect beneficial interest** if the individual or entity has 1) any ownership interest in the license through an intermediary, no matter how removed from direct ownership, 2) any form of control over part of a license no matter how attenuated, or 3) otherwise benefits in any way from the license operation. For Example, Jane Doe owns Doe Holding Company Inc., which is a shareholder of Doe LLC, the license holder. Jane Doe has an indirect interest in the license.

- A. All individuals listed below are required to complete a **Beneficial Interest Contact - Individual** form.
B. All entities listed below are required to complete a **Beneficial Interest Contact - Organization** form.
C. Any individual with any ownership in this license and/or the proposed manager of record must complete a **CORI Release Form**.

Name	Title / Position	% Owned	Other Beneficial Interest
Matthew Ells	LLC Manager	0	Please see attachment
Jonathan Hartung	LLC Manager	0	Please see attachment

For additional space, please use next page

APPLICATION FOR A NEW RETAIL ALCOHOLIC BEVERAGES LICENSE

5. OWNERSHIP (continued)

Name	Title / Position	% Owned	Other Beneficial Interest
Chipotle Mexican Grill, Inc.	Stockholder	100	Please see attached.

6. PREMISES INFORMATION

Please enter the address where the alcoholic beverages are sold.

Premises Address

Street Number: 219 Street Name: N. Main Street Unit:
 City/Town: Natick State: MA Zip Code: 01760
 Country: United States of America

Description of Premises

Please provide a complete description of the premises, including the number of floors, number of rooms on each floor, any outdoor areas to be included in the licensed area, and total square footage.

Floor Number	Square Footage	Number of Rooms
1	2,301	6

Patio/Deck/Outdoor Area Total Square Footage TBD
 Indoor Area Total Square Footage 2,301
 Number of Entrances 1
 Number of Exits 2
 Proposed Seating Capacity 61
 Proposed Occupancy 49

Occupancy of Premises

Please complete all fields in this section. Documentation showing proof of legal occupancy of the premises is required.

Please indicate by what right the applicant has to occupy the premises

Lease

Landlord Name 9-27, LLC

Landlord Phone

508-655-0505

Landlord Address

c/o Crosspoint Associates, Inc.
 300 Third Avenue, Suite 2
 Waltham, MA 02451

Lease Beginning Term

Jun 28, 2018

Lease Ending Term

Jun 27, 2028

Rent per Month

\$9,587.50

Rent per Year

\$115,050.00

If leasing or renting the premises, a signed copy of the lease is required.

If the lease is contingent on the approval of this license, and a signed lease is not available, a copy of the unsigned lease and a letter of intent to lease, signed by the applicant and the landlord, is required.

Please indicate if the terms of the lease include payments based on the sale of alcohol: ☐ Yes ☒ No

APPLICATION FOR A NEW RETAIL ALCOHOLIC BEVERAGES LICENSE

7. BUSINESS CONTACT

The Business Contact is the proposed licensee. If you are applying as a Sole Proprietor (the license will be held by an individual, not a business), you should use your own name as the entity name.
* Please see last page of application for required documents based on Legal Structure *

Entity Name: Chipotle Mexican Grill of Colorado, LLC
FEIN: 84-1485992
DBA: Chipotle
Fax Number: N/A
Primary Phone: 303-222-2524
Email: wbenet@chipotle.com
Alternative Phone: N/A
Legal Structure of Entity: LLC

Business Address (Corporate Headquarters)

☐ Check here if your Business Address is the same as your Premises Address

Street Number: 1401
Street Name: Wynkoop Street, Suite 500
City/Town: Denver
State: CO
Zip Code: 80202
Country: United States of America

Mailing Address

☐ Check here if your Mailing Address is the same as your Premises Address

Street Number: 1401
Street Name: Wynkoop Street, Suite 500
City/Town: Denver
State: CO
Zip Code: 80202
Country: United States of America

Is the Entity a Massachusetts Corporation?

☐ Yes ☒ No

If no, is the Entity registered to do business in Massachusetts?

☒ Yes ☐ No

If no, state of incorporation

Colorado

Other Beneficial Interest

Does the proposed licensee have a beneficial interest in any other Massachusetts Alcoholic Beverages Licenses? ☒ Yes ☐ No

If yes, please complete the following table.

Name of License	Type of License	License Number	Premises Address
Please see attached.	\$12 On Premises	Please see attached.	Please see attached.

Prior Disciplinary Action:

Has any alcoholic beverages license owned by the proposed licensee ever been disciplined for an alcohol related violation?

Date of Action	Name of License	State	City	Reason for suspension, revocation or cancellation
N/A	N/A	N/A	N/A	N/A

APPLICATION FOR A NEW RETAIL ALCOHOLIC BEVERAGES LICENSE

8. MANAGER CONTACT

The Manager Contact is required and is the individual who will have day-to-day, operational control over the liquor license.

Salutation First Name Middle Name Last Name Suffix

Social Security Number Date of Birth

Primary Phone: Email:

Mobile Phone: Place of Employment

Alternative Phone: Fax Number

Citizenship / Residency / Background Information of Proposed Manager

Are you a U.S. Citizen? ☒ Yes ☐ No

Have you ever been convicted of a state, federal, or military crime? ☐ Yes ☒ No

If yes, attach an affidavit that lists your convictions with an explanation for each

Have you ever been Manager of Record of a license to sell alcoholic beverages? ☐ Yes ☒ No

If yes, please list the licenses for which you are the current or proposed manager:

Do you have direct, indirect, or financial interest in this license? ☐ Yes ☒ No

If yes, percentage of interest

If yes, please indicate type of Interest (check all that apply):

- | | |
|---|--|
| <input type="checkbox"/> Officer | <input type="checkbox"/> Sole Proprietor |
| <input type="checkbox"/> Stockholder | <input type="checkbox"/> LLC Manager |
| <input type="checkbox"/> LLC Member | <input type="checkbox"/> Director |
| <input type="checkbox"/> Partner | <input type="checkbox"/> Landlord |
| <input type="checkbox"/> Contractual | <input type="checkbox"/> Revenue Sharing |
| <input type="checkbox"/> Management Agreement | <input type="checkbox"/> Other |

Please indicate how many hours per week you intend to be on the licensed premises

Employment Information of Proposed Manager

Please provide your employment history for the past 10 years

Date(s)	Position	Employer	Address	Phone
9/2010- Present	Crew, Apprentice, Manager	Chipotle Mexican Grill	237 Boston Post Rd, W Marlborough, MA	(508) 480-84
11/2012-9/2013	Barista	Starbucks	23 S Bolton St, Marlborough, MA 01752	(508) 486-97

Prior Disciplinary Action of Proposed Manager

Have you ever been involved directly or indirectly in an alcoholic beverages license that was subject to disciplinary action? If yes, please complete the following:

Date of Action	Name of License	State	City	Reason for suspension, revocation or cancellation
N/A	N/A	N/A	N/A	N/A

APPLICATION FOR A NEW RETAIL ALCOHOLIC BEVERAGES LICENSE

9. FINANCIAL INFORMATION

Please provide information about associated costs of this license.

Associated Costs

A. Purchase Price for Building/Land	0
B. Purchase Price for any Business Assets	0
C. Costs of Renovations/Construction	\$759,992.56
D. Purchase Price of Inventory	0
E. Initial Start-Up Costs	0
F. Other (Please specify)	0
G. Total Cost (Add lines A-F)	\$759,992.56

Please note, the total amount of Cash Investment (top right table) plus the total amount of Financing (bottom right table) must be equal to or greater than the Total Cost (line G above).

Please provide information about the sources of cash and/or financing for this transaction

Source of Cash Investment

Name of Contributor	Amount of Contribution
Chipotle Mexican Grill	\$759,992.56
Total:	\$759,992.56

Source of Financing

Name of Lender	Amount	Does the lender hold an interest in any MA alcoholic beverages licenses?	If yes, please provide ABCC license number of lender
N/A	N/A	N/A	N/A
Total:			N/A

10. PLEDGE INFORMATION

Are you seeking approval for a pledge? ☐ Yes ☒ No

Please indicate what you are seeking to pledge (check all that apply)

☐ License ☐ Stock / Beneficial Interest ☐ Inventory

To whom is the pledge is being made: N/A

Does the lender have a beneficial interest in this license? ☐ Yes ☐ No

Does the lease require a pledge of this license? ☐ Yes ☐ No

ADDITIONAL SPACE

The following space is for any additional information you wish to supply or to clarify an answer you supplied in the application.

If referencing the application, please be sure to include the number of the question to which you are referring.

In all of said premises: on first floor, dining area, kitchen, bathrooms, and office, with seating for 49 (+/- 2301 SF). Seasonal patio (April -October) with seating for 12. Total seating for 61.

APPLICANT'S STATEMENT

I, Matthew Ellis the: ☐ sole proprietor; ☐ partner; ☐ corporate principal; ☒ LLC/LLP member
Authorized Signatory

of Chipotle Mexican Grill of Colorado, LLC, hereby submit this application for a C.V. 7 Day All Alcoholic Beverages License
Name of the Entity/Corporation Transaction(s) you are applying for

(hereinafter the "Application"), to the local licensing authority (the "LLA") and the Alcoholic Beverages Control Commission (the "ABCC" and together with the LLA collectively the "Licensing Authorities") for approval.

I do hereby declare under the pains and penalties of perjury that I have personal knowledge of the information submitted in the Application, and as such affirm that all statement and representations therein are true to the best of my knowledge and belief. I further submit the following to be true and accurate:

- (1) I understand that each representation in this Application is material to the Licensing Authorities' decision on the Application and that the Licensing Authorities will rely on each and every answer in the Application and accompanying documents in reaching its decision;
- (2) I state that the location and description of the proposed licensed premises does not violate any requirement of the ABCC or other state law or local ordinances;
- (3) I understand that while the Application is pending, I must notify the Licensing Authorities of any change in the information submitted therein. I understand that failure to give such notice to the Licensing Authorities may result in disapproval of the Application;
- (4) I understand that upon approval of the Application, I must notify the Licensing Authorities of any change in the Application information as approved by the Licensing Authorities. I understand that failure to give such notice to the Licensing Authorities may result in sanctions including revocation of any license for which this Application is submitted;
- (5) I understand that the licensee will be bound by the statements and representations made in the Application, including, but not limited to the identity of persons with an ownership or financial interest in the license;
- (6) I understand that all statements and representations made become conditions of the license;
- (7) I understand that any physical alterations to or changes to the size of, the area used for the sale, delivery, storage, or consumption of alcoholic beverages, must be reported to the Licensing Authorities and may require the prior approval of the Licensing Authorities;
- (8) I understand that the licensee's failure to operate the licensed premises in accordance with the statements and representations made in the Application may result in sanctions, including the revocation of any license for which the Application was submitted; and
- (9) I understand that any false statement or misrepresentation will constitute cause for disapproval of the Application or sanctions including revocation of any license for which this Application is submitted.

Signature:

[Signature]

Date:

2/22/18

Title:

LLC Manager

Articles of Organization



William Francis Galvin
Secretary of the Commonwealth of Massachusetts

Corporations Division

Business Entity Summary

[Request certificate](#)[New search](#)

ID Number: 000933575

Summary for: **CHIPOTLE MEXICAN GRILL OF COLORADO, LLC**

The exact name of the Foreign Limited Liability Company (LLC): **CHIPOTLE MEXICAN GRILL OF COLORADO, LLC**

Entity type: Foreign Limited Liability Company (LLC)

Identification Number: 000933575

Date of Registration in Massachusetts:
09-19-2006

Last date certain:

Organized under the laws of: State: CO Country: USA on: 01-05-1999

The location of the Principal Office:

Address: 1401 WYNKOOP ST., STE 500
City or town, State, Zip code, DENVER, CO 80202 USA
Country:

The location of the Massachusetts office, if any:

Address:
City or town, State, Zip code,
Country:

The name and address of the Resident Agent:

Name: NATIONAL REGISTERED AGENTS, INC.
Address: 155 FEDERAL STREET, SUITE 700
City or town, State, Zip code, BOSTON, MA 02110 USA
Country:

The name and business address of each Manager:

Title	Individual name	Address
MANAGER	M. STEVE ELLS	1401 WYNKOOP ST. STE. 500 DENVER, CO 80202 USA
MANAGER	JOHN R HARTUNG	1401 WYNKOOP ST. STE. 500 DENVER, CO 80202 USA

The name and business address of the person(s) authorized to execute, acknowledge, deliver, and record any recordable instrument purporting to affect an interest in real property:

12/21/2017

Title	Individual name	Address
REAL PROPERTY	M. STEVEN ELLS	1401 WYNKOOP ST., STE 500 DENVER, CO 80202 USA
<input type="checkbox"/> Consent	<input type="checkbox"/> Confidential Data	<input checked="" type="checkbox"/> Merger Allowed
<input type="checkbox"/> Manufacturing		
View filings for this business entity:		
<div>ALL FILINGS Annual Report Annual Report - Professional Application For Registration Certificate of Amendment Certificate of Good Standing</div>		
<div>View filings</div>		
Comments or notes associated with this business entity:		
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<div>New search</div>		

Corporate Structure Chart

Organizational Chart for Chipotle Mexican Grill of Colorado, LLC

Chipotle Mexican Grill, Inc.
A Delaware Corporation
Sole Member (Parent Company)
FEIN: 84-1219301

Officers:
M. Steven Ells: Chief Executive Officer & Chairman of the Board of Directors
1401 Wynkoop St., #500, Denver, CO 80202

John Hartung: Chief Financial Officer
1401 Wynkoop St., #500, Denver, CO 80202

CHIPOTLE MEXICAN GRILL, INC is a publicly traded company on the NYSE
under the symbol "CMG" since January 26, 2006



Chipotle Mexican Grill of Colorado, LLC (Licensee)
Massachusetts LLC established in 2006
FEIN: 84-1485992

Managers:
M. Steven Ells: 1401 Wynkoop St., #500, Denver, CO 80202
John Hartung: 1401 Wynkoop St., #500, Denver, CO 80202

Floor Plan

GENERAL NOTES

1. REFER TO PROJECT MANUAL COMPARTMENT FOR AN INVENTORY SCHEDULE.
2. ALL EQUIPMENT SHALL BE INSTALLED TO FACE OF FINISHING, UNLESS OTHERWISE NOTED.
3. CHECKING OF EQUIPMENT SHALL BE THE RESPONSIBILITY OF THE ARCHITECT.
4. ALL EQUIPMENT SHALL BE INSTALLED TO FACE OF FINISHING, UNLESS OTHERWISE NOTED.

GENERAL NOTES

CHAOTLE ARCHITECTS
 Boston, MA
 100 N. STATE ST.
 5TH FLOOR
 BOSTON, MA 02109
 TEL: 617.552.1234
 FAX: 617.552.1235
 WWW.CHAOTLEARCHITECTS.COM

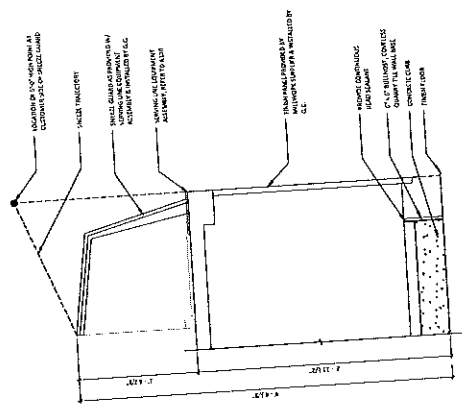
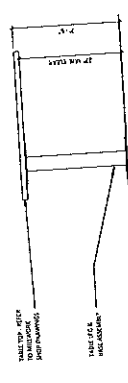
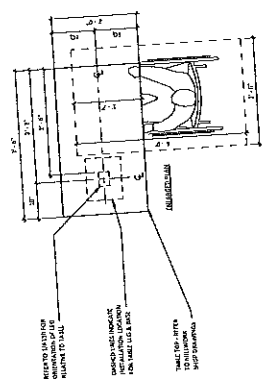
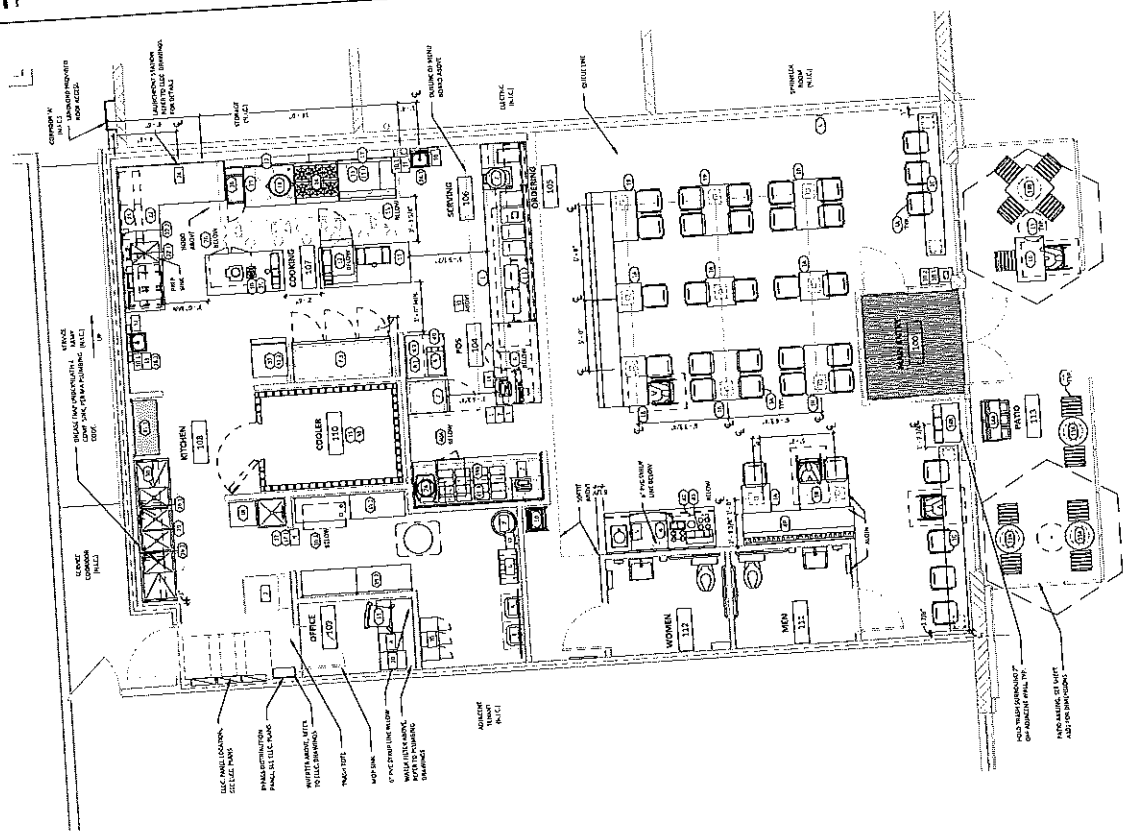


STORE NO. 2987
 NATICK
 219 NORTH MAIN STREET, MA 01960

NO.	DESCRIPTION	DATE	BY
1	ISSUED FOR PERMIT	10/1/10	CHAOTLE
2	ISSUED FOR PERMIT	10/1/10	CHAOTLE
3	ISSUED FOR PERMIT	10/1/10	CHAOTLE
4	ISSUED FOR PERMIT	10/1/10	CHAOTLE
5	ISSUED FOR PERMIT	10/1/10	CHAOTLE
6	ISSUED FOR PERMIT	10/1/10	CHAOTLE
7	ISSUED FOR PERMIT	10/1/10	CHAOTLE
8	ISSUED FOR PERMIT	10/1/10	CHAOTLE
9	ISSUED FOR PERMIT	10/1/10	CHAOTLE
10	ISSUED FOR PERMIT	10/1/10	CHAOTLE

A130

FURNITURE, FURNITURE &
 EQUIPMENT PLAN



FURNITURE, FURNITURE &
 EQUIPMENT PLAN

DETAIL @ ACCESSIBLE TABLE
 10/1/10

DETAIL @ SERVICE SNEEZE GUARD
 10/1/10

Vote of the LLC

CHIPOTLE MEXICAN GRILL OF COLORADO, LLC.
D/B/A CHIPOTLE

CERTIFICATE OF VOTE

May 31, 2018

At a meeting of the LLC Managers of Chipotle Mexican Grill of Colorado, LLC d/b/a Chipotle (the "Company") with a principal place of business located at 1401 Wynkoop Street, Suite 500, Denver, CO 80202, it was duly voted as follows:


"VOTED: That the Company apply to the Natick Board of Selectmen for a New C.V. 7-Day Malt and Wine Beverages License to be exercised at the premises located at 219 N. Main Street, Natick, MA 01760."

"VOTED: To authorize Matthew Ells to sign the application for the license in the name of Chipotle Mexican Grill of Colorado, LLC d/b/a Chipotle, and to execute on the company's behalf any necessary papers and do all things required relative to the granting of the application."

"VOTED: To appoint Deanna Bigwood of Clinton, MA as its Manager of Record, with as full authority and control of the premises described therein relative to alcoholic beverages as the licensee itself could in any way have and exercise if it were a natural person resident in the Commonwealth of Massachusetts and that a copy of this vote duly certified by a Manager of the LLC and delivered to said manager or principal representative shall constitute the written authority required by M.G.L. c. 138 § 26."

It is hereby certified that all the LLC Managers of Chipotle Mexican Grill of Colorado, LLC, a limited liability company duly organized under the laws of the Commonwealth of Massachusetts, are citizens of the United States and a majority are residents of the Commonwealth of Massachusetts.

This limited liability company has NOT been dissolved.



Name: Matthew Ells
Its: LLC Manager
Duly Authorized

Proof of Citizenship for Proposed Manager of Record

CERTIFICATE OF VITAL RECORD

VERIFY PRESENCE OF WATERMARK

HOLD TO LIGHT TO VIEW

The Commonwealth of Massachusetts CITY OF WORCESTER

CT 1336795

CERTIFICATE OF BIRTH

REGISTERED NUMBER: 118

CHILD

Name: DEANNA ASHLEY BIGWOOD
Date of Birth: JANUARY 31, 1992 Time: 6:42 PM
Sex: FEMALE
Plurality: SINGLE
Place of Birth: WORCESTER, MA Birth Order: -

MOTHER

Name: MICHELLE MARIE PALARDY
Maiden surname: PALARDY
Birthplace: BOSTON, MASSACHUSETTS
Residence: MARLBOROUGH, MA Date of BIRTH: JUNE 17, 1971

FATHER

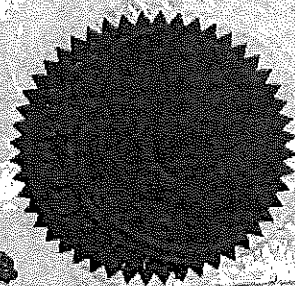
Name: GUY LAWRENCE BIGWOOD
Birthplace: WORCESTER, MASSACHUSETTS
Date of BIRTH: OCTOBER 17, 1960

Date of RECORD: FEBRUARY 14, 1992

I, the undersigned, hereby certify that I am the City Clerk of the City of Worcester;
that as such I have custody of the records of births required by law to be kept in my office;
I do hereby certify that the above is a true copy from said records.

WITNESS my hand and the SEAL of the CITY OF WORCESTER:
AUGUST 10, 2017.

Susan M. Ledoux
SUSAN M. LEDOUX
CITY CLERK



VOID WITHOUT WATERMARK OR IF ALTERED OR ERASED

ILLEGAL TO ALTER OR REPRODUCE

ABCC Criminal Record Form for Proposed Manager of Record



Commonwealth of Massachusetts
Alcoholic Beverages Control Commission
239 Causeway Street, First Floor
Boston, MA 02114

DEBORAH B. GOLDBERG
TREASURER AND RECEIVER GENERAL

CORI REQUEST FORM

JEAN M. LORIZIO, ESQ.
CHAIRMAN

The Alcoholic Beverages Control Commission ("ABCC") has been certified by the Criminal History Systems Board to access conviction and pending Criminal Offender Record Information ("CORI"). For the purpose of approving each shareholder, owner, licensee or applicant for an alcoholic beverages license, I understand that a criminal record check will be conducted on me, pursuant to the above. The information below is correct to the best of my knowledge.

ABCC LICENSE INFORMATION

ABCC NUMBER:
(OF EXISTING LICENSEE)

LICENSEE NAME: Chipotle Mexican Grill of Colorado, LLC

CITY/TOWN: Natick, MA

APPLICANT INFORMATION

LAST NAME: Bigwood

FIRST NAME: Deanna

MIDDLE NAME: Ashley

MAIDEN NAME OR ALIAS (IF APPLICABLE):

PLACE OF BIRTH: Worcester, MA

DATE OF BIRTH: 01/31/1992

SSN:

ID THEFT INDEX PIN (IF APPLICABLE):

MOTHER'S MAIDEN NAME: Michelle Marie Palardy

DRIVER'S LICENSE #:

STATE LIC. ISSUED: Massachusetts

GENDER: FEMALE

HEIGHT: 5

2

WEIGHT: 145

EYE COLOR: Green

CURRENT ADDRESS: 13 Spruce Street

CITY/TOWN: Clinton

STATE: MA

ZIP: 01510

FORMER ADDRESS: 1152 Pleasant Street

CITY/TOWN: Worcester

STATE: MA

ZIP: 01602

PRINT AND SIGN

PRINTED NAME:

DEANNA BIGWOOD

APPLICANT/EMPLOYEE SIGNATURE:

NOTARY INFORMATION

On this

6/20/18

before me, the undersigned notary public, personally appeared

Deanna A. Bigwood

(name of document signer), proved to me through satisfactory evidence of identification, which were

Driver's license

to be the person whose name is signed on the preceding or attached document, and acknowledged to me that (he) (she) signed it voluntarily for its stated purpose.

Clarisa Berio

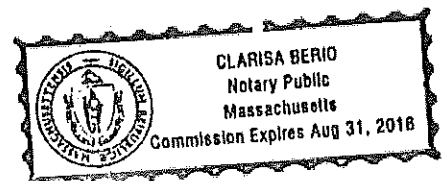
NOTARY

DIVISION USE ONLY

REQUESTED BY:

SIGNATURE OF CORI AUTHORIZED EMPLOYEE

The DCI Identity Theft Index PIN Number is to be completed by those applicants that have been issued an Identity Theft PIN Number by the DCI. Certified agencies are required to provide all applicants the opportunity to include this information to ensure the accuracy of the CORI request process. All CORI request forms that include this field are required to be submitted to the DCI via mail or by fax to (617) 640-4816.



ABCC Criminal Record Forms for Officers



Commonwealth of Massachusetts
Alcoholic Beverages Control Commission
239 Causeway Street, First Floor
Boston, MA 02114

STEVEN GROSSMAN
TREASURER AND RECEIVER GENERAL

KIM S. GAINSBORO, ESQ.
CHAIRMAN

CORI REQUEST FORM

The Alcoholic Beverages Control Commission has been certified by the Criminal History Systems Board to access conviction and pending Criminal Offender Record Information. For the purpose of approving each shareholder, owner, licensee or applicant for an alcoholic beverages license, I understand that a criminal record check will be conducted on me, pursuant to the above. The information below is correct to the best of my knowledge.

ABCC LICENSE INFORMATION

ABCC NUMBER:
(OF EXISTING LICENSEE)

N/A

LICENSEE NAME: Chipotle Mexican Grill of Colorado, LLC

CITY/TOWN: Natick, MA

APPLICANT INFORMATION

LAST NAME: Ellis

FIRST NAME: Matthew

MIDDLE NAME: Steven

MAIDEN NAME OR ALIAS (IF APPLICABLE): N/A

PLACE OF BIRTH: Indianapolis, IN

DATE OF BIRTH: 09/12/1965

SSN: [REDACTED]

ID THEFT INDEX PIN (IF APPLICABLE): N/A

MOTHER'S MAIDEN NAME: Barbara Jeanne Tutschek

DRIVER'S LICENSE #: [REDACTED]

STATE LIC. ISSUED: New York

GENDER: MALE

HEIGHT: 5

11

WEIGHT: 160

EYE COLOR: Blue

CURRENT ADDRESS: 40 Fifth Avenue

STATE: NY

ZIP: 10011

CITY/TOWN: New York

FORMER ADDRESS: N/A

STATE: N/A

ZIP: N/A

CITY/TOWN: N/A

PRINT AND SIGN

PRINTED NAME:

M. Steven Ellis

APPLICANT/EMPLOYEE SIGNATURE:

[Signature]

NOTARY INFORMATION

On this 8th day of February 16 before me, the undersigned notary public, personally appeared M. Steven Ellis

(name of document signer), proved to me through satisfactory evidence of identification, which were Drivers License to be the person whose name is signed on the preceding or attached document, and acknowledged to me that (he) (she) signed it voluntarily for its stated purpose.

[Signature]
NOTARY

EMILY PIERCE
Notary Public
State of Colorado
Notary ID # 20174030729
My Commission Expires 07-21-2021

DIVISION USE ONLY

REQUESTED BY:

SIGNATURE OF CORI-AUTHORIZED EMPLOYEE

The DCI Identity Theft Index PIN Number is to be completed by those applicants that have been issued an Identity Theft PIN Number by the DCI. Certified agencies are required to provide all applicants the opportunity to include this information to ensure the accuracy of the CORI request process. All CORI request forms that include this field are required to be submitted to the DCI via mail or by fax to (617) 660-4814.



Commonwealth of Massachusetts
Alcoholic Beverages Control Commission
239 Causeway Street, First Floor
Boston, MA 02114

STEVEN GROSSMAN
TREASURER AND RECEIVER GENERAL

KIM S. GAINSBORO, ESQ.
CHAIRMAN

CORI REQUEST FORM

The Alcoholic Beverages Control Commission has been certified by the Criminal History Systems Board to access conviction and pending Criminal Offender Record Information. For the purpose of approving each shareholder, owner, licensee or applicant for an alcoholic beverages license, I understand that a criminal record check will be conducted on me, pursuant to the above. The information below is correct to the best of my knowledge.

ABCC LICENSE INFORMATION

ABCC NUMBER:
(IF EXISTING LICENSEE)

N/A

LICENSEE NAME: Chipotle Mexican Grill of Colorado, LLC.

CITY/TOWN: Natick, MA

APPLICANT INFORMATION

LAST NAME: Hartung

FIRST NAME: John

MIDDLE NAME: Robert

MAIDEN NAME OR ALIAS (IF APPLICABLE): N/A

PLACE OF BIRTH: Chicago, IL

DATE OF BIRTH: 09/02/1957

SSN: [REDACTED]

THEFT INDEX PIN (IF APPLICABLE): N/A

MOTHER'S MAIDEN NAME: Loretta Margaret Hurley

DRIVER'S LICENSE # [REDACTED]

STATE LIC. ISSUED: Illinois

GENDER: MALE

HEIGHT: 5

7

WEIGHT: 155

EYE COLOR: Brown

CURRENT ADDRESS: 1821 Auburn Avenue

CITY/TOWN: Naperville

STATE: IL

ZIP: 60565

FORMER ADDRESS: N/A

CITY/TOWN: N/A

STATE: N/A

ZIP: N/A

PRINT AND SIGN

PRINTED NAME:

John R. Hartung

APPLICANT/EMPLOYEE SIGNATURE:

[Signature]

NOTARY INFORMATION

On this 22nd day of Feb, 2018 before me, the undersigned notary public, personally appeared

Matthew Steven Ellis

(name of document signer), proved to me through satisfactory evidence of identification, which were

Driver's License

to be the person whose name is signed on the preceding or attached document, and acknowledged to me that (he) (she) signed it voluntarily for its stated purpose.

[Signature]
NOTARY

MARY KATHERINE ELOE
NOTARY PUBLIC
STATE OF COLORADO
NOTARY ID # 20164018388
MY COMMISSION EXPIRES APRIL 24, 2019

DIVISION USE ONLY

REQUESTED BY:

SIGNATURE BY CORI AUTHORIZED EMPLOYEE

The OCR Identify Trait Index PIN Number is to be completed by those applicants that have been issued an Identify Trait PIN Number by the DCJ. Certified agencies are required to provide all applicants the opportunity to include this information to ensure the accuracy of the CORI request process. All CORI request forms that include this field are required to be submitted to the DCJ via mail or by fax to (617) 690-4424.

Beneficial Interest Forms for Officers and Parent Company

ALCOHOLIC BEVERAGES CONTROL COMMISSION

BENEFICIAL INTEREST CONTACT - Individual (Formerly known as a Personal Information Form)

Please complete a Beneficial Interest - Individual sheet for all individual(s) who have a direct or indirect beneficial interest, with or without ownership, in this license. This includes people with a financial interest and people without financial interest (i.e. board of directors for not-for-profit clubs). All individuals with direct or indirect financial interest must also submit a CORI Authorization Form.

An individual with direct beneficial interest is defined as someone who has interest directly in the proposed licensee. For example, if ABC Inc is the proposed licensee, all individuals with interest in ABC Inc are considered to have direct beneficial interest in ABC Inc (the proposed licensee).

An individual with indirect beneficial interest is defined as someone who has ownership in a parent level company of the proposed licensee. For example, if ABC Inc is the proposed licensee and is 100% owned by XYZ Inc, all individuals with interest in XYZ Inc are considered to have an indirect beneficial interest in ABC Inc (the proposed licensee).

Salutation	First Name	Middle Name	Last Name	Suffix
	Matthew	Steven	Ells	
Title	Social Security Number		Date of Birth	
Member of the Board of Entity			09/12/1965	
Primary Phone:	(303) 595-4000		Email: licensing@chipotle.com	
Mobile Phone:			Fax Number	
Alternative Phone:				

Business Address

Street Number:	Street Name:
1401	Wynkoop Street, Suite 500
City/Town:	State:
Denver	CO
Zip Code:	Country:
80202	United States of America

Mailing Address

☒ Check here if your Mailing Address is the same as your Business Address

Street Number:	Street Name:
City/Town:	State:
Zip Code:	Country:

Types of Interest (select all that apply)

<input type="checkbox"/> Contractual	<input type="checkbox"/> Director	<input type="checkbox"/> Landlord	<input type="checkbox"/> LLC Manager
<input checked="" type="checkbox"/> LLC Member	<input type="checkbox"/> Management Agreement	<input type="checkbox"/> Officer	<input type="checkbox"/> Stockholder
<input type="checkbox"/> Partner	<input type="checkbox"/> Revenue Sharing	<input type="checkbox"/> Sole Proprietor	<input type="checkbox"/> Other

Citizenship / Residency Information

Are you a U.S. Citizen?	Are you a Massachusetts Resident?
<input checked="" type="radio"/> Yes <input type="radio"/> No	<input type="radio"/> Yes <input checked="" type="radio"/> No

Criminal History

Have you ever been convicted of a state, federal, or military crime?	If yes, please provide an affidavit explaining the charges.
<input type="radio"/> Yes <input checked="" type="radio"/> No	

ALCOHOLIC BEVERAGES CONTROL COMMISSION

BENEFICIAL INTEREST CONTACT - Individual (continued)

Ownership / Interest

Using the definition above, do you hold a direct ☐ Direct ☒ Indirect or indirect interest in the proposed licensee?

If you hold a direct beneficial interest in the proposed licensee, please list the % of interest you hold.

If you hold an indirect beneficial interest in this license, please complete the Ownership / Interest Table below.

Ownership / Interest

If you hold an indirect interest in the proposed licensee, please list the organization(s) you hold a direct interest in which, in turn, hold a direct or indirect interest in the proposed licensee. These generally include parent companies, holding companies, trusts, etc. A Beneficial Interest - Organization Form will need to be completed for each entity listed below.

Name of Beneficial Interest - Organization	FEIN
Chipotle Mexican Grill, Inc.	84-1219301

Other Beneficial Interest

List any indirect or indirect beneficial or financial interest you have in any other Massachusetts Alcoholic Beverages License(s).

Name of License	Type of License	License Number	Premises Address
Please see attached.	§12 On Premises	Please see attached.	Please see attached.

Familial Beneficial Interest

Does any member of your immediate family have ownership interest in any other Massachusetts Alcoholic Beverages License(s)? Immediate family includes parents, siblings, spouse and spouse's parents. Please list below.

Relationship to You	ABCC License Number	Type of Interest (choose primary function)	Percentage of Interest
N/A	N/A	N/A	N/A

Prior Disciplinary Action

Have you ever been involved directly or indirectly in an alcoholic beverages license that was subject to disciplinary action? yes, please complete the following:

Date of Action	Name of License	State	City	Reason for suspension, revocation or cancellation
N/A	N/A	N/A	N/A	N/A

ALCOHOLIC BEVERAGES CONTROL COMMISSION

BENEFICIAL INTEREST CONTACT - Individual (Formerly known as a Personal Information Form)

Please complete a Beneficial Interest - Individual sheet for all individual(s) who have a direct or indirect beneficial interest, with or without ownership, in this license. This includes people with a financial interest and people without financial interest (i.e. board of directors for not-for-profit clubs). All individuals with direct or indirect financial interest must also submit a CORI Authorization Form.

An individual with direct beneficial interest is defined as someone who has interest directly in the proposed licensee. For example, if ABC Inc is the proposed licensee, all individuals with interest in ABC Inc are considered to have direct beneficial interest in ABC Inc (the proposed licensee).

An individual with indirect beneficial interest is defined as someone who has ownership in a parent level company of the proposed licensee. For example, if ABC Inc is the proposed licensee and is 100% owned by XYZ Inc, all individuals with interest in XYZ Inc are considered to have an indirect beneficial interest in ABC Inc (the proposed licensee).

Salutation		First Name	John	Middle Name	Robert	Last Name	Hartung	Suffix	
Title	Member of the Board of Entity			Social Security Number	[REDACTED]			Date of Birth	09/2/1957
Primary Phone:	(303) 595-4000			Email:	licensing@chipotle.com				
Mobile Phone:				Fax Number					
Alternative Phone:									

Business Address

Street Number:	1401	Street Name:	Wynkoop Street, Suite 500	
City/Town:	Denver	State:	CO	
Zip Code:	80202	Country:	United States of America	

Mailing Address

☒ Check here if your Mailing Address is the same as your Business Address

Street Number:		Street Name:	
City/Town:		State:	
Zip Code:		Country:	

Types of Interest (select all that apply)

<input type="checkbox"/> Contractual	<input type="checkbox"/> Director	<input type="checkbox"/> Landlord	<input type="checkbox"/> LLC Manager
<input checked="" type="checkbox"/> LLC Member	<input type="checkbox"/> Management Agreement	<input type="checkbox"/> Officer	<input type="checkbox"/> Stockholder
<input type="checkbox"/> Partner	<input type="checkbox"/> Revenue Sharing	<input type="checkbox"/> Sole Proprietor	<input type="checkbox"/> Other

Citizenship / Residency Information

Are you a U.S. Citizen?	<input checked="" type="radio"/> Yes <input type="radio"/> No	Are you a Massachusetts Resident?	<input type="radio"/> Yes <input checked="" type="radio"/> No
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Criminal History

Have you ever been convicted of a state, federal, or military crime?	<input type="radio"/> Yes <input checked="" type="radio"/> No	If yes, please provide an affidavit explaining the charges.
--	---	---

ALCOHOLIC BEVERAGES CONTROL COMMISSION

BENEFICIAL INTEREST CONTACT - Individual (continued)

Ownership / Interest

Using the definition above, do you hold a direct ☐ Direct ☒ Indirect or indirect interest in the proposed licensee?

If you hold a direct beneficial interest in the proposed licensee, please list the % of interest you hold.

If you hold an indirect beneficial interest in this license, please complete the Ownership / Interest Table below.

Ownership / Interest

If you hold an indirect interest in the proposed licensee, please list the organization(s) you hold a direct interest in which, in turn, hold a direct or indirect interest in the proposed licensee. These generally include parent companies, holding companies, trusts, etc. A Beneficial Interest - Organization Form will need to be completed for each entity listed below.

Name of Beneficial Interest - Organization	FEIN
Chipotle Mexican Grill, Inc.	84-1219301

Other Beneficial Interest

List any indirect or indirect beneficial or financial interest you have in any other Massachusetts Alcoholic Beverages License(s).

Name of License	Type of License	License Number	Premises Address
Please see attached	Please see attached	Please see attached	Please see attached

Familial Beneficial Interest

Does any member of your immediate family have ownership interest in any other Massachusetts Alcoholic Beverages Licenses? Immediate family includes parents, siblings, spouse and spouse's parents. Please list below.

Relationship to You	ABCC License Number	Type of Interest (choose primary function)	Percentage of Interest
N/A	N/A	N/A	N/A

Prior Disciplinary Action

Have you ever been involved directly or indirectly in an alcoholic beverages license that was subject to disciplinary action? If yes, please complete the following:

Date of Action	Name of License	State	City	Reason for suspension, revocation or cancellation
N/A	N/A	N/A	N/A	N/A

APPLICATION FOR A NEW RETAIL ALCOHOLIC BEVERAGE LICENSE

BENEFICIAL INTEREST - Organization

Please complete a Beneficial Interest - Organization sheet for all organization(s) who have a direct or indirect beneficial interest, with or without ownership, in this license.

Example:

ABC Inc. is applying for a liquor license. ABC Inc. is 100% owned by XYZ Inc., which is 100% owned by 123 Inc. XYZ Inc. is considered to have a direct beneficial interest in the proposed licensee (ABC Inc.) and 123 Inc. is considered to have indirect beneficial interest in the proposed licensee (ABC Inc.). Both XYZ Inc. and 123 Inc. should complete a Beneficial Interest - Organization Form.

Entity Name:	Chipotle Mexican Grill, Inc.	FEIN:	84-1219301
Primary Phone:	303-222-2524	Fax Number:	N/A
Alternative Phone:	N/A	Email:	licensing@chipotle.com

Business Address

Street Number:	1401	Street Name:	Wynkoop Street, Suite 500
City/Town:	Denver	State:	CO
Zip Code:	80202	Country:	United States of America

Mailing Address

☒ Check here if your Mailing Address is the same as your Business Address

Street Number:		Street Name:	
City/Town:		State:	
Zip Code:		Country:	

Publicly Traded

Is this organization publicly traded? ☒ Yes ☐ No

Ownership / Interest

Using the definition above, does this organization hold a direct or indirect interest in the proposed licensee? ☒ Direct ☐ Indirect

If this organization holds a direct beneficial interest in the proposed licensee, please list the % of interest it holds.

100%

If you hold an indirect beneficial interest in this license, please complete the Ownership / Interest Table on the next page.

Ownership / Interest

If this organization holds an indirect interest in the proposed licensee, please list the organization(s) it holds a direct interest in which, in turn, hold a direct or indirect interest in the proposed licensee. These generally include parent companies, holding companies, trusts, etc. A Beneficial Interest - Organization Form will need to be completed for each entity listed below.

Name of Beneficial Interest - Organization	FEIN
N/A	N/A

Other Beneficial Interest

List any indirect or indirect beneficial or financial interest this entity has in any other Massachusetts Alcoholic Beverages License(s).

Name of License	Type of License	License Number	Premises Address
Please see attached.	Please see attached.	Please see attached.	Please see attached.

Prior Disciplinary Action

Has this entity ever been involved directly or indirectly in an alcoholic beverages license that was subject to disciplinary action?
If yes, please complete the following:

Date of Action	Name of License	State	City	Reason for suspension, revocation or cancellation
N/A	N/A	N/A	N/A	N/A

Other Beneficial Interests of Licensee, Parent Company, and Officers

Chipotle Mexican Grill of Colorado, LLC d/b/a Chipotle

License Number	Store Street	Site Street City Name	Site Street State Code	Site Street Zip
LIQL/68000059/870/	616 Fellsway	Medford	MA	02155-4959
LIQL/8200022/2016/	301 Great Rd	Bedford	MA	01730-2802
LIQS/109400078/2194	35 Highland Ave	Seekonk	MA	02771-5805
LIQL/7000326/1814/	793 Iyannough Rd Spc N-101B	Hyannis	MA	02601-5027
LIQS/NO NUMBER/1855/	349 State Road	North Dartmouth	MA	02747
LIQS/48200056/1693/	334 Russell St	Hadley	MA	01035-9539
LIQS/125600036/1806/	450 Paradise Rd	Swampscott	MA	01907-1300
LIQL/No # on License/1425/	93 Turnpike St	North Andover	MA	01845-5032
LIQL/144200054/1676/	174 Littleton Rd	Westford	MA	01886-3191
LIQL/52800055/1406/	92 Derby St Ste 100	Hingham	MA	02043-4212
LIQL/115/1250/	300 Needham St Spc 107.2	Newton	MA	02464-1532
LIQL/111600069/1267/	97 Boston Tpke	Shrewsbury	MA	01545-3602
LIQL/LIQ080033/1211/	1 Worcester Rd Unit 523	Framingham	MA	01701-5359
LIQL/91400064/1260/	1415 Boston Providence Tpke	Norwood	MA	02062-8002
LIQS/95600126/1114/	210 Andover St Unit E194A	Peabody	MA	01960-1649
LIQS/143800057/1108/	1 Oak St	Westborough	MA	01581-2655
LIQS/101600040/2654	46 Walkers Brook Drive	Reading	MA	01867
ABCC #04150-RS-0144	500 Westgate Drive, SC 109	Brockton	MA	02301

Summary of Interests in all locations:

Chipotle Mexican Grill of Colorado, LLC: Licensee
 Chipotle Mexican Grill, Inc. (Parent Company): Direct, 100% Interest
 John Hartung (LLC Manager): Indirect, 0% Interest
 Matthew Ellis (LLC Manager): Indirect, 0% Interest

Lease Agreement

LEASE AGREEMENT

THIS LEASE AGREEMENT (this "Lease"), is entered into as of April 11, 2017, ("Effective Date") between 9-27 Natick, LLC, a Massachusetts limited liability company ("Landlord") and Chipotle Mexican Grill of Colorado, LLC, a Colorado limited liability company ("Tenant").

ARTICLE 1 BASIC TERMS

1.1 In all instances, the basic terms set forth in this Section 1.1 are subject to the main body of the Lease.

Estimated Initial Monthly Payment:	Base Rent	\$9,587.50 [\$50.00/square foot/year]
	Estimated Taxes (<u>ARTICLE 12</u>)	\$302.97 [\$1.58/square foot/year]
	Estimated Insurance (<u>ARTICLE 13</u>)	\$28.76 [\$0.15/square foot/year]
	Estimated Common Area Charges (<u>ARTICLE 10</u>)	\$575.25 [\$3.00/square foot/year]
	Total	\$10,494.48 [\$54.73/square foot/year]

Base Rent:	Lease Year	Per Square Foot	Per Month
	1-5	\$50.00	\$9,587.50
	6-10	\$55.00	\$10,546.25
First Extended Term	11-15	\$60.50	\$11,600.88
Second Extended Term	16-20	\$66.55	\$12,760.96

Landlord's Broker:	The Dartmouth Company
Tenant's Broker:	Venture Retail Partners
Landlord's Notice Address:	9-27 Natick LLC c/o Crosspoint Associates, Inc. 300 Third Avenue, Suite 2 Waltham, Massachusetts 02451

with a copy to:

Fellman Kapilian Law, P.C.
54 Jaconnet Street, Suite 300
Newton, Massachusetts 02461
Attention: Ronald Fellman, Esq.

Rent Payment Address: 9-27 Natick LLC
c/o Crosspoint Associates, Inc.
300 Third Avenue, Suite 2
Waltham, Massachusetts 02451

Tenant's Mailing Address: Chipotle Mexican Grill of Colorado, LLC
1401 Wynkoop Street, Suite 500
Denver, CO 80202
Attn: Lease Administration, Store No. 20-2987
(303) 605-1013
cschnell@chipotle.com

with a copy to:

Messner Reeves LLP
1430 Wynkoop Street, Suite 300
Denver, Colorado 80202
Attn: Ellen Seo
(303) 405-4187
eseo@messner.com

Possession Date: Defined in Section 7.1.

Premises: 2,301 square feet approximately as shown on **Exhibit B**

Premises Address: 219 North Main Street, Natick, Massachusetts

Center: The property located at the intersection of Worcester Street
(Route 9) and North Main Street (Route 27) in Natick,
Massachusetts, as more particularly described in Section 2.1.

Rent Commencement Date: The Rent Commencement Date shall be the date which is the
earlier of: (a) one hundred twenty (120) days after the Possession
Date, or (b) the date upon which Tenant opens for business to the
public at the Premises.

Tenant's Proportionate
Share: Three and 24/100 percent (3.24%) subject to Section 10.10
below and based on the Center containing 70,632 square feet of
rentable space. Notwithstanding the foregoing to the contrary, at

Landlord's election, certain charges relating to the Building (which may include, without limitation, Building maintenance and casualty insurance for the Building) may be charged solely to the tenants of the Building (including Tenant) in which event (a) Tenant's Proportionate Share for such specified Building related costs shall be based on a fraction, the numerator of which is the area of the Premises and the denominator of which is the area of the Building; and (b) Tenant shall not be responsible for corresponding costs that relate solely to any other building in the Center.

Term: Primary Term: Ten (10) Lease Years, commencing on the Rent Commencement Date.

First Extended Term: Five (5) Lease Years

Second Extended Term: Five (5) Lease Years

Permitted Use: A "Chipotle" restaurant serving specialty burritos and tacos, and other items generally served in a "Chipotle" restaurant including, at Tenant's option, alcoholic beverages, and, subject to Landlord's consent, which shall not be unreasonably withheld, delayed or conditioned, for any other lawful restaurant purpose, which does not conflict with any then in effect exclusive use granted to any other tenant at the Center or with the primary use of any other tenant at the Center or with applicable use restrictions. The current exclusives and use restrictions are set forth in **Exhibit K**.

Exclusive Use: Primarily for the sale of burritos, Mexican wraps, fajitas or tacos, as more particularly described in Section 5.5.

Guarantor: Chipotle Mexican Grill, Inc.

ARTICLE 2 LEASE OF PREMISES

2.1 For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord hereby leases, demises and lets to Tenant, and Tenant hereby leases, hires and takes from Landlord the Premises, consisting of a portion of the building (the "**Building**") located in the County of Middlesex, Commonwealth of Massachusetts, in the Center and situated on the real property owned or controlled by Landlord, which real property is legally described on **Exhibit A-1** attached hereto and incorporated herein by reference and outlined on **Exhibit A**. Landlord represents that the legal description attached as **Exhibit A-1** substantially describes the Center as outlined on **Exhibit A**. The site plan for the Center is shown on **Exhibit A** attached hereto. The anticipated dimensions of the Premises are shown on **Exhibit B** attached hereto, and Landlord shall confirm the accuracy of the dimensions of the Premises as shown on such **Exhibit B**. Landlord and Tenant each shall have the right to have the Premises remeasured on or prior to the Possession

Date. If such remeasurement accurately discloses that the size of the Premises is greater or less than the amount stated herein, the Base Rent, Tenant's Proportionate Share and the Tenant Improvement Allowance shall be recalculated accordingly; provided, however, that in no event shall the Premises be deemed to contain more than 102% of the square footage described in Section 1.1, and in the event that the Premises are determined to contain 98% or less of the approximate square footage described in Section 1.1, Tenant shall have the right to terminate this Lease. Additionally, in the event the dimensions of the Premises differ materially from the dimensions shown on **Exhibit B** (such that the area of the Premises is more than 2% more or less than the area shown on **Exhibit B**) and Tenant re-designs its layout of the Premises due to such difference, Landlord agrees to reimburse Tenant for the reasonable costs associated with any such re-design within ten (10) days following Tenant's demand therefor. The square footage of the Premises shall be calculated from the exterior of outside walls and the center of common walls.

2.2 Superior Documents. Tenant acknowledges that this Lease is subject and subordinate to all matters of record as of the Effective Date including, without limitation, the Agreement between Paul D. Cayer, as Trustee of 881 Worcester St. Trust and William G. Finard, Trustee of FRLP Realty Trust, dated October 18, 1988, recorded in the Middlesex South District Registry of Deeds in Book 19435, Page 412, as modified by the First Amendment to Agreement, dated September 18, 2000, recorded in said Registry at Book 32226, Page 412, and the Agreement relating thereto recorded in said Registry at Book 65545, Page 537 (together with other instruments of record, the "**Superior Documents**"). In the event of a conflict between this Lease and the Superior Documents, the Superior Documents shall control.

2.3 Patio Area Provisions

2.3.1 In addition to the Premises, provided that and so long as Tenant is (a) open and operating its business in all of the Premises in accordance with all of the terms and conditions of this Lease, subject to casualty, condemnation, force majeure and alteration, and (b) has received all applicable governmental permits (if any) relating thereto, Landlord hereby grants to Tenant the license, during the Term of this Lease, to the exclusive use of that certain area directly in front of the Premises and marked as the "**Patio Area**" on **Exhibit A** hereto (the "**Patio Area**") to be used seasonally and weather-permitting (as Tenant shall reasonably determine), as an additional sit-down dining area of the Premises for serving items from Tenant's menu with up to the lesser of (i) the number of seats allowed by law and permits, or (ii) twelve (12) seats (which shall be in addition to the seats located inside the Premises, with the total number of interior and exterior seats not exceeding the lesser of the number of seats allowed by law and permits or up to sixty (60) seats. In all events Tenant shall maintain decorum and reduce commercially unreasonable noise levels from the operation of the Patio Area. All landscaping, tables, umbrellas, chairs and other fixtures, trade fixtures, equipment and personal property to be used in connection with Tenant's permitted business operations in the Patio Area shall be subject to the approval of Landlord, not to be unreasonably withheld, conditioned or delayed; provided, however, Tenant shall be able to reasonably configure the layout of Tenant's personal property within the Patio Area in its sole discretion subject to applicable laws and regulations. If required by applicable code or determined to be necessary per Tenant's Approvals, Landlord shall enclose (or shall allow Tenant to enclose) the Patio Area, in all events at Landlord's sole cost and expense, and Tenant acknowledges that Landlord shall have the right to design the enclosure, bring either railing or other comparable barrier (which shall not include walls or a roof), which shall be subject to Tenant's approval, which

shall not be unreasonably withheld. Without limiting other applicable provisions thereto: (i) Tenant also shall be responsible, at Tenant's cost and expense, for furnishing, maintaining and replacing any and all tables, umbrellas, chairs and other fixtures, trade fixtures and equipment and personal property to be used in connection with Tenant's permitted business operations in the Patio Area, for stacking and otherwise securing the same whenever Tenant is not open for business and for the removal of the same from the Patio Area and storage thereof in a location designated by Tenant and approved by Landlord, which approval shall not be unreasonably withheld, conditioned or delayed (which location may be in a non-public area of the Premises or an off-site location) whenever the same are not in daily use, *i.e.*, the same shall be stored during those seasons where outdoor seating is not appropriate, and Landlord shall have no responsibility or liability therefor, or for any damage, vandalism, theft, or the like with respect thereof; (ii) Tenant's business operations in or about the Patio Area shall be conducted in compliance with all applicable laws and all governmental rules, regulations, permits and approvals relating thereto; (iii) Tenant and its employees shall abide by any and all reasonable Rules and Regulations (as defined in Section 38.24 hereof) promulgated by Landlord with respect to the foregoing or otherwise relative to Tenant's business operations in and about the Patio Area, including, without limitation, any such Rules and Regulations affecting crowd and noise levels, etc., but such Rules and Regulations shall not prohibit the right to use the Patio Area as set forth herein subject to compliance with the provisions of this Lease (including this Section) and all applicable Laws; (iv) notwithstanding the exterior location of the Patio Area, when the Patio Area is in use, all provisions of this Lease applicable to the Premises shall be applicable to the Patio Area and the Patio Area shall for all purposes hereunder be included and considered to be a portion of the Premises; and (v) Tenant shall not be obligated to pay Base Rent or Rent for Taxes or Common Area Charges based on the area of the Patio Area.

2.3.2 Notwithstanding anything to the contrary contained in this Lease, in the event that Tenant or its operations in the Patio Area fail to comply with Landlord's reasonable Rules and Regulations in Landlord's good faith judgment, or otherwise so fail to comply with the foregoing and all applicable provisions of this Lease, and such failure continues after written notice (which may be written, oral or email, but with respect to any oral or email notification, written notice must be provided in writing to Tenant's notice address set forth in Section 1.1 of this Lease the following business day) for ten (10) days or such shorter period as Landlord may reasonably require if any other tenants in the Center have notified Landlord of the existence of a problem, provided, however, that Tenant is able to reasonably address such issues within such shorter time frame (assuming Tenant diligently and continuously pursues the necessary action), then, in any such event, and without limiting Landlord's other rights and remedies on account of the continuation thereof and the resulting default of Tenant hereunder, Landlord shall have the right to take such steps as Landlord determines to be necessary to remedy such failure, including, without limitation, the right, exercisable by giving written notice (which may be written, oral or email, but with respect to any oral or email notification, written notice must be provided in writing to Tenant's notice address set forth in Section 1.1 of this Lease the following business day) thereof to Tenant, immediately to terminate all of Tenant's rights hereunder to use and occupy the Patio Area, whereupon the Patio Area shall be removed from and cease for all purposes to be part of the Premises and Tenant promptly shall surrender and deliver up possession of the Patio Area to Landlord in accordance with the provisions of this Lease applicable to the delivery thereof upon the expiration of the Term hereof with respect to the Patio Area portion of the Premises; and Tenant

will promptly pay to Landlord on demand all actual, reasonable costs and expenses incurred by Landlord in remedying any such failure which shall be due and payable on demand as additional Rent hereunder; provided, however, that if Tenant promptly has commenced to cure and is diligently pursuing same to completion, Landlord shall not have the ability to exercise its rights under this Section 2.3.2 during such period. In the event of any such termination of Tenant's rights to use the Patio Area and removal of such area from the Premises in accordance with the foregoing shall not affect this Lease insofar as it relates to the remainder of the Premises; and, without limitation, as no Base Rent or other charges attributable to the Patio Area or Tenant's use thereof are imposed thereof by the provisions of this Lease, any such termination of Tenant's rights to use the Patio Area and the removal thereof from the Premises shall not reduce or otherwise affect the Base Rent or other charges and obligations of Tenant pursuant to the provisions of this Lease.

2.4 Liquor License and Sale of Liquor

2.4.1 Liquor License. Tenant shall be permitted to sell beer, wine, liquor and other alcoholic beverages for on-premises consumption in the Premises, provided that Tenant obtains from the appropriate governmental authorities and officials a liquor license (the "**Liquor License**") permitting Tenant to serve all or any of beer, wine, liquor and other alcoholic beverages for on-premises consumption in the Premises, subject to and in accordance with all applicable provisions of law and this Lease. Tenant shall not sell beer, wine, liquor and other alcoholic beverages for on-premises consumption in the Premises unless the Liquor License is in full force and effect and good standing. Tenant's inability to obtain the Liquor License shall not in any way lessen Tenant's obligations under the Lease, and Tenant shall not have the right to terminate the Lease due to Tenant's failure to obtain or thereafter to maintain the Liquor License.

2.4.2 Sale of Liquor. Provided that Tenant (i) succeeds in obtaining the Liquor License as aforesaid, (ii) complies with all state, municipal and other governmental laws, regulations and rules with respect to the sale of liquor and all alcoholic beverages as aforesaid, and (iii) complies with applicable provisions of this Lease, Landlord agrees that Tenant shall have the right to sell liquor and alcoholic beverages for consumption within the Premises, subject and in accordance with all applicable provisions of the Liquor License and this Lease.

2.4.3 Indemnity. Without limiting the generality of any other provision of this Lease, Tenant agrees to indemnify and hold harmless Landlord from and against any and all claims and any and all loss, cost, damage or expense relating to the sale of liquor and all alcoholic beverages in and from the Premises, including, without limitation, any such claim arising from any act, omission or negligence of Tenant, or Tenant's contractors, licensees, agents, employees or invitees, or from any accident, injury, or damage whatsoever caused to any person or to the property of any person occurring from and after the Possession Date until the end of the Term (or Tenant's end of possession of the Premises, whichever is later), whether such accident, injury or damages occurs within the Premises, within the Center but outside the Premises, or outside the Center. This indemnity and hold harmless agreement shall include indemnity against all reasonable costs, expenses and liabilities (including, without limitation, reasonable legal fees, court costs and other reasonable disbursements) incurred or made in connection with any such claim or proceeding brought thereon, and the defense thereof, and shall survive the termination of this Lease. It is understood that without this indemnification of Landlord by Tenant, Landlord

would not enter into this Lease and would not permit the sale of alcoholic beverages in or from the Premises, and Tenant covenants that Tenant's liability insurance referred to in this Lease shall cover, indemnify and hold harmless Landlord from all such matters and items mentioned in this indemnity.

2.4.4. Intentionally Omitted.

2.4.5 Suspension, Denial or Revocation. If at any time after Tenant obtains the Liquor License, the Liquor License is suspended, denied or revoked for any reason, including non-compliance with any governmental conditions, requirements, rules, regulations, ordinances or laws, Tenant promptly shall (i) deliver to Landlord written notice of such suspension, denial or revocation, and (ii) either commence the applicable appeal proceedings and proceed with all due diligence to reinstate the Liquor License, or notify Landlord that Tenant will not seek to reinstate the Liquor License at this time. At the time that Tenant makes any filing with or receives a notice or any other communication regarding a hearing or in connection with any purported such non-compliance from any governmental licensing board, agency, commission of like authority with respect to the Liquor License, Tenant promptly shall deliver a copy of such filing, notice or other communication to Landlord.

2.4.6 Security Measures. Tenant covenants and agrees to use commercially reasonable efforts to maintain order and decorum in and around all portions of the Premises, and if Tenant in its sole discretion determines that auxiliary personnel shall be required to maintain such order and decorum, the same shall be provided by and at the expense of Tenant. Tenant shall use all reasonable efforts to avoid any conduct of any kind in the Premises considered to be unreasonably improper or offensive which, if related to the sale of alcohol, shall include conduct whether in the immediate vicinity of the Premises, Tenant acknowledging that the same would be extremely deleterious to the continued well-being and functioning of the Center; and Tenant agrees promptly to take any commercially reasonable steps in order to ensure compliance with the foregoing provisions and to use commercially reasonable efforts to ensure that liquor and alcoholic beverages served in or from the Premises are not consumed outside such areas within the Premises as are permitted by the Liquor License and under applicable provisions of Law and this Lease. In no event will the Premises be used, in whole or in part, as a discotheque, tavern, so-called "singles bar", or the like. In the event that Landlord determines in Landlord's good faith judgment that Tenant has failed to comply in any material respect with the foregoing provisions, within three (3) business days or such lesser period as may be reasonable in a situations reasonably requiring quicker action (such as, but not limited to, where there is an issue of safety or a complaint by a third party that Landlord believes to have been made in good faith), following written notification(which may be written, oral or email, but with respect to any oral or email notification, written notice must be provided in writing to Tenant's notice address set forth in Section 1.1 of this Lease the following business day) of such failure to the manager or other supervising employee on duty in the Premises at the time, Landlord shall have the right, in addition to all other rights and remedies hereunder, at law or in equity, to take such steps as Landlord determines reasonably necessary to remedy such failure, including, without limitation, the right exercisable by giving written notice to Tenant to such effect, to suspend or terminate Tenant's right to sell liquor and other alcoholic beverages in or from the Premises; and Tenant will promptly pay to Landlord all

actual, reasonable costs and expenses thus incurred, which shall be due and payable on demand as additional rent hereunder.

2.4.7 Notwithstanding the foregoing or any provision of this Lease to the contrary, Tenant's ability to sell beer, wine, liquor or other alcoholic beverages shall not be a condition of this Lease. For the avoidance of doubt, if Tenant is unable to obtain all required permits and approvals to be able to sell such items or, after having obtained such permits, Tenant's right is suspended or lost as provided as a result of the suspension or revocation of such permits or approvals, or pursuant to the foregoing provisions, Tenant's obligations pursuant to this Lease shall remain in full force and effect, and Tenant shall have no rights or remedies under this Lease as a result thereof.

ARTICLE 3 TERM

3.1 Tenant shall lease the Premises for the Primary Term and, if Tenant exercises one or more Extension Options, for one or more Extended Terms.

3.2 Tenant shall have two (2) options (collectively, the "Extension Options," and each, an "**Extension Option**") to extend the Term of this Lease for the Extended Terms. The exercise of an Extension Option shall operate to extend this Lease upon the same terms and conditions except for the amount of Base Rent, which shall be increased as set forth in Section 1.1. Tenant may exercise an Extension Option by sending notice thereof to Landlord on or before the date that is three hundred sixty-five (365) days before the Expiration Date of the Primary Term or the then current Extended Term, as applicable, time being of the essence. Notwithstanding the foregoing, Tenant's right to any Extended Term will not lapse because of Tenant's failure to exercise any option to extend unless Landlord first will have given Tenant notice that Tenant has failed to exercise such option to extend, and Tenant does not exercise such option to extend within thirty (30) days following Tenant's receipt of Landlord's notice. At Landlord's option, Tenant's exercise of each Extension Option shall be effective only if, at the time of the notice and upon the effective date of the Extension Period, there is no Tenant Default, subject to any applicable notice and cure periods. The Primary Term and any Extended Terms are sometimes collectively referred to herein as the "**Term**".

3.3 When the Rent Commencement Date is determined, upon the written request of either party, Landlord and Tenant shall enter into a supplement to this Lease, which shall specify the Expiration Date for the Primary Term and the Rent Commencement Date, in the form of the Stipulation of Term of Lease attached hereto as **Exhibit E**.

3.4 "**Expiration Date**" shall mean 11:59 p.m. on the date that is the last day of the tenth (10th) Lease Year for the Primary Term; the date that is five (5) years after the Expiration Date of the Primary Term for the first Extended Term, if applicable; and the date that is five (5) years after the Expiration Date of the first Extended Term for the second Extended Term, if applicable.

3.5 "**Lease Year**" shall mean a twelve (12) month period. Each Lease Year shall commence on the Rent Commencement Date or the anniversary thereof and end twelve (12) months later; provided, however, that if the Rent Commencement Date is a day other than the first

day of a calendar month, then (a) the first Lease Year shall include that period of time from the Rent Commencement Date up to the first day of the next calendar month and the following twelve (12) calendar months; and (b) each subsequent Lease Year shall commence on the first day of the month following the month in which the Rent Commencement Date occurred.

ARTICLE 4 BASE RENT

4.1 Tenant agrees, except as otherwise provided in this Lease, to pay monthly Base Rent, in advance, on or before the first (1st) day of each calendar month during the Term of this Lease. Tenant's obligation to pay Base Rent shall commence on the Rent Commencement Date. If the Rent Commencement Date is not the first day of a calendar month, the first month's Base Rent shall be prorated on the basis of a thirty (30) day month, and shall be payable with the first full monthly Base Rent due hereunder. All payments of Rent from Tenant to Landlord shall be made either (a) by check at the address of Landlord specified in Section 1.1 above, or as from time to time designated in writing to Tenant; or (b) via electronic fund transfer of so-called ACH, provided that Landlord shall have the right to require that payments be made pursuant to clause (b). Landlord agrees to complete, execute and provide Tenant with any document requested by Tenant in connection with establishing electronic payments from Tenant to Landlord. For the purposes of this Lease, Base Rent and Tenant's Proportionate Share of Common Area Charges and Taxes shall collectively be referred to herein as "**Rent**".

ARTICLE 5 USE OF PREMISES

5.1 The Premises may be used and occupied by Tenant only for the Permitted Use and, in doing so, while operating as a "Chipotle", Tenant will conduct its business from the Premises in accordance with its other "Chipotle" restaurants in the Massachusetts area, all as provided herein and, if operated by other than a Chipotle, then in accordance with first class standards provided the foregoing shall not be deemed to grant Tenant the right to operate other than as a Chipotle except as may be otherwise permitted under this Lease.

5.2 Neither Landlord nor Tenant shall do or permit to be done in, on or about the Premises anything (a) which is illegal or unlawful; (b) which is of a hazardous or dangerous nature; (c) which will cause cancellation of any insurance on the Center; or (d) which will increase the rate of any insurance on the Center beyond the rate that is customary for similar shopping centers in the area in which the Center is located, unless, with respect to the terms of this clause (d), Tenant or Landlord, as the case may be, specifically agrees to pay any such increase on insurance. In addition, Tenant shall not act or use the Premises (including the Patio Area) in any manner (i) which prevents Landlord from obtaining, or makes void or voidable, any insurance, or creates extra premiums for or increases the rate of, Landlord's insurance, and if Tenant causes extra premiums or increased rates, Tenant will pay the additional cost to Landlord upon demand; provided, however, Landlord acknowledges and agrees that Tenant's Permitted Use (but no acknowledgment or agreement is made with respect to Tenant's manner of use) shall not as of the Effective Date increase the rates or premiums of Landlord's insurance, or (ii) which prevents Landlord from obtaining, or causes the revocation of, any license, permit, authority, or other document necessary for Landlord to operate the Center, and if as a direct or indirect result of Tenant's business an addition to or change

in the Center facilities is required by Law, Tenant shall pay for the addition or change provided that such addition or change is not solely a result of Tenant's use of the Premises for the Permitted Use.

5.3 Tenant shall not cause, maintain or permit any nuisance in, on or about the Premises, nor commit any waste therein or thereon. Tenant, during its hours of operation and subject to applicable laws, shall be allowed to play music within the Premises and on the Patio Area, provided the level of such music is played at commercially reasonable volumes in accordance with any applicable laws and does not unreasonably disturb the normal sensibilities or peaceful occupancy of other tenants and their customers as reasonably determined by Landlord. Tenant shall use all commercially reasonable efforts that may be necessary (a) to minimize odors from being discerned outside the Premises other than odors which are from food then being consumed in the Patio Area, but no food shall be prepared in the Patio Area (the "**Permitted Odors**"); and (b) to minimize odors, vibrations and noises in the Premises and emitted therefrom or from Tenant's HVAC and kitchen exhaust systems (with the location of the exhaust vents and the direction of such exhaust vents being only as approved by Landlord as part of Tenant's Plans and Specifications, without liability of Landlord with respect thereto). Tenant acknowledges that such commercially reasonable efforts shall include, without limitation, the installation and maintenance, in good working order and condition, of systems to maintain appropriate levels of negative pressure in the Premises, and the ventilation systems and components shown on Tenant's Plans and Specifications. Tenant hereby states that, to the best of Tenant's knowledge and based on prior experience in similar settings, such systems should be adequate to satisfy Tenant's obligations under this paragraph.

Tenant further agrees that Tenant will, promptly upon receipt of written notice from Landlord, take commercially reasonable steps to prevent the presence of rodents and similar pests caused from its use of the Premises provided that if Tenant has a separate dumpster area for Tenant's exclusive use, then Tenant shall be responsible for both the prevention of rodents and similar pests in such area, and for the cleaning of the area (and together with the obligations set forth above, these obligations are the "**Noxious Use Obligations**").

Tenant shall respond, so as to comply with the standards set forth above, to "good faith" complaints which shall mean complaints regarding odors, vibrations or noises resulting from Tenant's operations and affecting the areas adjacent to the Premises in more than a de minimus manner, which complaints are both (i) based on concerns about Tenant's non-compliance with the Noxious Use Obligations and (ii) are not intended solely to require or to result in the removal of Tenant from the Center. For purposes of this Lease, "**commercially reasonable efforts**" shall be determined taking into account all of the relevant factors including, without limitation, the impact of the violation of Tenant's Noxious Use Obligations. Notwithstanding anything contained herein to the contrary, Landlord understands that some odors and smoke are associated with the operation of a "Chipotle" restaurant and that the presence of such odors and smoke shall not constitute a breach of this Lease or a violation of any rules or regulations of Landlord and shall not be deemed noxious or offensive. For avoidance of doubt, the odors permitted pursuant to the foregoing sentence shall not include foul or unappetizing smells such as arise from excessive accumulations of trash, sewer gas, uncleaned grease traps, restrooms, rotten or burned food, or the like but expressly including normal and customary cooking odors arising from the ordinary course of the Permitted Use.

5.4 Tenant shall, in no event, be responsible to make any structural repairs, improvements or alterations to the Premises or the Building. However, if structural repairs, improvements or alterations are required by law due to Tenant's specific use and occupancy of the Premises, or due to the acts of Tenant, its employees, agents, contractors or, while in the Premises (including the Patio Area), customers or invitees, Landlord shall make such repairs, improvements or alterations and may bill Tenant for the reasonable costs thereof. Notwithstanding anything contained herein to the contrary, in no event shall Tenant be obligated to perform, pay for, or reimburse Landlord for any repairs, replacements or alterations mandated or required by any governmental authority unless caused by Tenant's operations on or improvements to the Premises.

5.5 For the Term of this Lease, provided (a) Tenant is continuously operating in the entire Premises for the Permitted Use (subject to permitted interruptions as set forth in Section 34.1, below), and (b) there is not then a Tenant Default beyond any applicable notice and cure periods, Tenant shall have the exclusive right to sell burritos, fajitas and tacos at the Center (the "Exclusive Use") and neither Landlord nor its affiliates or successors or assigns shall permit or suffer any other tenant in the Center to engage in the Exclusive Use other than a full service sit-down restaurant in a premises of at least 6,000 square feet. Landlord agrees to enforce Tenant's rights under this Section against other tenants in the Center using all reasonable legal means. Landlord covenants that leases in the Center dated later in time to the Effective Date shall require those tenants to honor Tenant's rights hereunder. Landlord understands that its breach of this provision will cause Tenant irreparable harm for which Tenant has no adequate legal remedy, and that in the event of such breach that continues for sixty (60) consecutive days after Tenant has delivered notice of the breach to Landlord, Tenant shall be entitled to immediately abate fifty percent (50%) of its Base Rent, and shall be entitled to injunctive relief as well as all other remedies available at law or equity. If the breach of this provision is not cured within two hundred seventy (270) days from the date of such breach, then Tenant shall have the right to terminate this Lease by providing Landlord written notice of same within thirty (30) days after the end of the two hundred seventy (270) day period and recover from Landlord the costs of Tenant's leasehold improvements to the Premises as of the date of such breach, decreased by amortization, based on the straight line method of amortization, over a period equal to the length of the Term of the Lease (including any Extension Options which were executed prior to and without knowledge of the breach), but not to exceed twenty (20) years. If Tenant does not provide Landlord written notice that Tenant is terminating the Lease within the time frame set forth above, Tenant shall return to paying full Rent after three hundred sixty-five (365) days from the date of the breach.

5.6 Notwithstanding anything to the contrary contained herein, Tenant shall have no remedy against Landlord including, without limitation, the right to reduce the Rent, except as expressly provided below if an occupant or tenant within the Center violates a provision of its lease, which either does not permit or specifically prohibits the use that violates this section (a "Rogue Tenant"). Within thirty (30) days after Landlord's receipt of written notice of such Rogue Tenant violation, Landlord shall send such Rogue Tenant notice to cease and desist such conflicting use, and if said Rogue Tenant does not cease and desist within thirty (30) days from receipt of Landlord's demand, Landlord shall commence an action (or arbitration, if required by such lease or license agreement) against such other tenant or occupant, and thereafter shall use good faith efforts to enforce its rights under such lease or license agreement and to obtain Judicial Relief. For purposes hereof, "Judicial Relief" shall mean a temporary restraining order, preliminary injunction, order of eviction, other court order, or order resulting from an arbitration proceeding enjoining the lease

violation. Tenant shall not pursue any legal action against Landlord with respect to a Rogue Tenant's violation of Tenant's Exclusive Use rights described herein so long as Landlord is complying with the foregoing requirements; provided, however, if Landlord is not complying with the foregoing requirements, then Tenant may pursue legal action against Landlord, including recovery of Tenant's damages.

ARTICLE 6 CONTINGENCIES

6.1 In the event that Tenant has not received, prior to the date which is ninety (90) days after the date Tenant's Plans and Specifications have been approved by Landlord in accordance with Section 19.1 ("Approval Period"), any and all necessary and required local, state, federal and private permits, licenses, variances, consents and approvals (collectively "**Approvals**") which give Tenant the ability to construct Tenant's initial improvements to the Premises and do business as a "**Chipotle**" restaurant including, without limitation, building permits, and for use of the Patio Area, and Approvals relating to Tenant's signage (subject to the limitation set forth below), then Tenant shall have the right to terminate this Lease by notifying Landlord in writing of its election to so terminate and if Tenant fails to terminate within ten (10) days following the end of such 90-day period, then Tenant shall be deemed to have irrevocably waived such termination right. For the avoidance of doubt, Tenant shall have the right to terminate this Lease based on Tenant's inability to obtain the necessary permits and approvals for Tenant's signage only if (a) Tenant's signage is as permitted by the applicable governmental authorities, without variance, and (b) Tenant signage complies with the Approvals for Tenant's signage that have been obtained prior hereto and are depicted on **Exhibit C**. Tenant's notice to terminate shall set forth the status of each Approval including, without limitation, those Approvals that Tenant has not yet obtained and the actions that Tenant has taken to obtain the Approvals, and Landlord, at Landlord's election, then shall have an additional ninety (90) days from the date of Landlord's receipt of such Tenant notice to obtain the remaining Approvals on Tenant's behalf and, if Landlord is successful, at Tenant's expense. Upon such termination, both parties shall be released from any further obligations hereunder, except that Landlord shall promptly refund any amount paid to it by Tenant hereunder. Landlord, without cost to Landlord, shall assist Tenant in obtaining all necessary Approvals. Tenant shall diligently pursue all necessary Approvals and, if Tenant chooses, the Liquor License. In addition to the foregoing, Tenant may seek a liquor license to allow Tenant to sell beer, wine, liquor and other alcoholic beverages at the Premises, but the ability of Tenant to obtain or maintain same shall not be a condition of this Lease or Tenant's obligations hereunder (and for the avoidance of doubt, such liquor license shall not be deemed an Approval).

6.2 Landlord and Tenant hereby acknowledge that Landlord has not completed its final permitted construction drawings or final site plan for Premises. Landlord hereby agrees to provide Tenant with a full and complete set of final, permitted construction drawings (including, without limitation, a floor plan, mechanical, electrical, and plumbing plan, civil plan, structural plan, architectural plan, exterior elevations and building and wall sections) and a final site plan for the Premises and the building in which the Premises is located and standard signage specifications for the Center in electronic and paper format (collectively, "**Landlord's Plans**") on or before May 1, 2017. Tenant shall have thirty (30) days from receipt of Landlord's Plans to object to Landlord's Plans. Any such objection shall set forth the specific reasons that Landlord's Plans were not approved and the changes that would be required to obtain such approval. In the event that Tenant objects to

Landlord's Plans within such thirty (30) day period, then Landlord shall have the right to modify Landlord's Plans and to submit the revised Landlord's Plans to Tenant for review and approval or comment within ten (10) business days (provided that Tenant shall not be entitled to reject portions of Landlord's Plans that were not objected to in the prior set(s) of Landlord's Plans). Thereupon the foregoing process shall continue (with Tenant's review and comment period being reduced to seven (7) business days) until either Landlord or Tenant determine that Landlord's Plans will not be acceptable to either Landlord or Tenant, and thereupon, either Landlord or Tenant may terminate this Lease by notifying the other party in writing of its election to so terminate prior to expiration of said thirty (30) day period. Upon such termination, both parties shall be released from any further obligations hereunder, except that Landlord shall promptly refund any amount paid to it by Tenant hereunder. Notwithstanding the foregoing or any provision to the contrary, Landlord and Tenant shall cooperate in good faith to reach approved Landlord Plans.

6.3 This Lease is subject to Landlord entering into an amendment with Staples relating to the Staples lease that imposes certain use limitations on the Center (the "**Staples Amendment**"). In the event that Landlord and Staples have not executed the Staples Amendment that will permit Tenant to operate for Tenant's Permitted Use on or before July 1, 2017 (the "**Staples Amendment Deadline**"), then Tenant shall have the ongoing right to terminate this Lease, provided such right is exercised, if at all, by written notice received by Landlord prior to the date on which Landlord notifies Tenant that the Staples Amendment has been fully executed. In the event that Tenant elects to terminate this Lease, Landlord shall reimburse Tenant for all of Tenant's reasonable expenses incurred in connection with this Lease, including, without limitation, design, site selection and lease negotiation costs and expenses, in an amount not to exceed Five Thousand Dollars (\$5,000.00).

ARTICLE 7 DELIVERY OF THE PREMISES

7.1 The "**Possession Date**", as used herein, shall be deemed the later of: (a) the date upon which Tenant obtains the necessary building and use permits to construct Tenant's initial improvements to the Premises, and conduct business as a "Chipotle" restaurant; or (b) the date that Landlord delivers exclusive possession of the Premises, and all keys thereto, in a broom-clean condition to Tenant; and that Landlord shall have Substantially Completed (as defined in Section 7.3 hereof) all of its work and obligations set forth in Section 7.2 hereof and received a Certificate of Occupancy related to Landlord's Work and Landlord's improvements in the Common Areas that are necessary for Tenant to open for business from the Premises, and sufficient to allow Tenant to commence Tenant's work to the Premises, and if Landlord does not deliver an unconditional Certificate of Occupancy, then Landlord's obligation to do so shall continue after the Possession Date. Notwithstanding Landlord's failure to obtain such Certificate of Occupancy, Tenant may elect to take possession of the Premises for the initiation by Tenant of its improvements, in which case the Possession Date shall be deemed to have occurred, and Landlord shall continue to perform Landlord's Work and Landlord's improvements to the Common Areas until such time as an unconditional Certificate of Occupancy has been issued (subject to delays caused by Tenant in completing Tenant's work). Unless Tenant elects to take possession of the Premises, in no event shall the Possession Date occur between September 1 and October 31 of any calendar year (the "**Blackout Period**"). In the event that Tenant accepts possession during the Blackout Period and commences construction of its improvements, the Possession Date shall be deemed to have occurred

on such date. Landlord hereby agrees to deliver possession of the Premises to Tenant free, clear and unencumbered of all tenancies and parties in possession.

7.2 Prior to the Possession Date, Landlord shall, at its sole cost and expense, in a prompt, good and workmanlike manner, all of which shall collectively be referred to as "**Landlord's Work**": (a) make all necessary repairs, replacements and do any necessary maintenance so that the Premises (to the extent of Landlord's Work) and the Common Areas of the Center in all respects are in compliance with all applicable codes, laws, regulations and ordinances including, but not limited to, the Americans with Disabilities Act (the "**ADA**") so that Tenant can immediately enter into possession of the Premises to install Tenant's initial improvements; (b) complete the work set forth on **Exhibit D** hereto to Tenant's reasonable satisfaction; and (c) construct and complete the improvements which comprise the Center (to Tenant's reasonable satisfaction), including, but not limited to, the Building shell, any outdoor seating or patio area, the paving of the parking areas, drives and walks and the landscaping for the Center. Landlord shall provide Tenant with written notice of the date upon which Landlord's Work will be completed at least sixty (60) days prior to such date ("**Notice of Possession**"). In any event, the Possession Date shall occur no earlier than November 1, 2017 or sixty (60) days after Tenant's receipt of Landlord's notice hereunder, whichever is later (unless Tenant requests in writing that the same be delivered earlier) ("**Tenant's Construction Start Date**"). If Landlord fails or anticipates that it will fail, for any reason whatsoever, to deliver the Premises to Tenant in accordance with the terms of this Lease within fourteen (14) days of the date set forth in the Notice of Possession, Landlord shall give Tenant an additional thirty (30) days written notice in advance of the new date in which Landlord's Work will be completed. When the Landlord considers Landlord's Work complete, it shall notify Tenant of same. Tenant and Landlord shall conduct a walk-through inspection prior to the Possession Date to identify any items requiring completion. If such walk-through discloses any item, which in Tenant's opinion is not in accordance with the requirements in this ARTICLE 7 and ARTICLE 8, Landlord shall correct such items before Landlord's Work shall be considered complete. Nothing set forth in this Section shall be construed, in any manner whatsoever, as an express or implied waiver on the part of Tenant to any rights, remedies, claims or damages Tenant has or may have at law or in equity or elsewhere herein.

7.3 Landlord acknowledges that Tenant intends to start construction of Tenant's improvements on Tenant's Construction Start Date, and that a delay in delivery of the Premises beyond such date will cause Tenant to suffer certain losses, including, by way of illustration and not of limitation, lost profits, construction start up and delay costs and wages and benefits for store personnel, the amount of which is impossible to quantify as of the Effective Date. Notwithstanding anything herein to the contrary, in the event that Landlord fails to complete Landlord's Work and tender possession of the Premises to Tenant on or before February 1, 2018, then Tenant shall receive one (1) day free Rent for each twenty-four-hour period beyond Tenant's Construction Start Date to the day the Premises are delivered to Tenant with Landlord's Work Substantially Complete. In the event the Landlord fails to Substantially Complete Landlord's Work and tender possession of the Premises to Tenant for any reason (with the exception of force majeure, so long as Landlord provides Tenant with written notice of such force majeure event on or prior to the date that Landlord delivers exclusive possession of the Premises to Tenant) on or before April 1, 2018, Tenant may, but shall not be obligated to, without liability or further obligation to Landlord: (i) terminate this Lease and receive a refund of any and all amounts previously paid by Tenant to Landlord; or (ii) continue to accrue additional free rent at the rate set forth above. If Tenant elects to terminate this Lease,

Landlord shall reimburse Tenant for all of Tenant's reasonable expenses incurred in connection with this Lease, including, without limitation, design, site selection and lease negotiation costs and expenses, not to exceed Twenty Thousand Dollars (\$20,000.00). "**Substantially Completed**" or "**Substantially Complete**" means that such work has been completed in accordance with (1) the provisions of this Lease applicable thereto, (2) the plans and specifications for such work, and (3) all applicable legal requirements, except for details of construction, decoration and mechanical adjustments, if any, the non-completion of which do not materially interfere with Tenant's use of the Premises or the commencement of Tenant's Work. Notwithstanding the foregoing or anything herein to the contrary, in the event that Tenant has failed to initially provide Tenant's Plans and Specifications to Landlord on or before June 15, 2017, subject to Tenant's receipt of Landlord's Plans on or before May 1, 2017, Tenant's Construction Start Date, and all other dates set forth in this Section 7.3, shall be extended on a day-for-day basis for each day that Tenant did not initially submit Tenant's Plans and Specifications to Landlord for its approval. In the event that Landlord is unable to deliver the Premises on or before April 1, 2018 due to Tenant's delay in initially providing Tenant's Plans and Specifications in accordance with Section 19.1, and any such inability to deliver the Premises is through no fault of Landlord, Landlord shall have the right to terminate this Lease.

7.4 Tenant shall have the right, from and after the Effective Date and upon forty-eight (48) hours prior notice to Landlord, to have access to the Premises for the purpose of inspecting and measuring the Premises and preparing drawings.

7.5 Landlord shall not have the right to relocate Tenant.

ARTICLE 8 CONDITION OF THE PREMISES

8.1 Landlord shall deliver the Premises to Tenant clean and free of debris on the Possession Date, and Landlord warrants to Tenant that the plumbing, roofing, electrical system including lighting, HVAC systems, and entry doors in the Premises shall be in good operating condition and repair and in compliance with all applicable codes, as of such date, and for a period of one (1) year thereafter. In the event that it is determined by Tenant that this warranty has been violated, then it shall be the obligation of Landlord, after receipt of written notice from Tenant within such one (1) year period setting forth with specificity the nature of the violation, to promptly rectify such violation, at Landlord's sole cost and expense. Landlord agrees to diligently enforce all of the warranties provided to Landlord by manufacturers of all the equipment on the Premises, including, without limitation, the HVAC systems and the roof.

8.2 Until the date that is one hundred twenty (120) days after the Rent Commencement Date, Tenant shall be entitled to deliver to Landlord a written list of items which Tenant may discover were not completed in accordance with ARTICLE 7, whether or not Tenant has previously delivered a list or lists of other deficiencies to be corrected by Landlord and until the first anniversary of the Rent Commencement Date, Tenant shall be entitled to deliver to Landlord notice of latent defects in Landlord's Work. Landlord shall commence correction of such deficiencies within thirty (30) days after Landlord's receipt of such list and shall complete the correction of such deficiencies within forty-five (45) days of Tenant's notice. In the event that Landlord fails to commence or complete correction of such deficiencies within the time period required for Landlord to do so, and such failure continues for five (5) business days after a second notice to Landlord making reference to Landlord's

failure to perform and to this Section of the Lease, Tenant may cause such deficiencies to be corrected at Landlord's expense and Landlord shall reimburse such expenses to Tenant upon demand. If Landlord does not reimburse Tenant for such expenses within thirty (30) days of written demand therefor, Tenant may offset the amount of said reimbursement against any payment due Landlord from Tenant.

8.3 Landlord represents and warrants to Tenant that as of the Possession Date, the Center, the Building and the Premises comply in all respects with applicable building codes, governmental ordinances and regulations, including, but not limited to, the ADA, and that parking for the Premises complies with all governmental requirements, that the zoning for the Premises is such that Tenant may utilize the Premises for restaurant purposes, that the Premises and this Lease do not violate any covenants or restrictions of record and that there are no agreements, exclusives, restrictions or prohibitions affecting the Premises or this Lease that limit, conflict or otherwise interfere with Tenant's use of the Premises or other rights under this Lease. If it is determined that this warranty has been breached, then it shall be Landlord's obligation to promptly rectify such violation, at Landlord's sole cost and expense. Notwithstanding the foregoing or any provision to the contrary, Landlord shall have no obligation with respect to Tenant's work to the Premises or the compliance thereof with governmental requirements.

ARTICLE 9 MAINTENANCE AND REPAIRS

9.1 During the Term of this Lease and any extensions thereof, Landlord, at its sole cost and expense except as otherwise provided herein, shall maintain in good order, condition and repair (including replacements and upgrades thereof), life safety systems (for which the cost may be included in Common Area Charges), the foundations, subflooring, footings, walls, all unexposed plumbing (to the extent not for the exclusive use of the Premises), all structural elements of the Premises, all exterior elements of the Premises (other than the storefront, doors, windows and signage, all of which shall be maintained in good order, condition and repair by Tenant (including replacements and upgrades thereof)), all mechanical equipment not serving the Premises exclusively, and the roof (including its waterproof membrane) of the Premises in a watertight condition (for which the cost of repairs may be included in Common Area Charges), and as necessary, or when required by governmental authority, shall make modifications or replacements thereof (for which the cost may be included in Common Area Charges). Landlord shall commence repair work within five (5) business days after notice of a condition requiring repair, and shall prosecute it diligently to completion. If the condition requiring a Landlord repair constitutes an emergency or hazardous condition or if the condition creates material adverse interference with Tenant's business on the Premises, then Landlord shall commence such repair as soon as reasonably possible following telephonic notice from Tenant of such condition, with written notice from Tenant of such condition to follow. If Landlord fails to commence any repair required of it hereunder within the appropriate time period or if the condition does not permit time for notice to Landlord, and the condition has a material adverse effect on the operation of Tenant's business in the Premises, and such failure continues for five (5) business days after a second notice to Landlord making reference to Landlord's failure to perform and to this Section of the Lease, then Tenant may make such repair, charge Landlord with the reasonable costs thereof including interest at an annual rate equal to the lesser of ten percent (10%) or the maximum rate allowed by law (the "Interest Rate"), and, at Tenant's option, offset such costs against any payments of Base Rent owed or which become due to Landlord

until Tenant has been reimbursed, provided such offset shall not exceed fifty percent (50%) of any payment of Base Rent except to the extent necessary for Tenant to be fully reimbursed prior to the end of the Term.

9.2 Except as otherwise provided in this Lease, Tenant shall repair and maintain in good order, condition and repair (including replacements and upgrades thereof) as necessary all parts of the Premises not Landlord's responsibility in this Lease, as well as the storefront, doors, windows, and signage (except for ordinary wear and tear provided that such exception shall not permit the areas for which Tenant is responsible to be in less than good order, condition and repair, and with loss by fire or other casualty being governed by the applicable provisions of this Lease or damage caused by Landlord), including all HVAC equipment and mechanical equipment serving the Premises exclusively. Notwithstanding anything contained herein to the contrary, but subject to the terms of Section 13.4, Tenant shall not be responsible for any repair or improvement necessitated by the gross negligence or intentional misconduct of Landlord, its agents, employees or servants under this Lease. Landlord shall provide Tenant with access to the roof of the Building twenty-four (24) hours a day, seven (7) days a week, for Tenant to install, maintain, repair, replace and remove Tenant's equipment, subject to the terms of Section 19.2. In addition and notwithstanding any provision to the contrary, Tenant will use commercially reasonable efforts to keep the path to and the area immediately around the dumpster clean (only to the extent of trash and spillage generated by Tenant) and further agrees to empty any trash cans on its Patio Area diligently and regularly (which shall include at least when they are full so that trash does not spill over or blow into the Common Areas) and to keep the Patio Area and the sidewalk immediately in front of the Premises and, with respect to conditions resulting from Tenant's business including, without limitation, Tenant's customers, ten (10) feet on either side of the Patio Area, so long as same are sidewalks, free and reasonably clean and clear of papers and trash generated by Tenant's operations, and otherwise in a first class manner (which may include, without limitation and as necessary to satisfy such standard, washing down and, when reasonably necessary, power washing) and, with respect to conditions resulting from Tenant's business including, without limitation, Tenant's customers, ten (10) feet on either side of the Patio Area), Tenant shall keep same reasonably clean and free of dirt, debris, snow and ice, between the periodic snow and ice removal and treatment or other cleaning provided by Landlord as part of Common Area maintenance, and Tenant shall not use sidewalks adjacent to the Premises to display or sell merchandise, or otherwise obstruct the sidewalks, but the foregoing shall not apply to Tenant's use of the Patio Area that shall be subject to the terms of Section 2.2.

9.3 Landlord warrants and represents that Landlord shall not exercise Landlord's control of the Center in any way, or take any action, or allow any action to be taken, whether temporary or permanent, which shall materially adversely restrict access to, or visibility of, the Premises or Tenant's signs, materially impair or materially interfere in any way the operation of Tenant's business or reduce the number of parking spaces below the level required by applicable laws or the permits for the Center, or materially adversely change the location of the parking spaces, or in a material adverse manner change the ingress or egress including any driveways which are adjacent to or in the proximity of the Premises. Upon any breach of this warranty by Landlord, Tenant shall notify Landlord making specific reference to the nature of the breach and this Section, and if Landlord fails to commence the cure of the breach within ten (10) business days after receipt of such notice or thereafter fails to diligently proceed with the cure, and provided the breach has a material adverse effect on the operation of Tenant's business as then operated in the Premises, then Tenant

may, in Tenant's sole discretion, remedy said restriction of access or visibility, impaired or affected business operation or parking, or ingress or egress and deduct the reasonable cost thereof from Base Rent due Landlord from Tenant until said cost is are paid in full provided such offset shall not exceed fifty percent (50%) of any payment of Base Rent except to the extent necessary for Tenant to be fully reimbursed prior to the end of the Term.. Subject to Tenant obtaining the approvals for the Patio Area, Landlord acknowledges and agrees that, during the Term, Landlord shall not prohibit Tenant from having the number of seats shown on Tenant's Plans and Specifications, including any Patio Area seating, approved by Landlord, subject to the terms of Section 2.2 with respect to the use of and seating in the Patio Area. Landlord represents and warrants that during the Term, it will neither do, nor cause, anything to be done that would reduce the number of seats available to Tenant under this Lease or reduce the number of seats below what is required by law. Notwithstanding the foregoing, in no event shall Landlord be deemed to be in default of its foregoing obligations to the extent any requirement or change is required by applicable Laws provided that such requirement or change is not the result of Landlord's acts or negligence.

ARTICLE 10 COMMON AREAS; COMMON AREA CHARGES

10.1 The term "**Common Areas**" means the parking areas, roadways, pedestrian sidewalks, mall whether open or closed, delivery areas, trash removal areas, landscaped areas, security areas, public washrooms and all other areas or improvements that may be provided by Landlord from time to time for the common use of tenants in the Center and including for purposes of determining Common Area Costs, areas that otherwise would be Common Areas but may be for the exclusive use of other tenants (such as patio areas or reserved parking spaces).

10.2 Landlord shall have the obligation to take appropriate action, including the posting of signs in the Common Areas, to discourage non-customer use. Landlord shall keep all Common Areas in a neat, clean and orderly condition, properly surfaced, painted, landscaped and lighted (which lighting shall be specifically provided for any loading docks, parking lots, trash areas, and front and rear entrances of the Premises) in a manner that is safe and consistent with a first class shopping center in Natick, Massachusetts, with sufficient casualty and liability insurance and shall promptly repair any damage thereto. Notwithstanding the foregoing, Tenant, rather than Landlord, shall be responsible, at Tenant's expense, for maintaining the Patio Area in accordance with the terms of Section 2.2.

10.3 Beginning on the Rent Commencement Date, Tenant agrees to pay Tenant's Proportionate Share of the actual, reasonable out of pocket costs incurred by Landlord directly attributable to maintaining, insuring and repairing the Common Areas of the Center, costs of Landlord's insurance and related fees, costs that are permitted to be included in Common Area Charges pursuant to other provisions of this Lease including, without limitation, costs related to the Building (provided that with respect to costs that are related solely to the Building in which the Premises is located, Tenant's share of such costs may be based on the area of the Premises and the area of leasable space in the Building) and an administrative charge of five percent (5%) of Common Area Charges (the "**Common Area Charges**"). Landlord shall use commercially reasonable efforts to minimize Common Area Charges in a manner consistent with good business practices, and there shall be no duplication in charges to Tenant. All Common Area Charges shall

be based upon competitive charges for similar services and/or materials that are available in the general vicinity of the Center.

10.4 Common Area Charges shall not include, however: (a) leasing commissions and advertising expenses or any other costs incurred by Landlord in procuring new tenants; (b) costs disbursements and other expenses incurred in negotiations or disputes with tenants or prospective tenants; (c) renovating or improving space for tenants or other occupants; (d) depreciation and amortization of the Center; (e) interest, principal payments and financing costs incurred in connection with any debt associated with the Center; (f) repairs that are covered under warranties by either manufacturer of materials incorporated into any building located in the Center or developer of the Center (to the extent Landlord is able to enforce such warranties); (g) legal fees (other than those related to the operation of the Center); (h) expenses paid by any tenant directly to third parties or those which Landlord is otherwise actually reimbursed by any third party or by insurance proceeds; (i) parking facilities' expenses, if charge is made for parking; (j) costs of a capital nature dedicated to a single tenant, including, but not limited to, capital improvements, capital repairs, structural repairs, capital equipment, capital tools for such single tenant, as determined in accordance with generally accepted accounting principles and/or the equivalent costs and fees of leasing or renting same, provided, however that costs of a capital nature benefiting more than one tenant shall be considered part of Common Area Charges, and the total cost thereof shall be spread out over a period equal to the useful life of such capital expenditure, based on the straight line method of amortization, in accordance with generally accepted accounting principles; (k) advertising and promotional expenditures; (l) the costs of correcting any code violations that existed as of the Possession Date or the cost of any penalty for any code violation at any time (but the cost of addressing the code violation may be included); (m) any other expense that according to generally accepted accounting principles is not considered a normal maintenance or operating expense; (n) costs of replacing the roof of the Premises or any part of the Center provided the total cost thereof shall be spread out over a period equal to the useful life of such capital expenditure, based on the straight line method of amortization, in accordance with generally accepted accounting principles; (o) the costs of completely resurfacing or replacing the parking lot that serves the Premises provided the amortized cost of the foregoing may be included, which amortization shall be based on seven (7) years; (p) except for the administrative fee set forth above in Section 10.3, management, administrative, overhead, supervisory or other mark-up fees, however termed; (q) interest, fines or penalties payable due to the failure of the Landlord to pay taxes, utilities or other charges in a timely manner (provided that if Tenant has failed to timely pay Tenant's share thereof, then Tenant shall be responsible for such interest, fines or penalties); (r) expenses for the defense of the Landlord's title to the Center, or any part thereof; (s) any amounts expended by Landlord as environmental response costs for removal, enclosure, encapsulation, clean-up, remediation or other activities regarding Landlord's compliance with federal, state, municipal or local hazardous waste and environmental laws, regulations or ordinances if the environmental response was a result of the acts of Landlord, its agents, contractors or employees, in each case while acting within the scope of their employment or agency; (t) costs to correct original defects in the design, construction or equipment of or latent defects in the Center or any part thereof during the first one (1) year after the Possession Date; (u) interest, fines or penalties payable due to Landlord's violation or failure to comply with any governmental regulations and rules or any court order, decree or judgment (but the cost of addressing the violation or to comply may be included to the extent such work would otherwise be included in Common Area Charges); (v) rental on ground leases or other underlying leases; or (w) any amounts recovered from insurers and/or other third parties.

10.5 Tenant shall pay its share of the Common Area Charges in equal monthly installments. The estimate of the Common Area Charges for the first full calendar year is set forth in Section 1.1, and Tenant shall, initially, pay its share on the basis of such estimate. On or before April 15 of each calendar year, Landlord shall forward to Tenant a detailed statement, certified to be complete and correct by Landlord, showing the Common Area Charges for the immediately preceding calendar year. If on the basis of such statement Tenant paid less than the actual amount of Common Area Charges for such calendar year, Tenant shall make a payment to Landlord of the underpayment within thirty (30) days following Tenant's receipt of such statement. If on the basis of such statement Tenant paid more than the actual amount of Common Area Charges for such calendar year, Landlord will credit the excess to the next succeeding monthly installment(s) of Rent, or, if such statement relates to the end of the Term, Landlord shall refund the excess to Tenant together with such statement. After the first calendar year, Tenant's estimated payments shall be based on the actual Common Area Charges for the previous calendar year, prorated if applicable.

10.6 Tenant, upon reasonable notice to Landlord, shall have the right to audit all of Landlord's bills and records relating to the Common Area Charges and Taxes, provided that: (i) Tenant notifies Landlord of Tenant's election to do so within one hundred eighty (180) days after Tenant's receipt of Landlord's annual statement of Common Area Charges that Tenant intends to audit and completes such audit within ninety (90) days thereafter (subject to extensions for delays created by Landlord); (ii) Tenant shall not have the right to audit any period more than one (1) time; and (iii) the auditor shall not be compensated on a contingency basis. All of the information obtained through said audit as well as any compromise, settlement, or adjustment reached between Landlord and Tenant relative to the results of the audit, if any, shall be held in strict confidence by Tenant, and Tenant's officers, agents and employees including, but not limited to, the Tenant's auditor, and shall not be revealed in any manner to any person unless required pursuant to any litigation between Landlord and Tenant materially related a dispute regarding the subject matter of such audit, or if otherwise required by law. The right of audit provided in this Section shall not be construed to allow the postponement or delay of any payment of Base Rent and all other rent and charges provided for herein. If Tenant's audit correctly reveals that Tenant's payments for the Common Area Charges or Taxes were excessive, Landlord shall credit such overpayment against Rent to be paid by Tenant hereunder, or, if such overpayment is discovered after the end of the Term, Landlord shall refund the excess to Tenant together with such statement. In addition, if Tenant's audit correctly reveals that Tenant's payments for the Common Area Charges or Taxes exceed the actual Common Area Charges or Taxes by more than five percent (5%), Landlord shall pay all of Tenant's reasonable costs and expenses relating to the audit.

10.7 Notwithstanding anything herein to the contrary, if Landlord fails to bill Tenant for any Common Area Charges, Taxes or insurance charges within eighteen (18) months of the date that such charges are incurred, then Tenant shall not be required to pay such Common Area Charges, Taxes or insurance charges (but Tenant's obligation to pay all other Common Area Charges, Taxes and insurance charges shall not be modified thereby).

10.8 Tenant shall also have the nonexclusive use of the Common Areas (subject to Landlord's right to grant exclusive or limited rights (comparable to the rights granted to Tenant in this Lease) in certain Common Areas to other tenants) and all rights, privileges, easements, appurtenances in, over and upon adjoining and adjacent public and private land, highways, roads and

streets reasonably required for ingress or egress to or from the Premises by Tenant, its agents, servants, employees, contractors, customers and invitees and all others related to Tenant's use and occupancy of the Premises.

10.9 Tenant, its agents, servants, employees, contractors, customers and invitees shall be permitted to park, at no cost to Tenant, in a non-exclusive area in the Common Areas designated for parking, which Landlord shall have the right to designate from time to time (including, without limitation, designated employee parking areas) and such area shall be well-lit and within reasonable proximity to the Premises.

10.10 "Tenant's Proportionate Share", as defined in Section 1.1, may be expressed as a fraction, the numerator of which is the gross leasable area of the Premises, and the denominator of which is the aggregate gross leasable area of the Center, whether occupied or not. The Center consists of two (2) buildings containing a total leasable area of approximately 70,632 square feet of leasable area. If the number of square feet of leasable area in the Center increases during the Term, then Tenant's Proportionate Share shall be adjusted accordingly. Notwithstanding anything herein to the contrary, in no event shall the leasable area of the Center used in the denominator for purposes of calculating Tenant's Proportionate Share be less than the leasable area of the Center stated above in this Section 10.10.

10.11 Tenant's Proportionate Share of Common Area Charges, Tenant's Proportionate Share of Insurance, and Tenant's Proportionate Share of Taxes for the first twelve (12) months following the Rent Commencement Date shall not collectively exceed \$4.73 per square foot of floor area in the Premises.

ARTICLE 11 UTILITIES

11.1 Landlord shall provide utility lines to the Premises in accordance with the provisions of **Exhibit D**. Landlord shall stub all utilities to the Premises in accordance with the provisions of **Exhibit D** and, as to location, in accordance with Tenant's Plans and Specifications. Landlord will provide, at Landlord's sole cost and expense, separate meters for all of Tenant's utilities. Tenant shall pay for all separately metered water, gas, heat, electricity, sewer charges, telephone, and any other utility or service charge related to its occupancy of the Premises. If Tenant is unable to use the Premises as a result of interruption in utilities that is caused by the acts or negligence of Landlord, its agents, contractors or employees, the Base Rent and all other charges payable hereunder shall abate equitably until the utilities are restored, and Landlord agrees that Landlord shall commence such repairs as soon as possible and diligently pursue such repairs to completion provided that Landlord shall have no obligation and Tenant shall have no remedy against Landlord or under this Lease with respect to any interruption that is not caused by Landlord. If Landlord fails or neglects to make such repairs that Landlord is required to make, Tenant shall have the right, but not the obligation, to make such repairs, and Tenant may offset the reasonable cost of such repairs against any charge to be paid by Tenant hereunder, including Base Rent. The reasonable cost of the repairs will be paid by Landlord or deducted from payments required under this Lease. During the Term, Landlord shall not prevent Tenant from having sufficient utilities and ventilation necessary to support its intended use of the Premises (provided any alterations by Tenant with respect thereto shall be governed by Section 19.2 of this Lease).

11.2 Landlord shall provide, for Tenant's non-exclusive use, a trash and waste enclosure in the area shown on **Exhibit A**. Such enclosure shall be sufficient in size to accommodate each of a dry, a wet and a grease dumpster or receptacle for the collection and disposal of the trash, garbage, recycling, food scraps and refuse which Tenant and other tenants produce as a result of conducting business at the Center. The dumpsters/receptacles shall be for Tenant's shared use and shall be as identified and set forth (along with the required size thereof) on **Exhibit D** attached hereto. The dumpsters/receptacles shall be sufficient in size for the disposal of Tenant's refuse, which Tenant produces as a result of conducting its business at the Premises and Landlord shall adequately maintain same. During the Term of this Lease, Tenant, at Tenant's expense, shall transport Tenant's trash, grease and other applicable items from the Premises to the dumpsters and waste and grease receptacles. Landlord shall provide for the removal of such trash, waste and other materials from the dumpster and receptacles, which shall occur no less than seven (7) days per week, and the costs thereof shall be commercially reasonable and included in Common Area Costs, provided that Landlord shall have the right to equitably adjust Tenant's share of the costs incurred with respect to the dumpsters, receptacles and the removal of trash, grease and items therefrom, all based on Landlord's commercially reasonable estimate of Tenant's usage compared to other tenants in the Center utilizing such dumpsters and receptacles.

11.3 Landlord represents and warrants that all services and hook-ups will be currently paid as of the Possession Date and that all hook-ups will be available to Tenant throughout the Term of this Lease. Any and all tap fees, EDU fees, meter fees, fixture fees, connection fees, impact fees, lateral fees, system development fees or other similar fees relating to the utilities to be used at the Premises shall be paid by the Landlord, and Tenant shall have no responsibility therefor. In the event that any credits from any public source are available for the Center towards tap fees, fixture fees, connection fees or comparable fees, Landlord shall be entitled thereto.

ARTICLE 12 REAL ESTATE TAXES

12.1 In addition to Base Rent, Tenant agrees to pay Tenant's Proportionate Share of the amount of all real estate taxes, assessments, sales or use taxes, and public charges imposed on, or in connection with, the Center excluding charges for connections and permits of water and sewer, but including the Building, land and personalty, taxes on rentals, and taxes in addition to or in lieu of existing taxes, and all costs of seeking an abatement or refund of any such taxes and other amounts ("**Taxes**") for any year during the period between the Rent Commencement Date and the expiration of the Term of this Lease (the "**Payment Period**"). There shall be excluded from Taxes to which Tenant contributes: (a) any increase in Taxes caused by construction in the Center commenced subsequent to occupancy by Tenant hereunder until such time as such newly constructed space constitutes rentable floor area; (b) income, excess profits, estate, single business, inheritance, succession, transfer, franchise, excise, capital or other tax assessment upon Landlord (but taxes on the rentals payable under this Lease shall be included in Taxes; or (c) Taxes on any part of the Center which are payable pursuant to a separate assessment except to the extent the applicable part is used for or in support of the leasable space in the Center. On or before the first day of the Term of this Lease, or as soon after that day as practicable, Landlord will give Tenant written notice of Landlord's estimate of the amount payable under this Section 12.1 for the remainder of that calendar year. During December of each calendar year or as soon after December as practicable, Landlord will give Tenant notice of its estimate of the payments to be made pursuant to this Section

12.1 for the ensuing calendar year. On or before the first day of each month during the ensuing calendar year, Tenant will pay to Landlord one-twelfth ($1/12^{\text{th}}$) of the estimated amount; however, if the notice is not given in December, Tenant will continue to pay on the basis of the prior year's estimate until the month after the notice is given (at which time there shall be a retroactive adjustment). If at any time or times it reasonably appears to Landlord that the payments to be made under this Section 12.1 for the current calendar year will vary from its estimate, Landlord will, by notice to Tenant, revise its estimate for the year, and subsequent payments by Tenant for the year will be based upon the revised estimate. Tenant shall not be responsible for any interest, late charge or other penalty resulting from Landlord's late payment or non-payment of Taxes, except to the extent caused solely by Tenant's delinquent payment, nor any administrative or other charge which may be claimed by Landlord.

12.2 Within ninety (90) days after the close of each calendar year, or as soon after the ninety (90) day period as practicable, Landlord will deliver to Tenant: (i) copy of the tax bill(s) applicable to the Premises and Common Areas; and (ii) a statement of the payments made or to be made under Section 12.1 for the calendar year that has been prepared on the basis of such statement. If on the basis of such statement Tenant owes an amount that is less than the estimated payments for the calendar year previously made by Tenant, Landlord will credit the excess to the next succeeding monthly installment of Base Rent or, at Tenant's option, refund the excess to Tenant immediately. If on the basis of those statements Tenant owes an amount that is more than the estimated payments for such calendar year previously made by Tenant, Tenant will pay the deficiency to Landlord within thirty (30) days after delivery of those statements.

12.3 Landlord warrants and represents that as of the Rent Commencement Date, all general or special assessments on the Premises shall be paid current as of such date (or Landlord shall be responsible for the charges due prior to the Rent Commencement Date). Tenant shall not be liable for any special assessments which are levied or assessed by a special assessment district which is formed, directly or indirectly, by Landlord for the purpose of constructing or acquiring on-site or off-site improvements.

12.4 Taxes for the tax year containing the Rent Commencement Date shall be prorated as of the Rent Commencement Date and Taxes for the last year of the Term hereof shall be prorated as of the expiration of the Term so that Tenant shall only pay for such Taxes which relate to the tax period included within the Payment Period. With respect to any assessment which may be levied against or upon the Center or any portion thereof or which under the laws then in force may be evidenced by improvement or other bonds, or may be paid in installments, only the amount of such installment and statutory interest shall be included within the computation of the annual taxes and assessments levied against the Center or any portion thereof.

12.5 Tenant shall have the right to pay under protest any assessment which increases the amount of Tenant's real estate taxes and assessments and to request that Landlord contest any such assessment subsequent to payment, but Landlord shall not be obligated to do so. Any refund of any tax or assessment (including interest and penalties) which has been paid by Tenant, and which is allocable to the Premises, shall belong to Tenant.

12.6 In connection with performing an audit of Common Area Charges, Tenant shall have the right to audit Landlord's or Landlord's agent's records pertaining to Taxes in accordance with the terms of Section 10.6.

ARTICLE 13 INSURANCE

13.1 Tenant shall at all times during the Term hereof (commencing as of the Possession Date) and at its own cost and expense procure and continue in force a policy of commercial general liability insurance (also known as broad form comprehensive general liability insurance), insuring against liability for bodily injury, property damage and personal injury arising out of the use, operation or occupancy of the Premises in an amount of not less than Three Million Dollars (\$3,000,000.00), combined single limit. Tenant shall provide to Landlord upon written request a certificate of insurance reflecting such coverage. Tenant shall name Landlord and its lender, property manager, successors and assigns and beneficiaries, and any other party reasonably designated by Landlord, each as additional insured.

13.2 Tenant shall procure and maintain at all times during the Term of this Lease at its sole cost and expense, "Special Form" property insurance coverage, with standard exceptions, covering its fixtures, equipment and personal property located on the Premises, together with insurance against vandalism and malicious mischief. Landlord shall have no interest in the proceeds of insurance maintained by Tenant under this Section 13.2 and will sign all documents which are necessary or appropriate in connection with the settlement of any claim or loss by Tenant.

13.3 Landlord agrees to insure or caused to be insured the Building, the Center and all improvements owned by Landlord or not, but excluding anything insured by Tenant in Section 13.2 above against loss or damage by any perils covered by a standard broad form all risk property insurance policy in an amount equal to the full replacement value. Landlord shall also maintain commercial general public liability insurance against claims for personal injury, death or property damage occurring in, on or about the Common Areas, the Center, portions of the Building not leased to Tenant and the sidewalks and areas adjacent to the Premises and the Center under Landlord's control to afford protection to the minimum limit of Three Million Dollars (\$3,000,000.00) for any personal injury, death or property damage. Subject to ARTICLE 22, all proceeds from such insurance policies shall be used for the restoration of the Building, the Center and the Premises pursuant to the terms of this Lease. Landlord shall provide to Tenant upon written request a certificate of insurance reflecting such coverage. Tenant shall pay Tenant's Proportionate Share of insurance premiums for such insurance as part of Common Area Charges as well as any deductibles with respect thereto.

13.4 Landlord and Tenant each hereby waive any and all rights of recovery against each other and the officers, employees, agents and representatives of such other party for loss of or damage to such waiving party or its property or the property of others under its control, arising from any cause insured against by any insurance policy in force (whether or not described herein) carried by such waiving party in lieu thereof, and each party shall cause each insurance policy obtained by it to provide that the insurance company waives all right of recovery by way of subrogation against either party in connection with any damage covered by any policy. In addition, except as modified by statute and excluding Landlord's gross negligence and intentional misconduct, all merchandise,

furniture, fixtures and property of Tenant which may be on or about the Premises or the Patio Area or elsewhere in the Center shall be at the sole risk and hazard of Tenant, and if the whole or any part of the Premises or the Patio Area is destroyed or damaged by any cause whatsoever, no part of such loss or damage will be charged to Landlord, subject to ARTICLE 22.

13.5 All insurance policies required to be carried hereunder shall be issued by insurance companies having a rating of at least A-VI, as set forth in the most recent issue of "Best's Insurance Guide." All policies obtained by Landlord or Tenant under the terms of this Lease shall have an effective coverage date which is the same as the Possession Date. Any party may satisfy its obligations regarding insurance pursuant to an umbrella policy. Notwithstanding anything set forth in this Lease to the contrary, provided that Tenant or its parent company (so long as the parent company is a guarantor of Tenant's obligations under this Lease) maintains a tangible net worth of at least One Hundred Million Dollars (\$100,000,000.00) (in 2017 Dollars), Tenant shall have the right to self-insure with respect to any insurance required to be maintained by Tenant hereunder provided that Tenant first shall notify Landlord of Tenant's election to self-insure and provide to Landlord proof of Tenant's (or, as applicable, Tenant's parent company's) net worth, provided that while said information is available online, then Tenant shall not be required to provide such proof. If Tenant and to the extent Tenant elects to self-insure, Landlord shall have the same benefits as would be applicable to Landlord if Tenant had maintained such insurance with a third party insurer including, without limitation, the benefits of Section 13.4 and Section 14.1.

13.6 Without limiting the generality of other provisions of this Lease regarding insurance coverage to be maintained by Tenant, for such period of time as Tenant shall serve liquor or other alcoholic beverages, Tenant agrees to maintain with a responsible and qualified (a Best Rating of A-VIII or better) insurance company licensed to do business in Massachusetts, and with minimum combined limits of at least the minimum limits of insurance specified elsewhere in this Lease plus minimum limits of coverage of at least Three Million Dollars (\$3,000,000) under an umbrella policy covering excess "liquor law" liability, or such higher limits as Landlord may from time to time request but no more often than every five (5) years, provided such higher limits are then customarily being carried by similar restaurant operations in the Commonwealth of Massachusetts selling beer, wine and other alcoholic beverages and provided that Landlord requires the same higher limits from all other similarly situated tenants in the Center for similar uses, the broadest available so-called liquor law liability insurance (sometimes also known as "dram shop" insurance) policy or policies, which shall insure Tenant and Landlord (disclosed or undisclosed), and all those claiming by, through or under Landlord against any and all claims, demands or actions for personal and bodily injury to, or death of, one person or multiple persons in one or more accidents, and for damage to property, including, without limitation, any claims mentioned in the immediately preceding indemnity paragraph; so that at all times Landlord will be fully protected against any claims that may arise by reason of or in connection with the sale and dispensing of liquor and alcoholic beverages in and from the Premises. Certificates of such insurance shall upon written request be deposited with Landlord showing current insurance in force; and all such policies shall name Landlord as an additional insured and shall provide that such policies shall not be cancelled or the coverage reduced without at least thirty (30) days prior written notice to Landlord, and such certificate shall evidence the same.

ARTICLE 14 RELEASE AND INDEMNITY

14.1 Subject to the terms of this Lease including, without limitation, Section 13.4, Tenant shall indemnify and hold harmless Landlord from and against any and all claims arising from: (a) Tenant's use of the Premises or the conduct of its business; (b) any negligent act or omission done, permitted or suffered by Tenant in or about the Premises, the Building or the Center; or (c) any breach or default in the performance of any obligation of Tenant under the terms of this Lease, all of which indemnities shall include court costs and reasonable attorneys' fees; provided, however, that the foregoing shall not extend to any claim to the extent arising out of the willful, reckless or negligent act or omission of, or breach of any provision of this Lease by Landlord, its agents, officers, servants, employees or contractors. For purposes of this Section 14.1, Tenant shall include Tenant, its employees, agents, contractors and, while in the Premises (including the Patio Area), Tenant's customers and invitees.

14.2 Subject to the terms of this Lease including, without limitation, Section 13.4, Landlord shall indemnify and hold harmless Tenant from and against any and all claims arising from: (a) Landlord's use and maintenance of the Common Areas or any injuries occurring in the Common Areas or any portion of the Building or the Center outside the Premises; (b) any negligent act or omission done, permitted or suffered by Landlord in, on or about the Premises, the Building or the Center; or (c) any breach or default by Landlord of any of the representations, warranties or covenants set forth in this Lease or in the performance of any obligation of Landlord under this Lease; all of which indemnities shall include court costs and reasonable attorneys' fees; provided, however, that the foregoing shall not extend to any claim to the extent arising out of the willful, reckless or negligent act or omission of Tenant, or breach of any provision of this Lease by Tenant, its agents, officers, servants, employees or contractors. For purposes of this Section 14.2, Landlord shall include Landlord, its employees, agents and contractors.

ARTICLE 15 INSOLVENCY, ETC. OF EITHER PARTY

15.1 The filing of any petition in bankruptcy whether voluntary or involuntary, or the adjudication of Landlord or Tenant as bankrupt or insolvent, or the appointment of a receiver or trustee to take possession of all or substantially all of the Landlord's or Tenant's assets, or an assignment by Landlord or Tenant for the benefit of its creditors, or any action taken or suffered by Landlord or Tenant under any State or Federal insolvency or bankruptcy act including, without limitation, the filing of a petition for or in reorganization, or the taking or seizure under levy of execution or attachment of the Premises or any part thereof, shall not constitute a breach of this Lease by Landlord or Tenant, unless Landlord or Tenant (or any appointed trustee, custodian, receiver, etc. of such party) commits a Default as defined herein.

15.2 Neither this Lease nor any interest therein or thereunder, nor any estate thereby created in favor of Tenant, shall be an asset of Tenant in or under any bankruptcy, insolvency or reorganization proceeding, nor shall any of the same pass by operation of law under any State or Federal insolvency or bankruptcy law to any trustee, receiver or assignee for the benefit of creditors or any person.

ARTICLE 16
PERSONAL PROPERTY AND OTHER TAXES

16.1 Tenant shall pay prior to delinquency all taxes assessed against and levied upon trade fixtures, furnishings, equipment and all other personal property of Tenant contained in the Premises. If any of Tenant's said personal property shall be assessed with Landlord's real property, Tenant shall pay to Landlord the taxes attributable to Tenant within thirty (30) days after receipt of a written statement including said tax bill setting forth the taxes applicable to Tenant's property.

ARTICLE 17
SIGNAGE

17.1 . Tenant may install the exterior signage shown on **Exhibit C** and such other exterior signage approved by Landlord which approval shall not be unreasonably withheld, conditioned or delayed, subject to Tenant's receipt of approval from the relevant governmental authorities. Landlord expressly acknowledges that Landlord has received, reviewed, and approved Tenant's exterior signage, storefront and display specifications, which specifications are attached hereto as **Exhibit C** and that such specifications comply with all requirements set out in this Lease (other than with respect to applicable laws for which Landlord makes no representation). Tenant may install and display any interior signage and advertising materials as Tenant deems appropriate (provided that any interior signage on or near any windows shall be professionally prepared, properly maintained and in compliance with applicable laws). Additionally, any statements to the contrary notwithstanding, no other party shall be allowed to install or maintain signage or otherwise use the exterior wall portion of the Premises. Tenant shall be allowed to place appropriate signage on the entrances to the Premises advertising Tenant's hours of operation and other information and shall be allowed to install tasteful "Coming Soon," "Now Hiring" and "Now Open" banners subject to the foregoing provisions.

17.2 Tenant shall be allowed to display its logo and other information on the top panel position on both sides of any monument or pylon signs serving the Center and/or constructed by Landlord at the Center, such sign panels to be no less than the panels allocated to similarly sized tenants of the Center, at no cost to Tenant other than as set forth in the following sentence. Landlord shall maintain (including repair, replacement, operation and insuring) any monument or pylon sign structure that is utilized by more than one tenant in the Center and include the same in Common Area Charges, and Tenant shall be responsible for the fabrication, installation and maintenance (including repair, replacement, operation and insuring) of its sign panel on such sign.

ARTICLE 18
ASSIGNMENT AND SUBLETTING

18.1 Tenant may assign or transfer this Lease or Tenant's interest therein, and may sublet the Premises or any part thereof (collectively "**Assign**" or "**Assignment**"), without Landlord's consent: (a) to a parent, subsidiary, affiliate, franchisee, licensee or similarly related entity; (b) in connection with a merger, acquisition, reorganization or consolidation; or (c) in connection with the sale of Tenant's corporate stock or assets. Notwithstanding the foregoing, prior to or, if Tenant is

prohibited from providing prior notice, promptly following an Assignment that does not require Landlord's consent, Tenant shall deliver to Landlord notice of the Assignment including substantiation that one of the foregoing conditions has or will be satisfied (and, for the avoidance of doubt, substantiation shall mean the provision of commercially reasonable materials that demonstrate that the applicable condition existence; for example, with respect to a merger, Tenant would provide proof of the merger, but would not need to provide the documentation setting forth the terms of the merger), a copy of the Assignment document, contact information for the new Tenant, and the date on which the Assignment will be effective. Any other Assignment shall require Landlord's consent, which consent shall not be unreasonably withheld, delayed or conditioned. Without limiting the generality of the foregoing, Landlord shall have no right to any sums or economic consideration resulting from an Assignment, including any Assignment permitted without Landlord's consent. No Assignment by Tenant, whether pursuant to this Section 18.1, Section 18.2 or otherwise shall relieve Tenant (or any prior "Tenant") of any obligation to be performed by Tenant under this Lease whether arising before or after the Assignment.

18.2 If Tenant desires at any time to enter into an Assignment of this Lease for which Landlord's consent is required, it shall first give written notice to Landlord of its desire to do so, which notice shall contain: (a) the name of and contact information for the proposed assignee, subtenant or occupant; (b) the nature of the proposed assignee's, subtenant's or occupant's business to be carried on in the Premises; (c) information relating to the experience and financial condition of the proposed assignee, subtenant or occupant; (d) intentionally omitted, and (e) the terms and conditions of the Assignment. At any time within thirty (30) days after Landlord's receipt of such notice, Landlord shall, by written notice to Tenant: (i) consent to the Assignment; (ii) reasonably withhold its consent; or (iii) terminate the Lease. In determining whether to grant or withhold consent, Landlord shall be entitled to take into account all factors that a sophisticated landlord would consider in leasing similar space to a new tenant. If the Landlord disapproves the Assignment, Landlord agrees to supply Tenant with a written statement setting forth the specific reasons for such disapproval. If Landlord fails to supply this written statement within said thirty (30) day period and such failure continues for five (5) business days after Landlord's receipt of a notice stating that the response was not received within the initial thirty (30) day time period, then this shall be deemed consent by Landlord to any such Assignment. If Landlord consents to the Assignment within said thirty (30) day period (as same may be extended pursuant to the foregoing sentence), Tenant may thereafter enter into such Assignment of the Premises or portion thereof on the terms set forth in Tenant's notice requesting consent. The consent by Landlord to any Assignment shall not relieve Tenant of the obligation to obtain Landlord's consent to any other Assignment. In addition, and notwithstanding the foregoing to the contrary, as an alternative to granting or withholding consent to a proposed Assignment, Landlord shall have the right to terminate this Lease by written notice to Tenant given within the time periods set forth above with respect to responses to a request for Assignment. If Landlord terminates the Lease by written notice to Tenant within the time periods set forth above, Tenant may, within thirty (30) days of receipt of such termination notice, elect in Tenant's sole discretion to reinstate the Lease, in which case the Lease with Tenant shall remain in full force and effect as if no Assignment was attempted.

18.3 For purposes of the Lease, any sale or transfer of capital stock including redemption or issuance of additional stock of any class, will not be deemed an assignment, subletting or transfer of the Lease.

ARTICLE 19
IMPROVEMENTS, ALTERATIONS AND SURRENDER

19.1 Tenant shall provide its plans and specifications for its initial improvements ("**Tenant's Plans and Specifications**") to the Landlord for its review and approval on or before June 15, 2017, subject to Tenant's receipt of (1) Landlord's Plans and (2) the fully executed Staples Amendment. Landlord agrees to approve or disapprove Tenant's Plans and Specifications within ten (10) business days of delivery of same to Landlord, and to provide specific reasons and instructions regarding any disapproved matters. If Landlord fails to so respond within such ten (10) business day period, Tenant's Plans and Specifications shall be deemed approved by Landlord. If Tenant's Plans and Specifications were delivered prior to the execution of this Lease, Landlord and Tenant agree that the ten (10) business day period shall run from Tenant's delivery of such Tenant's Plans and Specifications, not the Effective Date of this Lease. As part of its initial improvements, Tenant shall be permitted to alter the exterior of the Premises to exhibit Tenant's trade dress. Tenant shall also be allowed to incorporate its standard design and material elements in the store design and to relocate any existing doors.

19.2 Tenant shall without the prior written consent of Landlord, have the right at any time and from time to time during the Term of this Lease, to, at Tenant's sole cost and expense, erect, alter, remodel, renovate, rehabilitate, reconstruct, rebuild, replace and remove any interior, non-mechanical, non-structural portion of the Premises, all to Tenant's specifications, so long as any such change to any interior, non-structural portion of the Premises does not exceed Fifty Thousand Dollars (\$50,000.00). Except as set forth in Section 19.1, Tenant shall not make any exterior, mechanical or structural alteration to the Premises without Landlord's prior consent, which shall not be unreasonably withheld, delayed or conditioned. Tenant shall give Landlord five (5) days' advance notice before commencing any work under this Section 19.2 to permit Landlord to post notices of non-responsibility. Tenant shall provide plans and specifications for any work requiring Landlord's consent under this Section 19.2 to Landlord for its review and approval. Landlord agrees to approve or disapprove the performance of the alterations, and Tenant's plans and specifications therefor, within ten (10) days of delivery of same to Landlord, and to provide specific reasons and instructions regarding any disapproved matters. If Landlord fails to so respond within such ten (10) day period, the alterations and the plans and specifications therefor shall be deemed approved. Tenant shall be allowed to install security cameras within and immediately outside of the Premises, as Tenant deems necessary, at Tenant's sole cost and expense. Tenant, at its sole cost and expense, shall have the option to install solar panels, antennas and/or satellite dishes on the roof over the Premises subject to applicable codes and the provisions of this Lease. There shall be no additional rent charged for such use of the roof, and Tenant shall be allowed to remove these items upon the expiration or sooner termination of this Lease, subject to the repair obligations as set forth below. Notwithstanding the foregoing, Tenant's rights with respect to the placement of solar panels, satellite dishes and other items on the roof as well as all components relating to such panels, dishes and items (collectively, "**Roof Installations**") shall be subject to Tenant obtaining Landlord's prior written approval, not to be unreasonably withheld, conditioned or delayed, of (i) the location of the Roof Installations (and the Roof Installations shall be located so as not to be visible) and (ii) the plans and specifications for the installation of the Roof Installations. Tenant shall not penetrate or damage the roof membrane of the Building in connection with the installation of the Roof Installations. It is further required that (x) the installation of the Roof Installations is performed in strict accordance with Landlord's roof and other warranties, (y) such installation is performed by

a Tenant-chosen roofing contractor, at Tenant's expense by Landlord's roofing contractor, provided, however, that Landlord shall ensure all costs and rates charged by such contractor are reasonable for substantially similar work performed by licensed roofing contractors performing similar work for commercial buildings in the Natick, Massachusetts area, and provided that all work shall be performed in compliance with all warranties, and (z) Tenant obtains all permits and approvals, if any, required in connection with such Roof Installations. Tenant shall maintain and promptly and properly repair the Roof Installations, and, excluding Landlord's, its agents', contractors' or employees' negligence or willful misconduct, in each case while acting in the scope of their respective employment or agency, shall indemnify, defend and hold harmless Landlord from any damage or liability arising from the installation, maintaining and removal of the Roof Installations and, upon Landlord's request, shall remove the Roof Installations at the expiration or earlier termination of the Term and repair any damage caused by the installation or removal of the Roof Installations.

19.3 At any time during the Term of this Lease, notwithstanding anything in this Lease to the contrary, Tenant may at its sole option, (but shall not be obligated to), remove any or all additions, improvements, fixtures, installations, moveable trade fixtures, furniture and other personal property which were placed in the Premises by Tenant and funded by Tenant, provided Tenant shall repair any damage occasioned by such removal. All work with respect to any alterations, additions and changes shall be done in a good and workmanlike manner. Any such changes, alterations and improvements shall be performed in accordance with the laws and ordinances relating thereto.

ARTICLE 20 DEFAULT AND REMEDIES

20.1 The occurrence of any one or more of the following events shall constitute a breach and default of this Lease by Tenant ("**Tenant Default**"):

(a) The failure to pay Base Rent, Additional Rent, or any other charge within five (5) days of the date when due, provided that Tenant shall be entitled to two (2) late notices in any twelve (12) month period which shall provide a five (5) business day opportunity to cure before such late payment is a Tenant Default; or

(b) Except as otherwise provided in this Lease, the failure by Tenant to observe or perform any of the covenants, conditions or provisions of this Lease to be observed or performed by Tenant, other than described in paragraph (a) above, where such failure shall continue for a period of thirty (30) days after written notice thereof from Landlord to Tenant; provided, however, that if the nature of Tenant's noncompliance is such that more than thirty (30) days are reasonably required for its cure, then Tenant shall not be deemed to be in default if Tenant commenced such cure within said thirty (30) day period and thereafter prosecutes such cure to completion.

20.2 In the event of any Tenant Default, then in addition to any and all other remedies available to Landlord at law or in equity, Landlord shall have the right to immediately terminate this Lease effective upon notice to Tenant and all rights of Tenant hereunder by giving written notice to Tenant of its election to do so. If Landlord shall elect to terminate this Lease, then it may recover from Tenant, in addition to all other amounts that may be due from Tenant:

(a) The worth at the time of the award ("Award") by a court of competent jurisdiction, of the unpaid Base Rent payable hereunder which had been earned at the date of such termination; plus,

(b) The worth at the time of the Award by a court of competent jurisdiction of the amount by which the unpaid Base Rent which would have been earned after termination and until the time of the Award exceeds the amount of such rental loss which could have been reasonably avoided; plus,

(c) The worth at the time of the Award of the amount by which the unpaid Base Rent for the balance of the then current term of the Lease after the time of the Award exceeds the amount of such rental loss which could be reasonably avoided; plus,

(d) Any other reasonable amounts necessary to compensate Landlord for all detriment proximately caused by Tenant's failure to perform its obligations hereunder; and

(e) At Landlord's election, such other amounts in addition to or in lieu of the foregoing as may be permitted by applicable state law from time to time.

(f) With or without terminating this Lease, Landlord may re-let all or any part of the Premises from time to time for periods (even if beyond the Term of this Lease), at such rental, and upon the same terms and conditions as Landlord would rent similar space in the Center, and may make improvements and repairs to the Premises. No re-entry or taking of possession by Landlord shall terminate this Lease unless Landlord gives a written notice of such intention to Tenant or a court of competent jurisdiction terminates the Lease; nor shall Landlord's right to re-let constitute an obligation to re-let or to mitigate damages (provided that Landlord shall comply with its obligation to mitigate damages as set forth in Section 20.7 hereof).

In addition, Tenant waives all statutory rights (including rights of redemption) to the extent such rights may be lawfully waived.

20.3 As used in subparagraphs (a) and (b) above, the "worth at the time of the Award" is computed by allowing interest at the Interest Rate. As used in subparagraph (c) above, the "worth at the time of the Award" is computed by discounting such amount to present value at the rate of twelve percent (12%) per annum.

20.4 In the event of any Tenant Default, Landlord shall also have the right to terminate Tenant's right of possession by any lawful means, to re-enter the Premises by legal means and remove all property and persons therefrom, and any such property may be removed and stored in a public warehouse or elsewhere at the cost and for the account of Tenant.

20.5 If Landlord has not elected to terminate this Lease, Landlord may maintain Tenant's right to possession in which case Landlord may recover all Base Rent as it becomes due.

20.6 If any installment of Base Rent due from Tenant is not received by Landlord or Landlord's designee within five (5) business days after written notice that such amount shall be due, Tenant shall pay to Landlord an additional sum of Five Hundred Dollars (\$500.00) with the overdue Base Rent as a late charge (the "Late Charge"). Notwithstanding the foregoing, the Late Charge

shall be waived on the first two (2) occasions only during any consecutive twelve (12) month period during the Term that Tenant shall be late in the payment of any amount due hereunder, provided that Tenant pays the amount due within five (5) business days after the later of (i) the date such payment is originally due, or (ii) the date of delivery of any invoice and/or other notice thereof from Landlord.

20.7 In the event of a Tenant Default, Landlord shall take reasonable steps to mitigate its damages. Landlord shall be deemed to have satisfied the obligation to mitigate by listing the Premises on commercially reasonable terms for the Natick, Massachusetts area with a commercial real estate broker provided that Landlord shall not be obligated to prioritize the reletting of the Premises over other space in the Center that is available or will be becoming available within the following year.

ARTICLE 21 LANDLORD DEFAULT

21.1 In the event that Landlord shall at any time be in default in the observance or performance of any of the terms, covenants, conditions or agreements hereunder and any such default shall continue for a period of: (a) five (5) business days after written notice to Landlord in any emergency situation (unless the nature of such emergency requires faster action, in which case the time period shall be determined by the specific set of circumstances), in which event Tenant's notice shall specify that the notice pertains to an emergency; or (b) thirty (30) days after written notice to Landlord where there is no emergency (if such default is incapable of being cured in a reasonable manner within thirty (30) days then if Landlord has not commenced to cure the same within such thirty (30) day period and thereafter diligently prosecutes the same to completion), then Tenant, at its option, with or without notice or demand of any kind to Landlord or any other person, shall have the right to exercise any one or more of the following described remedies: (i) if the condition has a material adverse impact on Tenant's ability to operate its Permitted Use, and Tenant has given a second notice stating that Tenant intends to exercise Tenant's rights pursuant to this clause, to cure such default for the account of Landlord, and Landlord shall reimburse Tenant for any amount paid and any expense or contractual liability so incurred, including interest at the Interest Rate, upon invoice, subject to any limitations set forth in this Lease; (ii) to pursue the remedy of specific performance and Tenant's other statutory rights; or (iii) if such default materially and adversely affects Tenant's operations from the Premises, to terminate this Lease. In addition, Tenant shall be entitled at its election, to exercise concurrently or successively, any one or more of the rights in equity provided hereunder or under the laws of the United States or the State where the Premises are located for Landlord's default. Tenant shall have the option, at its sole discretion, of offsetting any payments due or payable to Landlord, until such time as Tenant has been completely reimbursed for its expenses or costs resulting from any Landlord breach or liability under this Lease subject to the limits set forth in this Lease. Nothing herein contained shall relieve Landlord from its duty to effectuate the repair, replacement, correction or maintenance required to restore the affected services or utilities, or to perform any of its other obligations to the standard prescribed in this Lease, nor shall this Section be construed to obligate Tenant to undertake any such work.

ARTICLE 22 DAMAGE OR DESTRUCTION

22.1 If, at any time prior to the expiration or termination of this Lease, the Premises or the Building are damaged or destroyed by any casualty covered by insurance maintained under ARTICLE 13 (or required to be maintained under ARTICLE 13), Landlord, to the extent of the Net available insurance proceeds applicable to the damage to the Premises or the Building, as the case may be, shall promptly cause the same to be fully repaired and restored to the condition existing immediately prior to such damage or destruction (subject to changes necessary to comply with then existing laws applicable thereto and any changes in design approved by Landlord and Tenant, and provided that Landlord shall not be required to repair damage to the interior of any other premises in the Building and Landlord's obligations with respect to the Premises shall be as set forth in the following provisions of this ARTICLE 22). "Net" means the insurance proceeds less all reasonable costs and expenses, including adjustors and attorney's fees, of obtaining the same.

22.2 If Landlord is not required to repair and restore the Premises and/or Building after the Premises or the Building are totally or partially damaged or destroyed from a casualty and Landlord does not elect to make such repairs and restoration, Tenant may terminate this Lease by providing written notice of such termination to Landlord within sixty (60) days after the date Landlord provides Tenant with written notice that Landlord does not intend to repair such damage or destruction.

22.3 Notwithstanding anything to the contrary contained in Sections 22.1 and 22.2, if the Premises or the Building are wholly or partially damaged or destroyed within the final Lease Year of the Primary Term of this Lease or, if an applicable Extension Option has been exercised, during the last year of any Extended Term, then either Landlord or Tenant may terminate the Lease by providing written notice of such termination to the other party within sixty (60) days after the occurrence of such damage or destruction provided that Tenant shall have the right to terminate only if Tenant shall not be responsible for such damage or destruction and Tenant would be required to close for more than fifty percent (50%) of the remaining portion of the Term (calculated from the date of the damage or destruction), and Landlord shall have the right to terminate only if the cost to repair the damage would be in excess of twenty-five percent (25%) of the replacement costs of the Premises, the Building or the applicable portion thereof. However, if at the time of the damage or destruction Tenant at that time has an exercisable Extension Option to extend this Lease, then Tenant may preserve this Lease by exercising such Extension Option within thirty (30) days following the receipt of Landlord's termination notice ("**Exercise Period**").

22.4 If the Premises should be damaged by any casualty, such that rebuilding or repairs cannot be completed within two hundred seventy (270) days from the Required Start Date, as defined in Section 22.5 below, Tenant may terminate this Lease by providing Landlord with written notice of such termination within thirty (30) days of the date of the happening of such damage, which termination shall be effective as of the date of the occurrence of such damage or destruction. The determination of whether the Premises can be rebuilt or repaired within two hundred seventy (270) days from the date of any damage shall be in the mutual judgment of both Landlord and Tenant within thirty (30) days of the occurrence of the damage or destruction. If Landlord and Tenant cannot agree, the determination shall be made by an independent contractor mutually acceptable to both Landlord and Tenant.

22.5 Notwithstanding anything in this ARTICLE 22, if Landlord does not commence any repair or rebuilding as contemplated by the terms of this Article within sixty (60) days after the later of (a) the occurrence of such damage or destruction or (b) the determination that neither Landlord nor Tenant will terminate the Lease pursuant to Section 22.3 or Section 22.4, as applicable ("Required Start Date"), and with reasonable and prompt dispatch continue to restore the Premises, or if Landlord shall fail to diligently complete any repair or rebuilding as contemplated by the terms of this Article within two hundred seventy (270) days after the Required Start Date, Tenant shall have the right, upon written notice to Landlord, in addition to other rights provided herein, to terminate this Lease as of the date of the occurrence of such damage or destruction or perform the repairs and charge Landlord for the cost of the same and Landlord shall promptly reimburse Tenant the reasonable cost of the repairs up to the amount that Landlord would have been required to expend pursuant to the terms of this Lease.

22.6 In the event that this Lease shall remain in full force and effect pursuant to the provisions of this Article, the Base Rent and all other charges payable by Tenant hereunder shall be reduced or abated as of the date of the occurrence of such damage or destruction until Landlord delivers possession of the Premises to Tenant with all of Landlord's repairs and restoration complete.

22.7 If the existing laws do not permit restoration of the Premises to substantially the same condition as they were in immediately before destruction, then Tenant at its option, may (a) require Landlord to restore the Premises so as to comply with the then existing laws or codes and, if appropriate, reduce the Base Rent on a pro rata basis; or (b) terminate this Lease immediately by giving written notice to Landlord, in which case the Lease shall cease as of the date of the occurrence of the damage or destruction.

ARTICLE 23 MECHANICS' LIENS

23.1 Both parties agree that they will pay or cause to be paid all costs for work done by them or caused to be done by them on the Premises, and will keep the Premises free and clear of all mechanics' liens on account of work done by them or persons claiming under them. Landlord shall have the right at any time and from time to time to post and maintain on the Premises such notices as Landlord deems reasonably necessary to protect the Premises and Landlord from mechanics', material or any other liens. Upon completion of such work, the party doing such work shall file for record in the office of the Clerk and Recorder of the County where the Premises is located a notice of completion if required by law. The party doing such work may contest the validity of the amount of any such lien and may appeal any adverse judgment or decree, provided, however, that at the reasonable written request of the other party, the party doing such work shall, at its option, either post a bond sufficient to remove such lien pending contest or cause a title company to insure the other party in a manner reasonably satisfactory to it, against the enforcement of the lien against it. If the party doing such work shall default in paying any charge for which a mechanic's lien and suit to foreclose the lien have been filed, and shall not be taking appropriate actions to contest the validity or amount of such lien, the other party may (but shall not be required to), after written notice to the party doing such work, pay said claim and any costs related thereto, and the amount so paid, together with reasonable attorney's fees incurred in connection therewith, shall be immediately due and owing from the party doing such work to the other party, and shall be paid upon demand.

ARTICLE 24
EMINENT DOMAIN

24.1 If any or all of the Premises, the Building, the Common Areas or any access area related to the Center, or the drive aisles in the Center or parking in the Center shall be taken or appropriated by any public or quasi-public authority under the power of eminent domain (or similar law authorizing the involuntary taking of private property, which shall include a sale in lieu thereof to a public body) (a "taking") on a permanent basis and in each of the foregoing situations, only if Tenant is prevented from operating Tenant's business in the Premises in a reasonable manner, Tenant shall have the right, at its option: (a) to terminate this Lease as of the earlier of the date of title transfer or the date of the taking of possession by the condemning authority in which event the Term hereof and Base Rent and all other charges shall be abated and any unearned Base Rent paid or credited will be refunded by Landlord to Tenant; or (b) to reduce the Base Rent as provided in Section 24.2 below. Tenant shall elect among these rights and give notice to Landlord of its election within sixty (60) days after the date when possession of the portion of the Premises is acquired by the condemning authority. Landlord and Tenant respectively, shall be entitled to any awards permitted by applicable law resulting from any such taking.

24.2 If Tenant does not elect to terminate this Lease as set forth herein, then this Lease shall continue in full force and effect and the Net proceeds of the award that are applicable for the Premises shall be used by Landlord to restore the remainder of the improvements on the Premises so far as practicable to a complete unit of like quality and condition to that which existed immediately prior to the taking, and the Base Rent and Tenant's Proportionate Share shall be reduced as follows: (a) if the taking is of a portion of the Premises, the Base Rent reduction shall be calculated based on the then current Base Rent per square foot times the square footage of the Premises taken, and Tenant's Proportionate Share shall be recalculated based upon the new square footage of the Premises, and (b) if the taking is of a portion of the Common Area, but not the Premises, the Base Rent reduction shall be calculated based on the reduced utility of the Premises. Except for any separate award to Tenant for Tenant's movable trade fixtures or relocation expenses which does not reduce Landlord's award, all Taking awards to Landlord or Tenant shall be Landlord's property without Tenant's participation. Tenant assigns to Landlord Tenant's share of such award, waives any rights with respect to the loss of its leasehold interest, and agrees to execute such commercially reasonable instruments as may be necessary to confirm the assignment and to deliver to Landlord any such award recovered by Tenant except the separate award described above. "Net" means the taking award less all reasonable costs and expenses, including adjustors and attorney's fees, of obtaining the same.

24.3 If Landlord does not commence within thirty (30) days of receipt of the award, and with reasonable dispatch continue, to restore the portion of the Premises as aforesaid, Tenant shall have the right, upon giving notice to Landlord, in addition to other rights provided herein, to: (a) restore the Premises for the account of and at Landlord's sole cost and expense (up to a maximum of the award that is applicable to damage to the Premises); or (b) terminate this Lease upon written notice to Landlord, and all Base Rent and all additional charges shall be abated as of the date of such notice. If Tenant elects to restore for the account of Landlord, Landlord shall promptly assign to Tenant any award or payment made to Landlord as a result of any such taking to the extent the award is applicable to the damage that Tenant is repairing. Until Tenant has been fully reimbursed for such cost and expense to the extent set forth above, Tenant may fully abate Tenant's Base Rent. If, at the

end of this Lease, Tenant has not been fully reimbursed therefor, Tenant shall have the right to: (x) extend the Term of this Lease for any period of time selected by Tenant which is less than or equal to the period which shall enable Tenant to recover such cost and expense plus interest by abatement from Base Rent, as aforesaid; or (y) place a lien on the Premises for the unrecovered amount; or (z) pursue all available legal remedies for recovery of the unreimbursed amount and all damages to Tenant related to Landlord's failure to reimburse Tenant as set forth in this paragraph.

ARTICLE 25 ABATEMENT OF RENT WHEN TENANT IS PREVENTED FROM USING PREMISES

25.1 Intentionally Omitted.

ARTICLE 26 QUIET POSSESSION

26.1 Provided Tenant is not then in default under the terms of the Lease beyond any applicable notice and cure periods, Tenant may peaceably and quietly have, hold and enjoy the Premises and use the Common Areas as provided in this Lease during the Term without hindrance or molestation from Landlord or anyone claiming legally under Landlord, subject to the terms of this Lease and any instruments having priority. Landlord warrants and represents to Tenant that the Landlord is solely vested with fee simple title to the Premises and the Center and has full right and lawful authority to lease the Premises to Tenant. Landlord further warrants and represents that, to the best of Landlord's knowledge, there are no liens, encumbrances, mortgages, easements, or any other matters which would preclude or otherwise adversely affect Tenant's intended use or other rights or benefits under this Lease.

ARTICLE 27 BINDING ON HEIRS, SUCCESSORS, AND ASSIGNS

27.1 The covenants and agreements of this Lease shall be binding upon the heirs, executors, administrators, successors and assigns of both parties hereto, except as hereinabove provided.

27.2 In the event of a sale of the Premises or a change in ownership of Landlord's estate, or if there is an assignment or transfer of this Lease by Landlord for other than security purposes, Landlord shall cause the new owner or Landlord's assignee or transferee, as applicable, to assume the provisions of this Lease and notice of such assignment or transfer shall be given to Tenant promptly after the date of transfer, and thereupon, Landlord shall be released from all liability relating to this Lease. Notwithstanding the foregoing to the contrary, if the new "Landlord" by operation of Law is deemed to have assumed Landlord's obligations, then the foregoing separate assumption shall not be required. Tenant shall be entitled to continue to pay Rent and give all notices to Landlord until Tenant has received the foregoing from Landlord.

ARTICLE 28 ESTOPPEL CERTIFICATES

28.1 Tenant shall, without cost and within fifteen (15) business days after Tenant's receipt of Landlord's written request thereof, execute, acknowledge and deliver to Landlord an Estoppel Certificate certifying such factual matters relating to this Lease as Landlord may reasonably require.

28.2 Landlord shall, without cost and within fifteen (15) business days after Landlord's receipt of Tenant's written request thereof, execute, acknowledge and deliver to Tenant an Estoppel Certificate certifying such factual matters relating to the Lease as Tenant may reasonably require.

28.3 Such Estoppel Certificates shall be for the purpose of facilitating either party's financing, refinancing or sale activities only, and shall not affect or prejudice any rights or remedies of either party against the other.

ARTICLE 29 NOTICES

29.1 Any notice required or permitted to be given hereunder shall be in writing and may be given by overnight mail or certified U.S. Mail, or national overnight courier such as UPS or FedEx, or, where provided in this Lease, orally or by email (but with respect to any oral or email notification, written notice must be provided in writing to Tenant's notice address set forth in Section 1.1 of this Lease the following business day and shall be deemed effective when received by the intended addressee (whether accepted or rejected) if addressed to Tenant or to Landlord at the addresses noted in Section 1.1, or such other address pursuant to the following sentence. Either party may by notice to the other specify a different address for notice purposes. A copy of all notices required or permitted to be given to Landlord and Tenant hereunder shall be concurrently transmitted to such party or parties at such addresses as Landlord and Tenant may from time to time hereafter designate by notice to the other party.

ARTICLE 30 CONFIDENTIALITY

30.1 All financial statements and other financial information delivered to Landlord by Tenant shall be held in confidence and shall not be disclosed to any party other than: (a) Landlord's personnel and professional consultants having a reasonable need to know such information, for which Landlord agrees to inform such personnel and consultants of the confidential nature of such information; or (b) any current or prospective mortgagee or purchaser in contemplation of an actual and bona fide transaction; or (c) as may be reasonably required for Landlord to satisfy Landlord's obligations with respect to this Lease. Notwithstanding the foregoing, the foregoing provisions of this Section 30.1 shall not be applicable with respect to any information that is available from third party sources or otherwise available to the public (such as, without limitation, information that would be available based on the applicable party being a publically traded entity, or with respect to any information where Landlord has a legal obligation to provide such information (such as, without limitation, in connection with a legal proceeding)).

ARTICLE 31 LANDLORD'S ACCESS

31.1 Landlord's and Landlord's agents, upon seventy-two (72) hours' prior written notice to Tenant (except in the case of an emergency where Landlord shall only be required to provide telephonic notice followed by written notice the following business day), shall have the right to enter the Premises at reasonable times for the purpose of (a) inspecting the same, (b) showing the same to prospective purchasers or lenders, (c) showing the same to prospective lessees within three hundred sixty-five (365) days of the end of the Term, and (d) making such alterations, repairs, improvements or additions to the Premises or the Building as Landlord may be required to make pursuant to the terms hereof, provided that in the event of an emergency, Landlord and Landlord's agents may enter upon such time frame as is reasonable based on the circumstances, and shall provide simultaneous telephonic notice followed by written notice the next business day. The foregoing shall not be deemed to expand upon Landlord's obligations under this Lease nor to create any liability for Landlord's failure to act.

ARTICLE 32 SUBORDINATION AND NON-DISTURBANCE

32.1 Within fifteen (15) days after the execution of this Lease or as soon thereafter as Landlord places a mortgage on the Center, Landlord shall cause each holder of a lien upon the Premises (and/or the Center or Building of which the Premises are a part) to enter into a Subordination, Non-Disturbance and Attornment agreement, the form of which is attached hereto as **Exhibit G** (the "SNDA"), at no cost to Tenant. In the event that Tenant does not receive the SNDA on or before the Possession Date, Rent shall not be payable until Tenant receives such SNDA at which time the Rent shall be payable retroactively to the Rent Commencement Date (if applicable) and, notwithstanding anything in this Lease to the contrary, the Possession Date shall be delayed by one (1) day for each day following the Effective Date until the date that Tenant receives such SNDA unless Tenant takes possession of the Premises. Should any future holder of a lien upon the Premises whose lien is capable of foreclosure wish to become superior to this Lease, Tenant agrees to subordinate to such lienholder so long as Landlord has such lienholder execute for the benefit of Tenant, a Non-Disturbance Agreement in a form and of a substance acceptable to Tenant, the lienholder and Landlord, each on a reasonable basis, at no cost to Tenant other than Tenant's own legal fees, if any, in negotiating said document. The provisions of this Section to the contrary notwithstanding, this Lease shall remain in full force and effect for the full Term and any extension hereof, and a foreclosure under the deed of trust shall not terminate this Lease or affect Tenant's right of possession pursuant to this Lease.

ARTICLE 33 FORCE MAJEURE

33.1 Any prevention, delay or stoppage due to strikes, lockouts, labor disputes, acts of nature, inability to obtain labor or materials or reasonable substitute therefor, governmental restrictions, regulations or controls, enemy or hostile governmental action, riot, civil commotion, fire or other casualty, shall excuse the performance by such party for a period equal to any such prevention, delay or stoppage, except as otherwise stated in this Lease to the contrary and except that

the foregoing shall not be applicable to any inability or difficulty due to financial matters or to any payments of Rent or otherwise).

ARTICLE 34 RIGHT TO CLOSE BUSINESS

34.1 Tenant shall open for business for a minimum of one (1) business day as a fully fixtured, staffed and stocked Chipotle, with Tenant's leasehold improvements being equivalent or better than the leasehold improvements for other new Chipotle restaurants then being opened in the Massachusetts area. Nothing set forth in this Lease shall be construed, in any manner whatsoever, as an express or implied covenant on the part of Tenant to thereafter continuously operate any business operations on the Premises, and Landlord specifically acknowledges that there is no covenant of continuous operation on the part of Tenant, express or implied. Tenant may, in its sole discretion, close its business at any time and for any reason whatsoever, including without limitation, for the following holidays: New Year's Day, Easter Sunday, July 4th, Thanksgiving Day, Christmas Day and any other holidays recognized by Tenant. No closing shall release Tenant from any of Tenant's obligations herein until such time as the Lease is terminated or expires by its terms. In the event that Tenant has failed to operate its business from the Premises for a period of either (a) sixty (60) consecutive days, or (b) one hundred fifty (150) days in any twenty-four (24) month period, and such failure is not due to remodeling, casualty or condemnation or other causes beyond the reasonable control of Tenant, and in each case Tenant is proceeding diligently to address such cause and to reopen for business, Landlord shall have the right (as Landlord's sole right and remedy due to such failure to operate, which is not intended to waive Landlord's other rights set forth in this Lease including, without limitation, with respect to a Tenant Default) to terminate this Lease and recapture the Premises by providing Tenant with written notice thereof at least thirty (30) days prior to the recapture date. Upon the recapture date, both Landlord and Tenant shall be released from any and all duties, liabilities and obligations under this Lease accruing on or after the recapture date.

ARTICLE 35 HAZARDOUS MATERIALS

35.1 Landlord represents and warrants that, to the best of Landlord's knowledge and except as set forth in Landlord's environmental reports entitled "Phase I Environmental Site Assessment, RIMS #12-006924-01-1, 81 Worcester Street Trust II, 881 Worcester Street, Natick Massachusetts, prepared by Hydro-Environmental Technologies, Inc., September 7, 2012, HEIT Project No. 013-403" and "Phase II Environmental Site Assessment, Building 19/Staples, 881 Worcester Street, Natick, Massachusetts, EBI Project No 1215000061, April 2, 2015, prepared for Crosspoint Associates, Inc., 300 Third Ave., Suite 2, Waltham, MA by EBI Consulting," a copy of which has been delivered to and approved by Tenant, (a) any handling, transportation, storage, treatment or usage of Hazardous Material (as defined below) that has occurred on the Premises or the Center, or the land on which the same are located, to date has been in compliance with all applicable federal, state and local laws, regulations and ordinances; (b) the soil, groundwater and soil vapor on or under the Premises and the Center as of the Possession Date shall be free of Hazardous Material that is in excess of the levels permitted by applicable Laws; and (c) as of the Possession Date there shall be no underground storage tanks on the Premises or in the Center. Landlord, at its sole cost and expense, prior to the Possession Date, shall test for and remove any

lead-based paint, asbestos or asbestos contaminated materials from the Premises that are in excess of the levels permitted by applicable Laws, as defined below.

35.2 Landlord covenants that Landlord will during the Term of this Lease provide to Tenant a copy of all citations or notices of violations received from any governmental authority with regard to any Hazardous Material within five (5) business days of receipt by Landlord.

35.3 If any Hazardous Material is deposited, released, stored, disposed, discovered or present in or on the Premises, the Building, the Center or the land on which the same are located, Landlord, in a manner that complies with all applicable Laws (as defined below), shall at Landlord's cost and expense (except as it relates to Hazardous Materials introduced to the Premises or Center by Tenant, its employees, contractors, agents or, while in the Premises, its customers, in which event the expense shall be borne by Tenant) remove, transport and dispose of such materials and perform all remediation and cleanup of the Premises, the Building, the Center and land necessary pursuant to applicable Laws to remediate any damage to persons, property or the environment as a result of the presence of such Hazardous Material. Landlord covenants that Landlord shall be responsible for all costs incurred in complying with all federal, state and local laws, rules, regulations, guidelines, policies, codes and ordinances of any governmental body having jurisdiction over the same (individually and collectively "Laws") which relate to Hazardous Material that exists at any time in, on or about the Center and the Premises, and the land on which the same are located, including, without limitation, the cost of any required or necessary repair, remediation, cleanup, removal, disposal or detoxification, excluding however, Hazardous Materials introduced to the Premises or Center by Tenant, its employees, contractors, agents or, while in the Premises, its customers, in which event the expense shall be borne by Tenant.

35.4 Landlord covenants that it shall and hereby does indemnify, protect, defend and hold Tenant, its directors, officers, employees and agents and any successor to Tenant's interest in the Premises, free and harmless from and against any and all claims, judgments, damages, penalties, fines, costs, liabilities or losses (including, without limitation, sums paid in settlement of claims, attorneys' fees, consultant fees and expert fees), to the extent caused by, arising out of or related to Hazardous Material in excess of levels permitted by applicable Laws that exists at any time in, on or about the Center or the Premises, or the land on which the same are located, due to the acts of Landlord, Landlord's employees, agents or contractors, or that existed prior to the Possession Date (except that Landlord shall have no liability for Hazardous Materials to the extent caused by the introduction of such Hazardous Materials to the Premises of Center by Tenant, its employees, contractors, agents or, while in the Premises, its customers, in which event the expense shall be borne by Tenant and Tenant's indemnity set forth in Section 35.5 shall apply). In no event shall Landlord be liable for consequential, indirect or special damages with respect to Hazardous Materials including, without limitation, lost profits.

35.5 Tenant covenants that Tenant shall and hereby does indemnify, protect, defend and hold Landlord, its directors, officers, employees and agents and any successor to Landlord's interest in the Premises, free and harmless from and against any and all claims, judgments, damages, penalties, fines, costs, liabilities or losses (including, without limitation, sums paid in settlement of claims, attorneys' fees, consultant fees and expert fees) to the extent caused by, arising out of or related to Hazardous Material in excess of levels permitted by applicable Laws that is introduced to the Premises or the Center by Tenant, its employees, contractors, agents or, while in the Premises,

its customers. In no event shall Tenant be liable for consequential, indirect or special damages with respect to Hazardous Materials including, without limitation, lost profits.

35.6 As used herein, the term "**Hazardous Material**" means petroleum products, asbestos, mold, and any other hazardous or toxic substance, material or waste, which is or becomes regulated by any applicable state, local or federal governmental authority, whether originating from the Premises or the Building, or the land on which the same are located, or migrating, flowing, percolating, diffusing or in any way moving onto or under the Premises or the Building. The provisions of this Article shall survive the termination of this Lease.

ARTICLE 36 TENANT IMPROVEMENT ALLOWANCE

36.1 Landlord shall pay to Tenant, within thirty (30) days after Tenant delivers to Landlord the TIA Documents, a tenant improvement allowance in an amount equal to Thirty Thousand Dollars (\$30,000.00) plus the credits, if any, listed on **Exhibit D** for the items of Landlord's Work to be performed by Tenant (collectively, the "**Tenant Improvement Allowance**"). The "**TIA Documents**" are (i) a permanent Certificate of Occupancy or equivalent (in which event Tenant shall remain responsible for obtaining the permanent Certificate of Occupancy as soon as possible, subject only to delays caused by Landlord), (ii) a Certificate of Completion from Tenant's architect, certifying that all of Tenant's work has been fully completed in accordance with Tenant's Plans and Specifications, (iii) a lien waiver from Tenant's general contractor indicating payment for all services and materials relating to Tenant's work and to the Premises and waiving all lien rights in connection therewith (provided the foregoing is not intended to relieve Tenant of liability with respect to all liens filed in connection with Tenant's work), (iv) confirmation that Tenant has opened for business, and (v) the first payment of Base Rent. For Federal income tax purposes, Landlord and Tenant agree that Landlord is the tax owner of Tenant's improvements constructed with the Tenant Improvement Allowance. In the event that Landlord fails to pay the Tenant Improvement Allowance to Tenant within said thirty (30) day period, and such failure continues for a period of ten (10) days after written notice to Landlord of the failure to timely pay the Tenant Improvement Allowance, Tenant shall thereafter have the right to offset the amount of the Tenant Improvement Allowance against any payment of Base Rent owed by Tenant to Landlord until Tenant is reimbursed in full.

ARTICLE 37 SECURITY INTEREST

37.1 Landlord waives all statutory and contractual liens or any other so-called "landlord's lien" which it may be entitled to assert against any of Tenant's property as security for the payment of Rent or the performance of any other obligation of Tenant hereunder. For purposes of this Section 37.1, Tenant's property shall be limited to personal property, furniture, fixtures, and trade fixtures that are not permanently attached to the Premises (and, in all events, Tenant shall be obligated to repair all damage caused by the removal of Tenant's property).

37.2 Tenant shall have the absolute right from time to time during the Term, and without Landlord's prior approval, written or otherwise, to grant and assign a mortgage or other security interest in Tenant's interest under the Lease and all of Tenant's property to Tenant's lenders in

connection with Tenant's financing arrangements for the Premises. Landlord agrees to execute such confirmation certificates and other documents as Tenant's lenders may reasonably request in connection with any such financing, in each case subject to Landlord's review and approval of the form and content thereof. For avoidance of doubt, Landlord shall not be obligated to agree to any document or other agreement that would reduce the obligations or liability of Tenant under this Lease or increase the obligations or liability of Landlord under this Lease.

ARTICLE 38 MISCELLANEOUS

38.1 This Lease contains all agreements of the parties with respect to any matter mentioned herein. No prior or contemporaneous agreement or understanding, whether oral or written, pertaining to any such matter shall be effective. This Lease may be modified in writing only, signed by both of the parties in interest at the time of the modification. For the avoidance of doubt, the foregoing shall not be deemed to limit the effectiveness of the Guaranty.

38.2 The invalidity of any provision of this Lease as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

38.3 Wherever in this Lease the consent or approval of one party is required for an act of the other party, unless otherwise specified, such consent or approval shall not be unreasonably withheld, delayed or conditioned.

38.4 Each of Landlord and Tenant represents that each individual executing this Lease on behalf of Landlord and Tenant is duly authorized to execute and deliver this Lease on its behalf.

38.5 The Article and Section captions and headings are for convenience of reference only, and in no way shall be used to construe or modify the provisions set forth in this Lease.

38.6 Time is of the essence with respect to the obligations to be performed under this Lease. Notwithstanding anything herein to the contrary, whenever under the terms and provisions of this Lease the time for performance falls upon a Saturday, Sunday or legal holiday, such time for performance shall be extended to the next business day.

38.7 Each of Landlord and Tenant represents and warrants that it has not dealt with any broker in connection with this Lease, except for Landlord's Broker and Tenant's Broker, respectively. Landlord shall pay a commission to Landlord's Broker and Tenant's Broker in accordance with a separate agreement. Landlord shall indemnify and hold harmless Tenant from any payments owed to Landlord's Broker and Tenant's Broker. If Tenant's Broker is not paid in accordance with Tenant's Broker's agreement with Landlord, Tenant may make such payment and offset the amount thereof against any payment owed by Tenant to Landlord. Landlord warrants that Tenant shall not, as a direct or indirect result of execution of this Lease, be responsible to anyone, including, without limitation, real estate brokers or salespersons, for any fees or commissions. Landlord hereby indemnifies and holds Tenant harmless from and against any and all costs, expenses, claims, losses and liabilities arising out of the breach of this warranty.

38.8 No waiver by either party of any provision hereof shall be deemed a waiver of any other provision hereof or of any subsequent breach by the other party of the same or any other

provision. Each party's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of such party's consent to or approval of any subsequent act by the other party.

38.9 Either Landlord or Tenant shall, upon the reasonable request of the other, execute, acknowledge and deliver to the other a "short form" memorandum of this Lease for recording purposes in the form attached hereto as **Exhibit F**, which recording shall be at the expense of the party requesting same (and, if a short form memorandum is required by Tenant with respect to the SNDA, then Tenant shall be deemed to have requested the recording).

38.10 No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity, all except as may be specifically set forth in this Lease.

38.11 This Lease shall be governed by the laws of the State where the Premises are located.

38.12 In the event of any proceeding, claim or action being filed or instituted between the parties with respect to this Lease (including the Guaranty), the prevailing party will be entitled to receive from the other party all reasonable costs, damages and expenses, including reasonable attorney's fees, incurred by the prevailing party in connection with that action or proceeding upon the controversy being reduced to final judgment or award.

38.13 If Tenant or anyone claiming under it holds over after end of the Term, the party shall, prior to Landlord's acceptance of rent, be a tenant at sufferance, and, after Landlord's acceptance of rent, be a tenant-at-sufferance subject to the provisions of this Lease insofar as the same may be made applicable to a tenancy-at-sufferance; provided that (i) the Base Rent for the period of such tenancy shall be one hundred fifty percent (150%) of the Base Rent payable during the last Lease Year of the Term, and (ii) Tenant shall be liable for all damages incurred by Landlord (including consequential damages) as a result of the holding over.

38.14 For purposes of this Lease, the "**Effective Date**" shall be the later of the date that Tenant or Landlord executes this Lease.

38.15 This Lease may be executed in any number of counterparts, each of which shall be effective only upon delivery and thereafter shall be deemed an original, and all of which shall be taken to be one and the same instrument, for the same effect as if all parties hereto had signed the same signature page.

38.16 This Lease shall not be binding, nor shall either party have any obligations or liabilities or any rights with respect thereto, or with respect to the Premises, unless and until both parties have executed and delivered this Lease. Until such execution and delivery of this Lease, either party may terminate all negotiation and discussion of the subject matter hereof, without cause and for any reason, without recourse or liability.

38.17 Notwithstanding any provision of this Lease to the contrary, Tenant agrees for itself and each succeeding holder of Tenant's interest, or any portion thereof, that any judgment, decree or award obtained against Landlord, or any succeeding owner of Landlord's interest, which is related to this Lease, the Premises or the Center, whether at law or in equity, shall be satisfied out of Landlord's equity in the Center, including the rentals and sales proceeds therefrom to the extent

not previously distributed or payable to the mortgagee (subject to the terms of the SNDA), and further agrees to look only to such assets and to no other assets of Landlord for satisfaction, and in no event shall Tenant have the right to deduct any amount owed or allegedly owed to Tenant from any rent or other sums payable to Landlord. Tenant's sole remedy shall be an independent action against Landlord for such claim.

38.18 Notwithstanding any provision of this Lease to the contrary, Landlord shall not be liable for indirect, special or consequential damages (including, without limitation, lost profits) for any reason, or for any inconvenience, interruption or consequences resulting from the failure of utilities or any service, or for any loss, injury or damage caused by other tenants of the Center, their visitors, guests, invitees, employees, agents, contractors, or any other persons occupying or visiting any portion of the Center, or resulting from leaks of steam, gas, electricity, water, or any other substance from pipes, wires or other conduits, or from the bursting or stoppage thereof or from the roof or other parts of the Center, or for wetness or dampness for any reason, unless due to Landlord's, its agents', employees' or contractors' negligence or willful misconduct, provided that with respect to the roof, Landlord shall use commercially reasonable efforts to cure any water preparation problems (meaning any water that penetrates into the Premises due to a failure of Landlord to perform its obligations hereunder) in addition to any other problems Landlord is required to cure pursuant to its obligations under this Lease. For avoidance of doubt, the foregoing provisions of this Section 38.18 shall not be deemed to relieve Landlord of its maintenance and repair obligations in accordance with the terms of this Lease, and is intended only to address the issue of liability.

Notwithstanding any provision of this Lease to the contrary, Tenant shall not be liable for indirect, special or consequential damages (including, without limitation, lost profits) for any reason other than with respect to hold overs as set forth in Section 38.13 and environmental conditions.

38.19 Notwithstanding any provision of this Lease to the contrary, provided Landlord does not materially interfere with Tenant's use and enjoyment of the Premises, Tenant's business operations, the visibility of the Premises or Tenant's signage, ingress or egress, or parking so that same is reduced below the applicable legal requirements, Landlord reserves the right at any times during the Term and without charge, abatement or reduction in rent (i) intentionally omitted; (ii) to examine and to show the Premises at reasonable times in accordance with Section 31.1; (iii) to perform such work as may be required by this Lease, by Laws, by any public authority, or to facilitate making repairs or improvements to the Center; (iv) to make repairs which Tenant fails to make within thirty (30) days written notice and opportunity to cure (provided, however, that if the nature of Tenant's noncompliance is such that more than thirty (30) days are reasonably required for its cure, then Landlord shall not have the right to make said repair if Tenant commenced such cure within said thirty (30) day period and thereafter prosecutes such cure to completion), unless any such work is of an emergency nature, in which case Landlord shall give reasonable notice and shall use reasonable efforts to minimize interference with Tenant's operations; (iv) to enlarge, reduce or alter the Center; (v) to enter upon, and use portions of, the Premises for the foregoing purposes; and (vi) to tow any of Tenant's employees' vehicles not parked in the designated area set forth in Section 38.25 hereof, or fine the employee or Tenant an amount equal to the local fine for illegal parking.

38.20 Notwithstanding any provision of this Lease to the contrary, each term and each provision of this Lease to be performed by Tenant shall be construed to be both an independent covenant and condition.

38.21 Notwithstanding any provision of this Lease to the contrary, acts to be done by Tenant or Landlord pursuant to this Lease shall be at the cost and expense of such party unless a contrary intent is expressed.

38.22 Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001 (the "**Executive Order**"), and the U.S. Bank Secrecy Act of 1970 as amended by the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (Public Law 10756, the "Patriot Act") prohibit certain property transfers. Tenant hereby represents and warrants to Landlord (which representations and warranties shall be deemed to be continuing and re-made at all times during the Lease Term) that neither Tenant nor any manager, beneficiary, partner, or principal of Tenant nor any of their respective agents is subject to or in violation of the Executive Order, that none of them is listed on or is owned or controlled by, or acting on behalf of any person listed on the United States Department of the Treasury Office of Foreign Assets Control list of "Specially Designated Nationals and Blocked Persons" as modified from time to time, and that none of them is otherwise subject to or in violation of the provisions of the Executive Order or the Patriot Act or is a person with whom Tenant is prohibited from dealing with or otherwise engaging with in accordance with the Executive Order or the Patriot Act. The most current list of "Specially Designated Nationals and Blocked Persons" can be found at the following web site: <http://www.treas.gov/offices/eotffc/ofac/sdn/index.html>. Tenant shall from time to time, within ten days after request by Landlord, deliver to Landlord any certification or other evidence requested from time to time by Landlord in its reasonable discretion, confirming Tenant's compliance with these provisions. No Assignment or Subletting shall be effective unless and until the assignee or subtenant thereunder delivers to Landlord written confirmation of such person's compliance with the provisions of this subsection, in form and content reasonably satisfactory to Landlord. If for any reason the representations and warranties set forth in this subsection, or any certificate or other evidence of compliance delivered to Landlord hereunder, is untrue in any respect when made or delivered, or thereafter becomes untrue in any respect, then a Tenant Default under Section 20.1(b) hereof shall be deemed to have occurred (provided that Landlord shall incur no liability with respect thereto). Tenant shall indemnify, defend with counsel reasonably acceptable to Landlord, and hold Landlord harmless from and against, any and all liabilities, losses claims, damages, penalties, fines, and costs (including reasonable attorney's fees) arising from or related to the breach of any of the foregoing representations, warranties, and duties of Tenant. The provisions of this subsection shall survive the expiration or earlier termination of this Lease for the longest period permitted by law.

Landlord hereby represents and warrants to Tenant (which representations and warranties shall be deemed to be continuing and re-made at all times during the Lease Term) that neither Landlord nor any stockholder, manager, beneficiary, partner, or principal of Landlord nor any of their respective agents is subject to or in violation of the Executive Order, that none of them is listed on or is owned or controlled by, or acting on behalf of any person listed on the United States Department of the Treasury Office of Foreign Assets Control list of "Specially Designated Nationals and Blocked Persons" as modified from time to time, and that none of them is otherwise subject to or in violation of the provisions of the Executive Order or the Patriot Act or is a person

with whom Landlord is prohibited from dealing with or otherwise engaging with in accordance with the Executive Order or the Patriot Act. The most current list of "Specially Designated Nationals and Blocked Persons" can be found at the following web site: <http://www.treas.gov/offices/eotffc/ofac/sdn/index.html>. Landlord shall from time to time, within ten days after request by Tenant, deliver to Tenant any certification or other evidence requested from time to time by Tenant in its reasonable discretion, confirming Landlord's compliance with these provisions. If for any reason the representations and warranties set forth in this subsection, or any certificate or other evidence of compliance delivered to Tenant hereunder, is untrue in any respect when made or delivered, or thereafter becomes untrue in any respect, then a default by Landlord under Section 21.1 hereof shall be deemed to have occurred (provided that Tenant shall incur no liability with respect thereto). Landlord shall indemnify, defend with counsel reasonably acceptable to Tenant, and hold Tenant harmless from and against, any and all liabilities, losses, claims, damages, penalties, fines, and costs (including reasonable attorney's fees) arising from or related to the breach of any of the foregoing representations, warranties, and duties of Landlord. The provisions of this subsection shall survive the expiration or earlier termination of this Lease for the longest period permitted by law.

38.23 Landlord reserves the right to submit the Premises, the Building and the Center to a condominium regime in accordance with applicable laws, provided that any and all condominium documents and agreements, including any declarations, shall not reduce Landlord's obligations under this Lease [provided that to the extent the condominium association assumes the obligations for certain matters that otherwise would be Landlord's obligation under this Lease (such as Common Area maintenance), then Landlord's sole obligation shall be to use reasonable efforts to enforce the condominium documents with respect thereto], increase Tenant's obligations under this Lease, cause any material interference with Tenant's business, or materially change the terms of this Lease.

38.24 Tenant shall (a) abide by reasonable rules and regulations made by Landlord from time to time, which Landlord shall enforce in a non-discriminatory manner against all tenants of the Center, which shall be provided in advance in writing to Tenant and which are attached hereto as Exhibit I (the "Rules and Regulations") (and in the event of a conflict between the Rules and Regulations and this Lease, the terms of this Lease shall control) and (b) not violate the terms of any warranties or guaranties.

38.25 Notwithstanding any provision to the contrary, Tenant shall require Tenant's employees (and, if applicable, contractors and agents) to park only in the area designated by Landlord for employee parking (so long as the same are well lit and within reasonable proximity to the Premises) shown in the area on Exhibit J attached hereto (and referred to herein as the "Employee Parking Area", which Employee Parking Area may be relocated in whole or in part from time to time during the Term), and, upon fifteen (15) days of Landlord's request, Tenant shall advise Landlord of the license plate registration numbers of Tenant's employee's cars in the Center. Landlord reserves the right to change the location of the Employee Parking Area during the Term so long as Landlord provides written notice of same to Tenant, and provided that the area is well lit and within reasonable proximity to the Premises.

38.26 Tenant shall deliver to Landlord, within sixty (60) days after the end of each calendar year during the Term, a statement certified by an officer of the Tenant entity setting forth the gross amounts for sales and services during the prior calendar year.

ARTICLE 39 EXHIBITS AND ADDENDA

39.1 The exhibits and addenda listed below are incorporated by reference in this Lease:

Exhibit A: Site Plan.

Exhibit A-1: Legal Description.

Exhibit B: Dimensions of Premises.

Exhibit C: Tenant's Signage.

Exhibit D: Landlord's Work.

Exhibit E: Stipulation of Term of Lease.

Exhibit F: Memorandum of Lease.

Exhibit G: Subordination, Non-Disturbance and Attornment Agreement.

Exhibit H: Guaranty of Lease.

Exhibit I: Rules and Regulations.

Exhibit J: Employee Parking Area.

Exhibit K: Use Restrictions

ARTICLE 40 GUARANTY

40.1 Contemporaneously with the execution of this Lease, Chipotle Mexican Grill, Inc., a Delaware corporation, shall execute a Guaranty in the form attached hereto as **Exhibit H**.

[The remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have executed this Lease as of the dates set forth below.

LANDLORD:
9-27 Natick, LLC,
a Massachusetts limited liability company

By: _____

Name: John W. Hueber

Title: Manager

Date: 5/15/2017

Landlord's Federal Tax Identification Number
(provided outside of the Lease)

TENANT:
Chipotle Mexican Grill of Colorado, LLC,
a Colorado limited liability company

By: _____

Name: Mark Crumpacker

Title: Chief Marketing and Development
Officer

Date: 4/11/17

EXHIBIT A
SITE PLAN

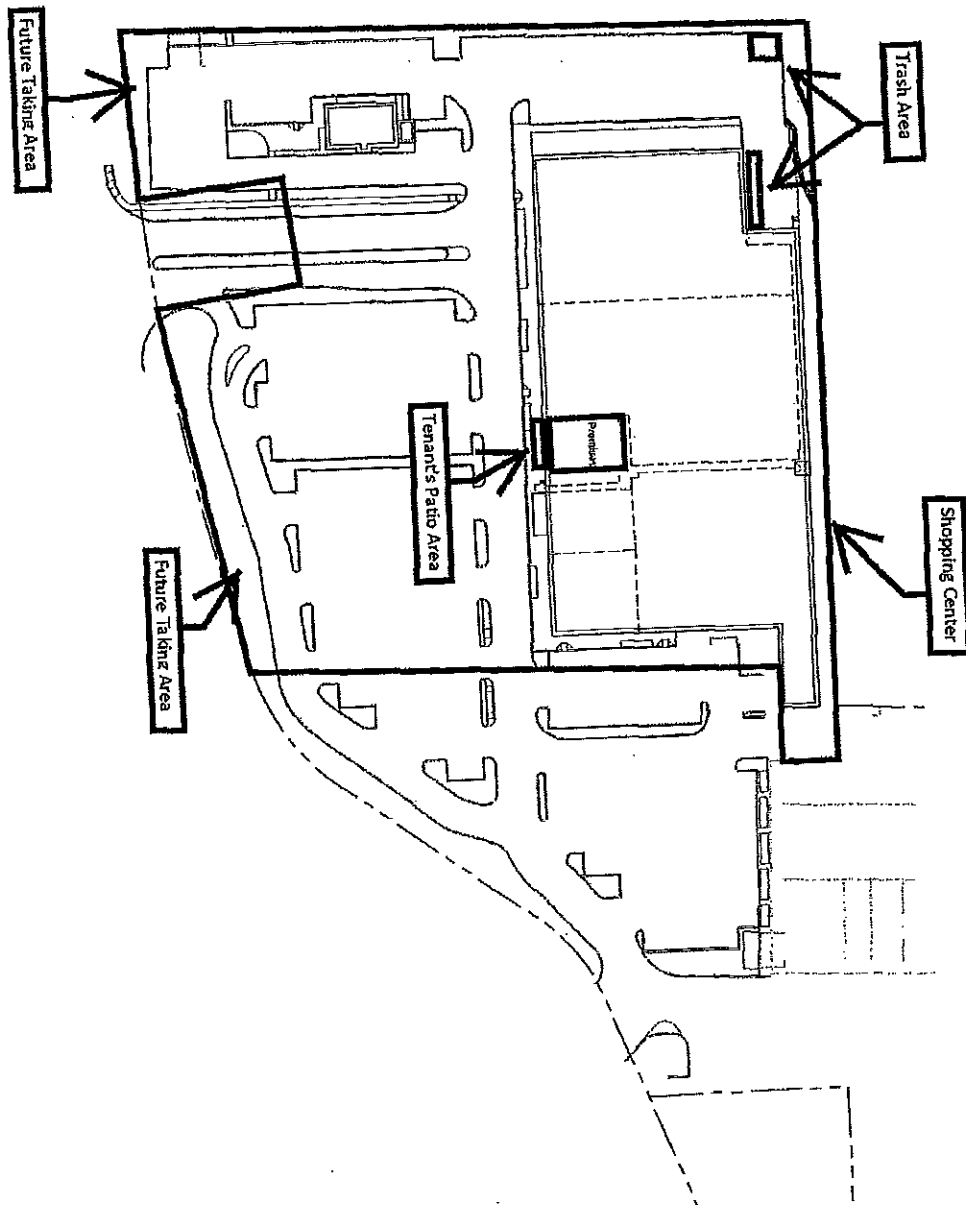


EXHIBIT A-1
LEGAL DESCRIPTION

CHICAGO TITLE INSURANCE COMPANY
COMMITMENT FOR TITLE INSURANCE

Agent's File No. 150445

SCHEDULE C

The Land referred to in this Commitment is described as follows:

PARCEL 1: All that certain tract or parcel of land, together with all buildings, structures and improvements now or hereafter located on said land, more particularly described as follows:

The land in Natick, Middlesex County, Massachusetts, situated on the Easterly side of the ramp leading from Worcester Street (Route 9) to North Main Street and on the Easterly side of said North Main Street, bounded and described as follows:

WESTERLY	by North Main Street and said ramp, Four Hundred Ninety-One and 92/100 (491.92) feet;
NORTHERLY	by land now or formerly of George Sellew, Jr. and George Sellew et al as shown on the first plan hereinafter referred to, Five Hundred Twenty and 70/100 (520.70) feet;
EASTERLY	by land now or formerly of the Town of Natick as shown on said plan, Four Hundred Fifty-Three and 63/100 (453.63) feet;
SOUTHEASTERLY	by Lot No. 2 as shown on said plan, Thirty-Five and 67/100 (35.67) feet; and
SOUTHERLY	by said Lot No. 2, Four Hundred Twenty-One and 70/100 (421.70) feet.

The parcel described above shown as Lot No. 1 on "Plan of Land in Natick, Mass.," dated February 21, 1957, by McCarthy Engineering Service, Inc., recorded in Middlesex County South District Registry of Deeds in Book 8922 at Page 423. The parcel contains 237,289 square feet according to said plan.

PARCEL 2: A certain parcel of land in Natick, Middlesex County, Massachusetts, shown on a plan entitled "Plan of Land in Natick, Mass.," dated October 21, 1958, made by McCarthy Engineering Services, Inc., recorded with Middlesex South District Registry of Deeds at the end of Book 9274 and bounded and described as follows:

Commencing at the point in the boundary line between land now or formerly of the Town of Natick and Lot No. 1 shown on said plan distant Four Hundred Fifty-Three and 63/100 (453.63) feet Southerly from a drill hole in a stone bound situated at the Northeast corner of said Lot No. 1 as shown on said plan;

THENCE RUNNING S 07°23' 25" E, One Hundred (100) feet;
THENCE TURNING and running S 82° 36' 25" W, Forty-Two (42) feet;
THENCE TURNING and running N 07°23' 25" W, Seventy and 95/100 (70.95) feet;
THENCE TURNING and running N 83° 54' 17" E, by said Lot No. 1 Twenty (20 feet); and
THENCE TURNING and running N 26° 42' 05" E, by said Lot No. 1 Thirty-Five and 67/100 (35.67) feet, to the point of beginning.
Said premises are marked "Supplementary Parcel" on said plan and contain 3,259 square feet, more or less, according to said plan.

Excepting so much of the land as was taken by the Commonwealth of Massachusetts in Order of Taking dated February 4, 1976 and recorded in Book 12936, Page 271.

Exact square footage is not insured.

EXHIBIT B

DIMENSIONS OF PREMISES

LANDLORD TO PROVIDE NEW 3'-6" HOLLOW METAL REAR SERVICE DOOR & REMOVE ALL OBSTRUCTIONS TO CLEAR PATH FOR CHIPOTLE SERVICE DOOR.

LANDLORD TO FURNISH AND INSTALL A MINIMUM OF 8" STEEL STUDS @ 16" O.C. & 5/8" GWB DEMISING WALL, STOREFRONT BULKHEAD, & REAR WALL, ALL TO ROOF DECK

LANDLORD TO PROVIDE 4" WWF-REINFORCED CONCRETE SLAB SMOOTH, LEVEL, W/ CONTROL JOINTS EVERY 12' EACH DIRECTION AND READY FOR TENANT FINISHES.

ALTERNATE: LL TO PROVIDE \$6PSF CREDIT FOR TENANT TO COMPLETE SLAB WORK

LANDLORD TO PROVIDE STOREFRONT & EGRESS DOORS PER TENANT SPECIFICATIONS.

NEW PATIO AREA INCLUDING LIGHTS AND RAILINGS, BY LANDLORD

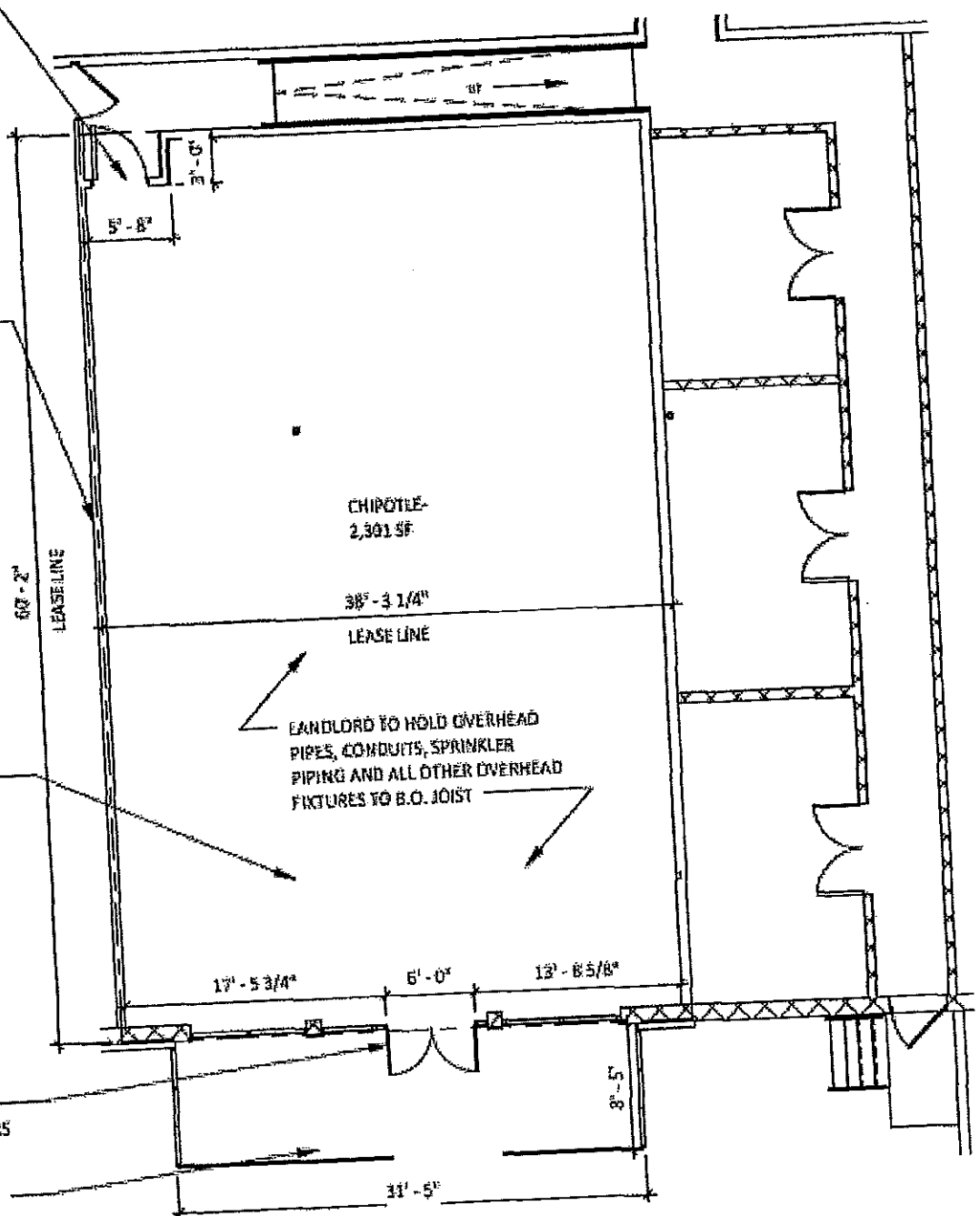
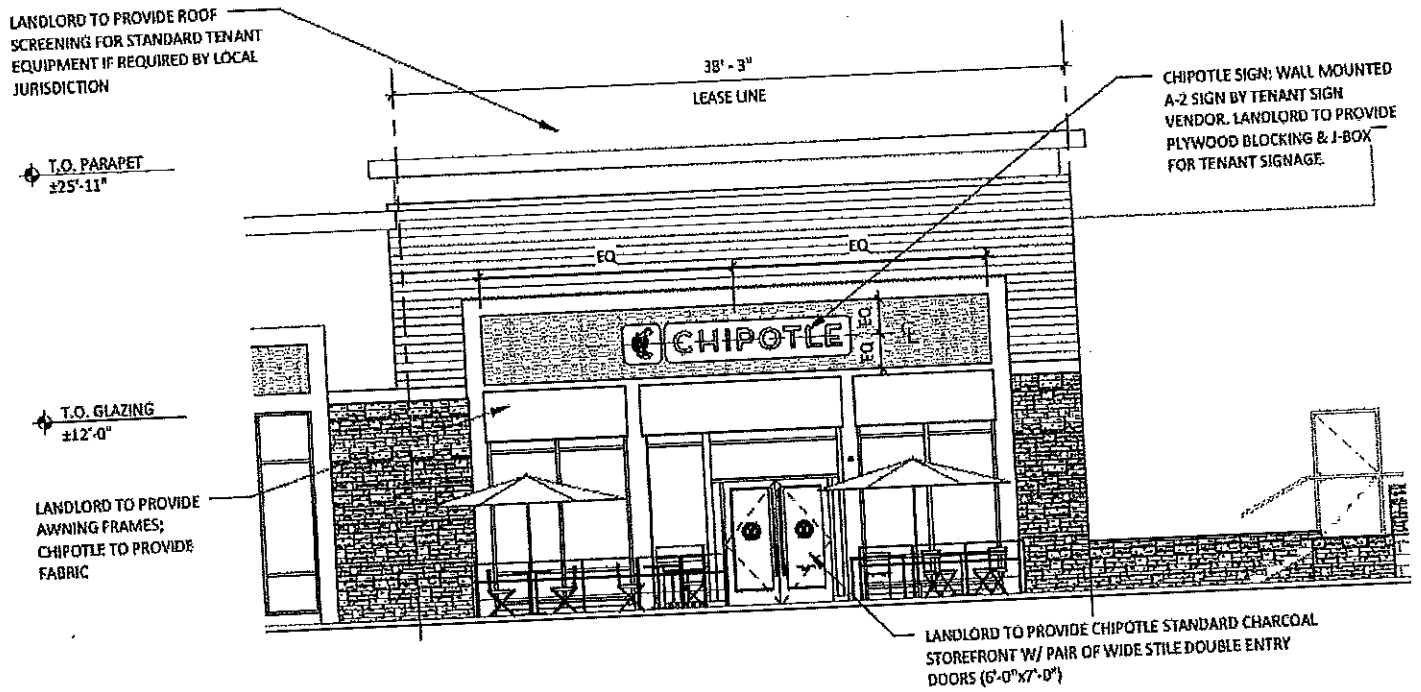


EXHIBIT C

TENANT'S SIGNAGE



NOTE: FINAL FACADE DESIGN T.B.D.

EXHIBIT D

LANDLORD'S WORK

Chipotle Mexican Grill Work Letter

Landlord shall provide:

1. **Electrical Service:** One code-compliant 400 amp, 120/208 volt, 3-phase, 4-wire separately metered service capable of supplying 120 KVA brought to 400 amp fused disconnect switch (to be NEMA 3R rain tight in exterior installations) or 400 amp circuit breaker. Any related electric utility company charges shall be paid by Landlord. Landlord shall provide one set 400A copper THHN conductors, to be 4-500 KCMIL, #1/0 G in 3-1/2" C. for conductor lengths up to 250 feet or 4-600 KCMIL, #1/0 G in 4" C. for conductor lengths over 250 feet, from main disconnect to expandable panel board located within the Premises as determined by Tenant in accordance with Landlord approved Tenant's plans for the Premises.
2. **Fire Alarm:** Landlord shall furnish and install a code compliant central building alarm system and all on-Premises alarm devices suitable for Tenants service: one (1) annunciator panel (at location approved by Tenant) and interface to building system, one (1) horn and strobe and pull station, including any other requirements of the local jurisdiction. Landlord to coordinate with Tenant regarding required fire alarm provisions and integration with base building system.
3. **Natural Gas:** Landlord shall furnish and install separately metered minimum 1600MBH natural gas service with delivery pressure of 7" water column to a location with shutoff within the Premises. Location as determined by Tenant in accordance with Landlord approved Tenant's plans for the Premises. All related natural gas utility company charges shall be paid by Landlord. Final actual load shall be furnished to Landlord by Tenant at completion of construction documents.
4. **Water:** Landlord shall furnish and install separately metered 1.5" or greater domestic water supply line capable of delivering a minimum of 45 gallons per min at 60 psi, routed to a location with shutoff within the Premises. Location as determined by Tenant in accordance with Landlord approved Tenant's plans for the Premises. All related tap, system, fixture, meter fees, and/or development fees shall be paid by Landlord.
5. **Telephone:** Landlord shall furnish and install 1" conduit stubbed at rear of the Premises originating from property's joint telephone point of demarcation.
6. **Sewer:** Landlord shall furnish and install two (2) six-inch minimum sanitary sewer lines with minimum invert elevation of 48 inches, one line leading to code-compliant exterior grease interceptor with invert as necessary to accommodate 2,500 gallon grease interceptor installation requirements, and one line bypassing grease interceptor with minimum invert elevation of 48 inches. All related tap, system, fixture, and/or development fees shall be paid by Landlord. Landlord shall provide and install grease interceptor for Tenant's

exclusive use as required by local codes. Grease interceptor to be maintained by Tenant when for exclusive use. Tenant understands that grease interceptor may become for shared use, at which point it will be maintained by Landlord and Tenant shall pay its proportionate share for such maintenance. Tenant, as required by code, to install an interior grease trap for its exclusive use to be maintained by Tenant.

7. **HVAC: Landlord shall provide and install** 1 nominal ton of cooling capacity per 140sf (minimum) supplied by two high-efficiency, gas/electric TRANE rooftop units in accordance with the specifications contained in the Landlord approved Tenant plans, including economizer option and factory programmed light-stats, which shall serve the Premises exclusively. Landlord to follow detailed specifications provided by tenant, not limited to units, tonnage and installation location.

Landlord shall provide adequate structural engineering, documentation and construction of all penetrations curbs and related flashings to accommodate the following:

i. HVAC RTUs	2,000 lbs each unit.
ii. Makeup Air Unit	800 lbs.
iii. Grease Exhaust fan:	200 lbs.
iv. Grease Exhaust hood:	800 lbs.

- a. Landlord to coordinate installation of RTU's and curbs with Tenant construction manager.
- b. Roof and/or shell insulation to meet local code.
- c. Landlord agrees Tenant shall have right to place mechanical equipment upon roof or other functionally appropriate location on or about Premises as is necessary and typical for restaurant use.
8. **Floor: Landlord shall provide** sound 4-inch WWF-reinforced concrete slab on grade with control joints every twelve (12) feet each direction, level, smooth (two-pass steel trowel finish) and free of debris, curing residue and adhesives; suitable for receiving chemical sealer. If Tenant receives credit, (\$6 psf) for concrete slab, exposed sub-grade will be compacted to measure acceptable to Tenant.
9. **Shafts and Enclosures: Landlord shall provide** adequately sized ductwork path and access thereto approved by Tenant for kitchen hood exhaust/HVAC system. Landlord shall cause any rated assemblies provided by Landlord to be permitted by appropriate jurisdiction and constructed in compliance with all local codes.
10. **Roof Screening: Landlord shall provide** required screening for Tenant's standard rooftop-mounted equipment sufficient to meet applicable local covenants, codes and ordinances.
11. **Fire Sprinkler: Landlord shall provide** fire suppression system to meet local ordinances for Tenant's intended use as anticipated by this Lease. Modifications to said system shall be at expense of Tenant. All related tap, system, fixture, and/or development

fees shall be paid by Landlord. Main sprinkler line to be no lower than 14'6" A.F.F. and have a functioning flow switch if required by code.

12. **Trash and Waste:** Landlord shall provide convenient well lighted area for Tenant's shared use that is constructed per Tenant plans that meets the following criteria: (i) an eight (8) Cubic Yard trash dumpster for Tenant's shared use (ii) grease receptacle for Tenant's shared use (iii) an eight (8) cubic Yard cardboard dumpster for Tenant's shared use Location to be discussed further and agreed to by Tenant and Landlord.

Landlord shall construct pad and enclosure for any access, height, and drainage requirements with local codes, jurisdictions, and waste removal authorities.

13. **Walls:** Furnish and install a minimum 6" steel studs, at 16" on center, and 5/8" gypsum board demising wall assembly to meet local code, storefront bulkhead, and rear walls, all to roof deck, taped (fire-taped/caulked if required) skimmed, filled (all penetrations fire-sealed if required), and sanded to smooth finish and prepared to receive paint. All exterior walls shall have steel studs and/or furring with insulation shall that meets all local codes, drywall finish ready for paint.
14. **Storefront:** Landlord shall provide a Charcoal Permafluor glazing system by American Products, Inc. (API) or equal with clear insulated Low E glass and wide stile double entry doors, double glazed (6'-0" x 7'-0") acting door with a small format interchangeable core, keyed on one (1) side, exterior only and one (1) single, double glazed (3'-0" x 7'-0") acting door with a small format interchangeable core as designed by Tenant's architect and in accordance with Tenant's plans. All entry doors shall have code-compliant panic hardware. If impact-rated glazing system required by code, Landlord shall provide such system. All exterior glass to be 1" insulated, whether new or existing.
15. **Rear Door:** Landlord to provide 3'6" hollow-metal rear door with 120° peephole and code-compliant panic hardware, final location to be determined as shown on LOD attached to executed Lease. Landlord.
16. **Roof Access:** Landlord to provide permanent, code compliant and OSHA-approved access to roof system for Tenant's use. Landlord shall coordinate roof access with Tenant as necessary.
17. **Special Provisions:**
a. Landlord shall treat for and exterminate any infestation of rodents, termites, carpenter ants or other insects or growths.
b. Landlord shall provide for repair of damage caused by any such infestation.
18. **Hazardous Materials:** Landlord shall abate asbestos, mold, and /or any other hazardous materials if determined to be present.
19. **Restrooms:** Landlord shall provide two (2) ADA-accessible restrooms. Provided with

toilet, lavatory, exhaust fan, standard light fixture with electrical outlet and required accessories as designed by Tenant's architect/engineer and in accordance with Tenant's plans; [or \$16,000.00 credit; accounts for plumbing sanitary tie in and water supply, framing, all finishes, fixtures, accessories, doors and hardware].

20. **Patio:** Landlord shall furnish the concrete slab for the patio in accordance with local code and Tenant's plans.
21. **Parking lot:** Parking lot per all applicable codes.

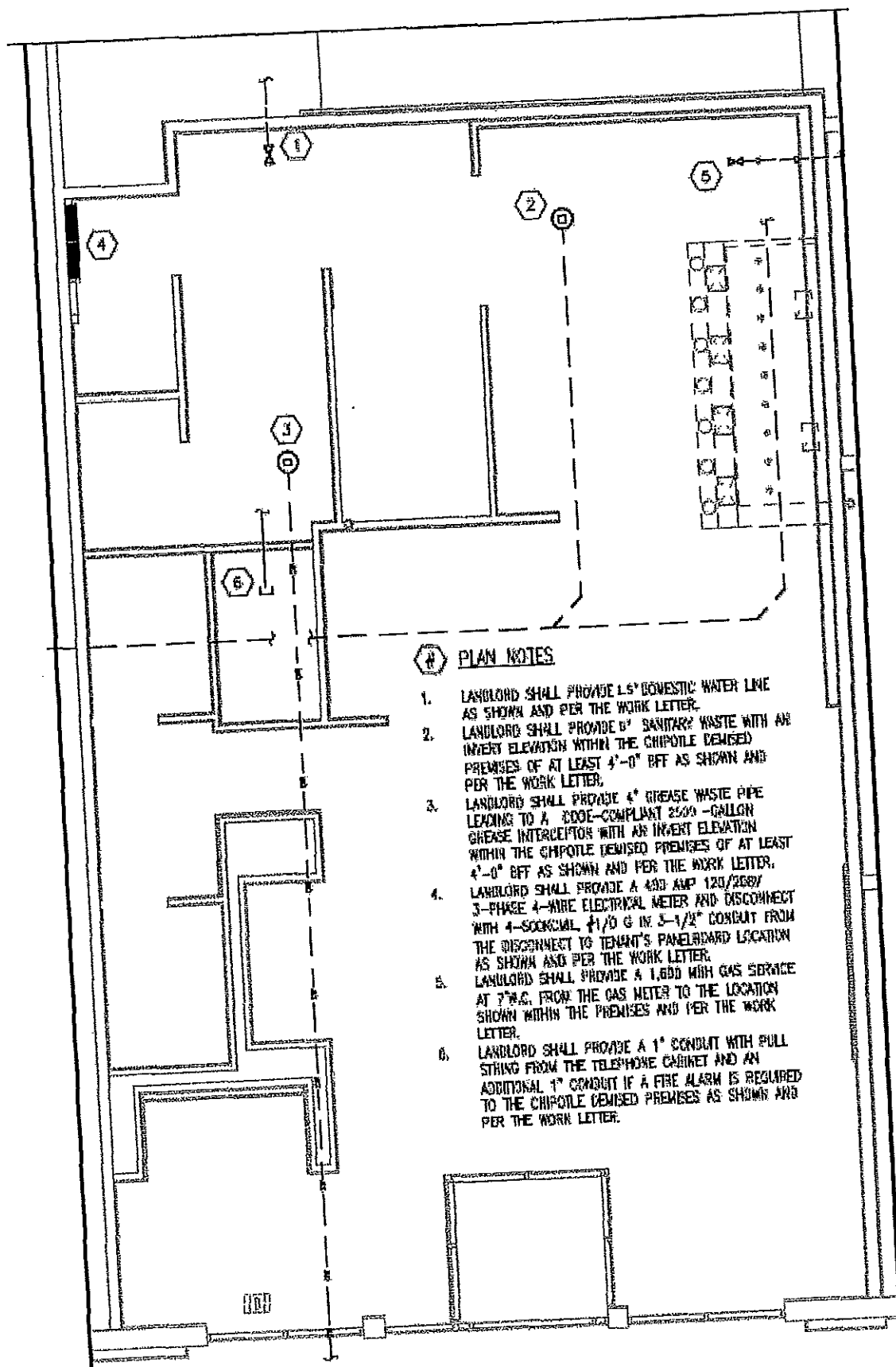


EXHIBIT E

STIPULATION OF TERM OF LEASE

CHIPOTLE SITE: Natick 9-27 #20-2987

THIS STIPULATION OF TERM OF LEASE (this "Stipulation") is executed as of this _____ day of _____, 20__ by **Chipotle Mexican Grill of Colorado, LLC**, a Colorado limited liability company ("Tenant") and **9-27 Natick, LLC**, a Massachusetts limited liability company ("Landlord"), with respect to that certain Lease dated _____, 2017, as the same may have been amended (the "Lease") pursuant to which Tenant has leased from Landlord certain premises consisting of approximately 2,301 square feet and being known generally by street and number as 219 North Main Street, located in **Natick, Massachusetts** (the "Premises").

In consideration of the mutual covenants and agreements set forth in the Lease, Landlord and Tenant hereby acknowledge and stipulate as follows:

1. All initially capitalized terms used herein shall have the meanings set forth for such terms in the Lease.
2. The initial term of the Lease is ten (10) years. Tenant has two (2) options to extend the Term of the Lease for five (5) years each.
3. The Possession Date occurred on _____.
4. The Rent Commencement Date occurred on _____.
5. The initial term expires on _____.
6. If properly exercised by Tenant, the first extended term shall commence on _____ and expire on _____. Tenant must give written notice of its exercise of the first extended term on or before _____.
7. If properly exercised by Tenant, the second extended term shall commence on _____ and expire on _____. Tenant must give written notice of its exercise of the second extended term on or before _____.
8. The Lease is unmodified and in full force and effect.

IN WITNESS WHEREOF, the Landlord and Tenant have executed this Stipulation of Term of Lease as of the date first set forth above.

LANDLORD:

9-27 Natick, LLC,
a Massachusetts limited liability company

By: _____

Name: John W. Hueber

Title: Manager

TENANT:

Chipotle Mexican Grill of Colorado, LLC,
a Colorado limited liability company

By: _____

Name: Mark Crumpacker

Title: Chief Marketing and Development
Officer

EXHIBIT F

MEMORANDUM OF LEASE

This Memorandum of Lease is made this ____ day of _____, 2017, by and between **9-27 Natick, LLC**, a Massachusetts limited liability company ("Landlord"), whose address is 300 Third Avenue, Suite 2, Waltham, Massachusetts 02451, and **Chipotle Mexican Grill of Colorado, LLC**, a Colorado limited liability company ("Tenant"), whose address is 1401 Wynkoop Street, Suite 500, Denver, Colorado 80202.

1. Leased Premises. Landlord hereby grants, demises and leases to Tenant, and Tenant hereby leases from Landlord, the Premises with improvements and appurtenant easements, if any, containing approximately 2,301 square feet and designated as 219 North Main Street, Natick, Massachusetts (being the current address or currently anticipated address, and subject to change by the United States Post Office) ("Premises"), situated in the building and surrounding land known as _____, in the City of Natick, County of Middlesex, State of Massachusetts, which land is described on Exhibit A, attached hereto and made a part of this Memorandum of Lease.

2. Term. To have and to hold for a term commencing on _____, 20____, and ending _____, 20____.

3. Option to Extend. Landlord grants to Tenant the option to extend the term of the lease at the expiration of the original term for two (2) successive periods of five (5) years each aggregating ten (10) years.

4. Exclusive Use. Landlord agrees *[insert exact language from the Lease and an additional exhibit for the restricted property.]*

5. Successors and Assigns. The conditions and provisions hereof shall inure to the benefit of and shall be binding upon Landlord, Tenant, and their respective personal representatives, executors, successors, heirs and assigns and shall run with the land.

6. Memorandum. The rentals to be paid by Tenant and all of the obligations and rights of Landlord and Tenant are set forth in the Lease dated _____ ("Lease") and executed by the parties. This instrument is merely a memorandum of the Lease and is subject to all of its terms, conditions and provisions. In the event of any inconsistency between the terms of the Lease and this instrument, the terms of the Lease shall prevail.

IN WITNESS WHEREOF, Landlord and Tenant or their authorized representatives or officers have signed This Memorandum of Lease this ____ day of _____, 2017.

LANDLORD:
9-27 Natick, LLC,
a Massachusetts limited liability company

TENANT:
Chipotle Mexican Grill of Colorado, LLC,
a Colorado limited liability company

By: _____

Name: John W Hueber

Title: Manager

By: _____

Name: Mark Crumpacker

Title: Chief Marketing and Development
Officer

ATTEST:

By: _____

WITNESS

ATTEST:

By: _____

WITNESS

[ATTACH ACKNOWLEDGEMENTS]

Attachment – Exhibit A

Please Return to:
Messner Reeves LLP
1430 Wynkoop Street, Suite 300
Denver, CO 80202
Attention: Ellen Seo

EXHIBIT G

SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT

[NOTE: TO BE INSERTED UPON COMPLETION OF NEGOTIATION.]

**SUBORDINATION, NON-DISTURBANCE
AND ATTORNMENT AGREEMENT**

This Subordination, Non-Disturbance and Attornment Agreement made on _____, 2017, by and among Landlord, Tenant and Lender, all as hereinafter defined;

WITNESSETH:

IN CONSIDERATION OF TEN AND NO/100 (\$10.00) DOLLARS and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned Landlord, Tenant and Lender hereby covenant and agree as follows:

1. For purposes of this agreement the following terms shall be defined as set forth below:

A. Assignment of Leases: That certain Assignment of Lessor's Interest in Leases, Rents, and Profits affecting the Landlord's interest in the Lease to be executed by Landlord in favor of Lender and to be recorded in the Middlesex South Registry of Deeds (the "Registry").

B. Mortgage: That certain Mortgage and Security Agreement and Financing Statement to be executed by Landlord in favor of Lender, conveying Landlord's interest in the Property to Lender and to be recorded in the Registry (included in the term are all amendments, additions and substitutions thereof).

C. Landlord: 9-27 Natick, LLC

D. Lease: That certain Lease by and between Landlord and Tenant dated April ____, 2017, affecting the Property.

E. Property: All that tract or parcel of land lying and being in Middlesex County, Massachusetts, as more particularly described on Exhibit "A" attached hereto and made a part hereof.

F. Tenant: Chipotle Mexican Grill of Colorado, LLC

G. Lender: Middlesex Savings Bank

2. Subject to the terms of the Lease and Lender's grant of non-disturbance to Tenant in accordance therewith, Tenant has subordinated and does hereby subordinate all of its rights in and to the Property and in and to the Lease (including any options to purchase) to the following: (i) the Mortgage; (ii) any, and all renewals, substitutions, extensions, modifications, replacements or amendments of the Mortgage; (iii) all loan documents executed in connection with the Mortgage including, without limitation, the Assignment of Leases; and (iv) all indebtedness secured by the Mortgage and all advances made pursuant thereto prior to or after the date hereof. Notwithstanding anything to the contrary contained herein or in the Lease, any interest of Tenant in any right of first refusal contained in the Lease shall not be binding upon

Lender at a foreclosure sale of the Property, upon any purchaser at a foreclosure sale of the Property or upon a transfer of the Property by Lender by deed in lieu of foreclosure.

3. Tenant shall give written notice to Lender of any default of Landlord under the Lease (at the time it gives said notice to Landlord) and agrees that Lender shall have the time periods set forth in the Lease for cure to cure said Landlord default.

4. So long as Tenant is not in default, beyond any applicable notice and cure period, under the Lease in the payment of rent or additional rent or in the performance of any of the terms, or conditions of the Lease, Lender covenants and agrees that possession of the demised premises under the Lease and the rights and privileges of Tenant under the Lease shall not be diminished or interfered with by the Lender in the exercise of any of its rights under the Mortgage.

5. If Lender, its successors or assigns shall succeed to the interest of Landlord under the Lease in any manner, or if any other person or entity shall acquire Landlord's interest in the Property upon any foreclosure of the Mortgage (Lender, its successors or assigns, or such other person or entity, as the case may be, being hereinafter referred to as "Successor Landlord"), Tenant shall attorn to Successor Landlord upon such succession or foreclosure sale and shall recognize Successor Landlord as the landlord under the Lease, and the Lease shall remain in full force and effect and shall inure to the benefit of Successor Landlord as landlord thereunder. Such attornment shall be effective and self-operative without the execution of any further instrument. Tenant agrees, however, to execute and deliver at any time and from time to time, upon the request of Successor Landlord, any commercially reasonable instrument or certificate that may be necessary or appropriate to evidence such attornment. From and after any such attornment, Successor Landlord shall be bound to Tenant under all the terms, covenants and conditions of the Lease, except that Successor Landlord shall not (a) be liable for any act or omission of any prior landlord (including Landlord) unless such act or omission is of a continuing nature; or (b) be subject to any offset or defenses which Tenant might have against any prior landlord (including Landlord), except for matters of a continuing nature; or (c) be bound by any rent or additional rent which Tenant might have paid for more than thirty (30) days in advance to any prior landlord (including Landlord); or (d) bound by any material amendment or modification of the Lease, including but not limited to amendments or modifications that decrease the rent due under the Lease, shorten the term, or materially increase the landlord's obligations thereunder without the consent of Lender.

6. The agreements herein contained shall bind and inure to the benefit of successors in interest of the parties hereto.

7. This instrument shall be governed by the laws of the Commonwealth of Massachusetts.

[signature page follows]

IN WITNESS WHEREOF, the undersigned Tenant has hereunto caused this instrument to be executed by its duly authorized corporate officials and its corporate seal to be affixed hereto as of the day and year first above written.

TENANT:
CHIPOTLE MEXICAN GRILL OF COLORADO, LLC

By: _____
Name: Derek Bogue
Its: Lease Administration Manager

STATE OF/Commonwealth of _____

_____, ss.

On this ____ day of April, 2017, before me, the undersigned notary public, personally appeared Derek Bogue proved to me through satisfactory evidence of identification, which was Lease Administration Manager, to be the person whose name is signed on the preceding or attached document, and acknowledged to me that he signed it voluntarily for its stated purposes as said Lease Administration Manager of Tenant.

_____, Notary Public
My commission expires:

(SNDA)

LANDLORD:
9-27 Natick, LLC

By: _____
John W. Hueber, its Manager

COMMONWEALTH OF MASSACHUSETTS

Middlesex, ss.

On this ____ day of _____, 2017, before me, the undersigned notary public, personally appeared John W. Hueber proved to me through satisfactory evidence of identification, which was Massachusetts driver's license, to be the person whose name is signed on the preceding or attached document, and acknowledged to me that he signed it voluntarily for its stated purposes as said manager of the Landlord, 9-27 Natick, LLC.

_____, Notary Public
My commission expires:

(SNDA)

LENDER:
MIDDLESEX SAVINGS BANK

By: _____
Name: _____
Its: _____

STATE OF/Commonwealth of _____

_____, ss.

On this ____ day of _____, 2017, before me, the undersigned notary public, personally appeared _____ proved to me through satisfactory evidence of identification, which was _____, to be the person whose name is signed on the preceding or attached document, and acknowledged to me that he signed it voluntarily for its stated purposes as said _____ of the _____.

_____, Notary Public
My commission expires:

(SND)

EXHIBIT A LEGAL DESCRIPTION

CHICAGO TITLE INSURANCE COMPANY COMMITMENT FOR TITLE INSURANCE

Agent's File No. 150445

SCHEDULE C

The Land referred to in this Commitment is described as follows:

PARCEL 1: All that certain tract or parcel of land, together with all buildings, structures and improvements now or hereafter located on said land, more particularly described as follows:

The land in Natick, Middlesex County, Massachusetts, situated on the Easterly side of the ramp leading from Worcester Street (Route 9) to North Main Street and on the Easterly side of said North Main Street, bounded and described as follows:

WESTERLY	by North Main Street and said ramp, Four Hundred Ninety-One and 92/100 (491.92) feet;
NORTHERLY	by land now or formerly of George Selley, Jr. and George Selley et al as shown on the first plan hereinafter referred to, Five Hundred Twenty and 70/100 (520.70) feet;
EASTERLY 63/100 (453.63) feet;	by land now or formerly of the Town of Natick as shown on said plan, Four Hundred Fifty-Three and
SOUTHEASTERLY	by Lot No. 2 as shown on said plan, Thirty-Five and 67/100 (35.67) feet; and
SOUTHERLY	by said Lot No.2, Four Hundred Twenty-One and 70/100 (421.70) feet.

The parcel described above shown as Lot No. 1 on "Plan of Land in Natick, Mass.," dated February 21, 1957, by McCarthy Engineering Service, Inc., recorded in Middlesex County South District Registry of Deeds in Book 8922 at Page 423. The parcel contains 237,289 square feet according to said plan.

PARCEL 2: A certain parcel of land in Natick, Middlesex County, Massachusetts, shown on a plan entitled "Plan of Land in Natick, Mass.," dated October 21, 1958, made by McCarthy Engineering Services, Inc., recorded with Middlesex South District Registry of Deeds at the end of Book 9274 and bounded and described as follows:

Commencing at the point in the boundary line between land now or formerly of the Town of Natick and Lot No. 1 shown on said plan distant Four Hundred Fifty-Three and 63/100 (453.63) feet Southerly from a drill hole in a stone bound situated at the Northeast corner of said Lot No. 1 as shown on said plan;

THENCE RUNNING	S 07°23' 25" E, One Hundred (100) feet;
THENCE TURNING feet;	and running S 82° 36' 25" W, Forty-Two (42)
THENCE TURNING (70.95) feet;	and running N 07°23' 25" W, Seventy and 95/100
THENCE TURNING Twenty (20 feet); and	and running N 83° 54' 17" E, by said Lot No. 1
THENCE TURNING beginning.	and running N 26° 42' 05" E, by said Lot No. 1 Thirty-Five and 67/100 (35.67) feet, to the point of

Said premises are marked "Supplementary Parcel" on said plan and contain 3,259 square feet, more or less, according to said plan.

Excepting so much of the land as was taken by the Commonwealth of Massachusetts in Order of Taking dated February 4, 1976 and recorded in Book 12936, Page 271.

Exact square footage is not insured.

EXHIBIT H

GUARANTY OF LEASE

For and in consideration of the execution of a lease ("Lease") of even date herewith between **9-27 Natick, LLC**, a Massachusetts limited liability company, as Landlord, and **Chipotle Mexican Grill of Colorado, LLC**, a Colorado limited liability company, as Tenant, whereby certain space located in the City of Natick, and Commonwealth of Massachusetts are demised to Tenant upon the terms, covenants, and conditions contained in the Lease, and other good and valuable consideration, the receipt, adequacy, and sufficiency of which are hereby acknowledged, **Chipotle Mexican Grill, Inc.**, a Delaware corporation, ("Guarantor") hereby covenants and agrees as follows:

1. The Guarantor hereby absolutely and unconditionally guarantees to Landlord and Landlord's successors and assigns the prompt payment of rent and other sums of money and the full and timely performance of the covenants and agreements to be made and performed by Tenant under the Lease (collectively the "Obligations"). If Tenant shall at any time and in any manner default in the payment or performance of any of the Obligations, then the Guarantor shall immediately: (i) pay to Landlord the full amount of any defaulted Obligations and other sums then or thereafter due under the Lease; (ii) fully satisfy and perform any defaulted Obligation; and (iii) pay to Landlord the amount of damages, costs, and expenses incurred by Landlord by reason of such default and any subsequent default by Tenant.
2. This Guaranty of Lease is absolute and unconditional, and shall continue in full force and effect without in any way being affected by: (i) the bankruptcy or insolvency of Tenant or its successors or assigns; (ii) the lack of notice to Guarantor of any default by Tenant under the Lease; (iii) modifications of or amendments to the Lease; or (iv) the disaffirmance or abandonment by any trustee or receiver of Tenant or its successors or assigns.
3. The obligations of Guarantor hereunder shall in no way be affected or impaired by Landlord's assertion of any rights against Tenant.
4. Guarantor hereby expressly waives notice of non-payment, non-performance, or non-observance and proof, notice, and demand of or for the foregoing. Guarantor agrees that the validity of this instrument and all obligations of Guarantor hereunder shall continue as to any modification of the Lease, throughout the Lease term, and during any period that Tenant shall occupy the Premises demised in the Lease.
5. Guarantor shall be liable under this Guaranty of Lease notwithstanding the assignment or transfer of the Lease or the subletting of the Premises, by operation of law or otherwise.
6. This Guaranty of Lease may not be amended, modified, discharged, or terminated in any manner unless in writing signed by both Landlord and Guarantor, each in its sole and absolute discretion.

7. The obligations of Guarantor hereunder shall not, to the extent permitted by law, be affected, modified, or impaired by any event, action, claim, or defense concerning Guarantor which could result in the release or discharge of Guarantor from the observance or performance of any obligations or agreement of Guarantor hereunder.
8. Guarantor further agrees that the Guarantor's liability under this Guaranty shall be primary, and that in any right of action which shall accrue to Landlord under the Lease, Landlord may, at Landlord's option, proceed against the Guarantor and Tenant, jointly and severally, and may proceed against the Guarantor without having commenced any action against or having obtained any judgment against Tenant. In addition to any other remedies Landlord may have against the Guarantor and the obligation of the Guarantor to Landlord, in the event of any proceeding, claim or action being filed or instituted between the parties with respect to this Guaranty, the prevailing party will be entitled to receive from the other party all reasonable costs, damages and expenses, including reasonable attorney's fees, incurred by the prevailing party in connection with that action or proceeding upon the controversy being reduced to final judgment or award. No party liable under this Guaranty shall be entitled to rights of subrogation against any party or interest in the Lease before the full performance and observance of all covenants, conditions and agreements of the Lease.
9. It is agreed that the failure of Landlord to insist in any one or more instances upon a strict performance or observance of any of the terms, provisions or covenants of the Lease or to exercise any right therein contained shall not be construed or deemed to be a waiver or relinquishment for any subsequent performance or observance of such term, provision, covenant or right, but the same shall continue and remain in full force and effect. Receipt by Landlord of rent with knowledge of the breach of any provision of the Lease shall not be deemed a waiver of such breach.
10. It is further agreed that all of the terms and provisions hereof shall be binding upon the respective heirs, executors, administrators and assigns of the Guarantor.

WITNESS THE EXECUTION UNDER SEAL HEREOF as of April __, 2017

CHIPOTLE MEXICAN GRILL, INC.,
a Delaware corporation

By: _____
Name: Mark Crumpacker
Its: Chief Marketing and Development
Officer

STATE OF COLORADO)
) ss:
CITY & COUNTY OF DENVER)

BEFORE ME, a Notary Public in and for said County and State, personally appeared the above-named Mark Crumpacker, the Chief Marketing and Development Officer of Chipotle Mexican Grill, Inc., a Delaware corporation, who acknowledged that he did sign the foregoing instrument and that the same is his free act and deed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and official seal at Denver, Colorado this _____ day of April, 2017.

Witness my hand and seal.

Notary Public
My Commission Expires: _____

EXHIBIT I

Rules and Regulations

Tenant shall at all times during the Term comply with the following rules and regulations in addition to, and not in limitation of, any obligations of Tenant under its Lease.

1. Use, maintain and occupy the Premises in a careful, safe, proper and lawful manner, keep the Premises and its appurtenances in a clean and safe condition;
2. Keep all glass in the doors and windows of the Premises clean and in good repair;
3. Not place, or maintain any merchandise in any vestibule or entry to the Premises, or the sidewalks adjacent to the Premises, or elsewhere on the outside of the Premises without prior written consent of the Landlord;
4. Keep the Premises in a clean, orderly and sanitary condition, free of insects, rodents, vermin and other pests;
5. Not permit undue accumulation of garbage, trash, rubbish, and other refuse in the Premises, and keep refuse in closed containers within the interior of the Premises until removed;
6. Intentionally Omitted;
7. Keep all mechanical apparatus free of vibration and noise that may be transmitted beyond the confines of their Premises;
8. Not overload the floors or electrical wiring and not install any additional electrical wiring or plumbing without Landlord's prior written consent;
9. Not conduct, permit or suffer any public or private auction sale to be conducted on or from the Premises;
10. Not canvas, solicit or peddle in the Common Areas of the Project, and not distribute handbills or other advertising materials in the Common Areas of the Project, and if this provision is violated, then in addition to other remedies available to Landlord, Tenant shall pay Landlord the cost of collecting same from the Common Areas for trash disposal;

11. Not use the plumbing facilities in the Premises for any purpose other than that for which they were constructed, or dispose of any foreign substance therein, whether through the utilization of "garbage disposal" units or otherwise;
12. Not attach any awning or other projections to the outside walls or windows of any part of the Project, and no curtains, blinds, shades, or screens (other than those furnished or approved by Landlord) shall be attached to or hung in, or used in connection with, any exterior window or door of the Premises;
13. Not place any articles in front of or affixed to any part of the exterior of the Project, or placed in the halls, corridors, vestibules, or other Common Areas of the Project;
14. Not mark, paint, drill into, or in any way deface any part of the exterior of the Project or any Building;
15. Intentionally Omitted;
16. Not use the whole nor any part of the Premises to any tenant for manufacturing;
17. Not place additional locks or bolts of any kind upon any of the doors or windows in the Premises, nor make any changes in locks or the mechanisms thereof, and upon the termination of the Term, Tenant shall deliver to Landlord all keys; and
18. Not bring to or keep animals of any kind in the Project, other than those used as service animals in accordance with any state or federal law providing for the accommodation of persons with disabilities.

Landlord reserves the right, at any time and from time to time, to rescind, alter, or waive, in whole or in part, or add to, any of these Rules and Regulations when it is deemed necessary, desirable, or proper, in Landlord's judgment, for its best interest and shall provide Tenant with notice of same;

EXHIBIT J
EMPLOYEE PARKING AREA

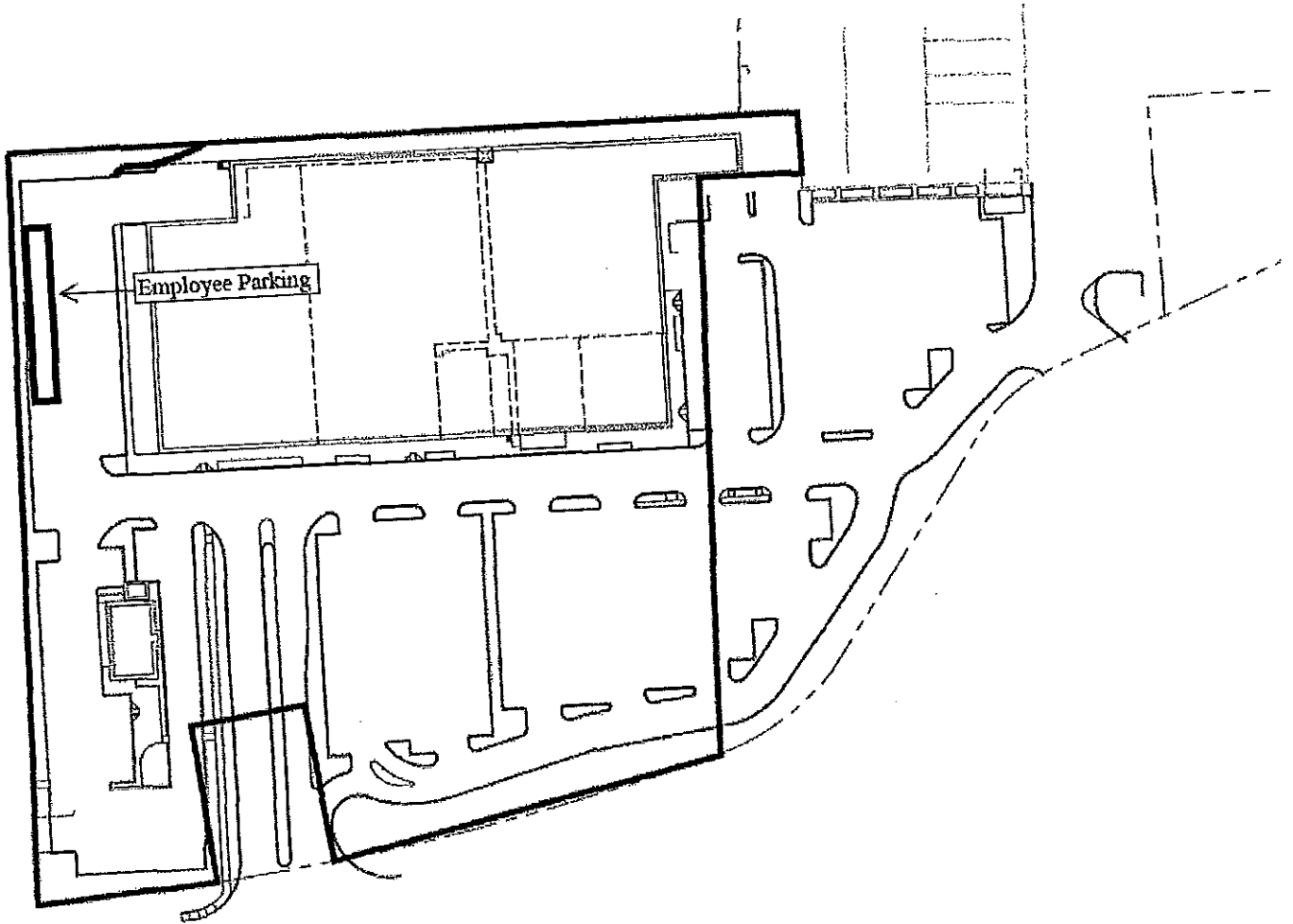


Exhibit K

Use Restrictions

The following use restrictions, which are specifically applicable to the Premises, shall not be deemed to imply, or to grant to Tenant, any right to use the Premises for other than the Permitted Use, nor shall same be deemed a prohibition against Landlord leasing space in the Center for such purposes. Tenant confirms that the Premises shall be used solely and exclusively for the Permitted Use, and that, subject to Section 5.5 of this Lease, Landlord has the right to lease space in the Center to such tenants and for such purposes as Landlord, in its sole judgment, deems appropriate.

1. REA Restrictions:

There shall not be conducted upon any part of Lot 1 (i) a food supermarket, (ii) a drug store, (iii) a dry cleaning establishment, (iv) a barber shop, (v) a beauty parlor, (vi) a shoe repair store, (vii) a retail package liquor store or a retail package liquor department, (viii) a store selling groceries, meat, fish, fruits, vegetables, creamery products, delicatessen, bakery products or other foods intended for consumption by human beings off the premises or any one or more of such foods, or (ix) any business which at the time the tenancy agreement therefor shall be entered into shall be the principal activity of a store then in operation upon Lot 2 or of a store to be operated upon Lot 2 under a then duly executed lease or (x) any combination of the foregoing businesses. For the purpose of subdivision (ix) immediately above, until the owner of Lot 1 receives notice from the owner of Lot 2 of the existence of such duly executed lease and the business to be conducted thereunder it shall be conclusively presumed that no duly executed lease exists for any store to be operated upon Lot 2. Provided, however, nothing herein contained shall prohibit or restrict the conduct upon Lot 1 of a store for the sale of food intended to be consumed on the premises or a department store or junior department store, so-called, whether self-service or otherwise, whether a so-called discount or cut price store or otherwise, which may contain one or more of the following:

- (a) a dry cleaning pick-up station, provided, however, that cleaning and pressing equipment shall not be installed on the premises;
- (b) a beauty parlor;
- (c) a shoe repair pick-up station or a shoe repair department having shoe repair machinery;
- (d) a department for the sale of drugs and patent medicines, provided, however, that such department shall not contain more than five hundred (500) square feet of display shelving and counter area, and provided further that the same shall not be

dispensed by a registered pharmacist;

(e) a department or departments for the sale of foods intended to be consumed by human beings off the premises, provided, however, that not more than a total of two thousand two hundred fifty (2,250) square feet of floor area of selling space (including in the computation thereof one-half (1/2) the number of square feet in the aisles adjacent to such selling space) shall be devoted to the sale or display of such foods;

(f) a restaurant or food bar for the sale of food intended to be consumed on the premises;

(g) a department for the sale of cosmetics and toiletries.

Notwithstanding the foregoing, the foregoing use restrictions are modified on and subject to the terms and conditions set forth in that certain Consent Agreement granted by The Stop & Shop Supermarket Company LLC to FRLP Nine Twenty-Seven, LLC.

2. **Medical Related:** Medical Restrictions:

No part of the Premises shall be used for a medical marijuana clinic, blood bank, abortion or abortion counseling clinic, or drug or alcohol rehabilitation or treatment center.

3. **Staples:**

Section 5.2.2. Prohibited Uses.

No part of Landlord's Parcel shall be used for any of the following: (i) tanning, health, exercise or racquet club or spa, gymnasium, movie theatre, bowling alley, skating rink or other sports or recreational facility except however the areas marked on the attached plan "Tenant/Tenants To Be Determined", "TBD" and Chipotle may include such uses; (ii) school, library, reading room, or house of worship, however such use is not intended to preclude educational and training uses as may commonly be found in retail locations such as test preparation, children's learning, ; (iii) , auditorium, meeting hall, hotel or motor inn, or any residential use; (iv), adult bookstore, a so-called "head" shop, off-track betting, gambling, or check cashing facility; (v) car wash, automobile repair work or automotive service, automobile body shop, automobile, boat, trailer or truck leasing or sales, or laundromat (provided, however, (i) automotive sales and leasing shall be permitted within the former Building 19 Premises (as hereinafter defined;) and (ii) automotive repairs shall be permitted within the area designated as "Tenant/Tenants To Be Determined) however neither (i) nor (ii) are intended to preclude retail auto part and/or supply store anywhere on the Property; ; (vii) any manufacturing, warehouse or office use (except incidental to a retail operation or service type uses commonly found in retail locations such as banks,

investment advisors, tax preparation, health care and the like); (viii) funeral parlor, animal raising or storage (except incidental to a full-line retail pet supply operation or veterinary care facility), pawn shop, flea market or swap meet, junk yard; (ix) drilling for and/or removal of subsurface substances, dumping, disposal, incineration or reduction of garbage or refuse, other than in enclosed receptacles intended for such purposes; or (x) any use which constitutes a public or private nuisance or produces objectionable noise or vibration; and

Section 5.2.3. Restricted Uses.

"No restaurant shall be located in the space identified as "No Restaurant" on Exhibit A-1. Notwithstanding anything contained in Section 5.2 herein to the contrary, the following uses shall be permitted in accordance with the applicable restrictions:

- Health, exercise or racquet club or spa, gymnasium, bowling alley, skating rink or other sports or recreational facility located within the former Building 19 space only. For avoidance of doubt, the former Building 19 space does not include the GBS.
- Tanning Salon located anywhere in the Center.
- Massage use of first class operation, such as Massage Envy located anywhere in the Center.
- Other entertainment facility, including video game, virtual reality or laser tag room or facility, pool hall, arcade, indoor children's recreational facility or other amusement center such as King's, Lucky Strike and Dave & Busters located within the former Building 19 space only.
- Medical, office, real estate and brokerage office, tax preparation office, armed forces recruitment center located within the former Building 19 space only.
- Automobile sales (new vehicle sales only), located within the former Building 19 space only, but only if such area is cordoned off and is distinctly separate from the rest of the Center.
- Pet store, as long as such use is along the lines of Petco and PetSmart located anywhere in the Center.
- An automotive parts store (not including service bays) in the former Building 19 space;
- A Drive Through Restaurant (substantially as such concept is operated on the date hereof) shall be permitted in the area shown on **Exhibit A**, to be constructed as set forth in Section 9 above; and
- A medical clinic use not to exceed 5,000 square feet shall be permitted in the Give-Back Space; provided the entrance to such medical clinic use shall be on the West side of the Building facing Route 27; and "

Note: Landlord hereby represents that the Premises under this Lease is not within the "No Restaurant" area that will be shown on Exhibit A-1 to the Staples Lease.

4. **Partners:** The provision of urgent care medical services, which means a medical facility, with the ability to perform minor procedures, where patients can be treated on a walk-in basis, without an appointment, and receive immediate care of illnesses and injuries.
5. **Anthony's:** Primarily for the sale of Italian food including, but not limited to, pizza, all as being typically served and as principally used in a typical Anthony's Coal Fired Pizza restaurant.
6. **Dunkin Donut:** Primarily for the retail sale of fresh coffee or baked goods.
7. **Advance Auto Parts:** For the purpose of (i) conducting thereon a business similar to that being conducted by the then tenant (initially Advance Auto Parts) on the Leased Premises (being the Advance Auto Parts premises) (meaning similar to an Advance Auto Parts store only) or (ii) the sale, display or rental of automotive parts, accessories, supplies and/or maintenance items.

Financial Statement- Form 10K

10-K 1 cmg-20161231x10k.htm 10-K

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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, 2016
 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)
1401 Wynkoop Street, Suite 500 Denver, CO
 (Address of Principal Executive Offices)

84-1219301
 (IRS Employer
 Identification No.)
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, 2016, the aggregate market value of the registrant's outstanding common equity held by non-affiliates was \$6.6 billion, based on the closing price of the registrant's common stock on such date, the last trading day of the registrant's most recently completed second fiscal quarter. For purposes of this calculation, shares of common stock held by each executive officer and director and by holders of 5% or more of the outstanding common stock have been excluded since those persons may under certain circumstances be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of January 31, 2017, there were 28,772,830 shares of the registrant's common stock, par value of \$0.01 per share outstanding.

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DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates certain information by reference from the registrant's definitive proxy statement for the 2017 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, 2016.

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Table of Contents**PART I****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, trends, liquidity and capital resources and to analyses and other information that are based on forecasts of future results and estimates of amounts not yet determinable. Forward-looking statements include statements regarding the effectiveness of enhanced food safety procedures we have implemented; the impact of catering and delivery offerings and technology initiatives; the expected impact of food safety enhancements on our restaurant operating costs; projections of comparable restaurant sales increases and sales trends we expect for 2017; forecasts of trends in food, beverage and packaging costs, other operating costs, general and administrative expenses and other cost items for 2017; forecasts of the number of restaurants we expect to open in 2017; expected effective tax rates for the year; statements about possible repurchases of our common stock; projections of restaurant development costs; and other statements of our expectations and plans. We have used words such as “may,” “will,” “should,” “expect,” “intend,” “plan,” “anticipate,” “believe,” “think,” “estimate,” “seek,” “expect,” “predict,” “could,” “project,” “potential” and other similar terms and phrases, including references to assumptions, in this report to identify forward-looking statements. These forward-looking statements are made based on expectations and beliefs concerning future events affecting us and are subject to 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 Item 1A. “Risk Factors,” and elsewhere in this report.

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

ITEM 1. BUSINESS**General**

Chipotle Mexican Grill, Inc., a Delaware corporation, together with its subsidiaries (“Chipotle”, the “Company”, or “we”) operates Chipotle Mexican Grill restaurants, which serve a focused menu of burritos, tacos, burrito bowls (a burrito without the tortilla) and salads, made using fresh ingredients. As of December 31, 2016, we operated 2,198 Chipotle restaurants throughout the United States, as well as 29 international Chipotle restaurants, and we also had 23 restaurants in operation in other non-Chipotle concepts. We focus on finding the highest quality ingredients we can to make great tasting food; on building a strong people culture that is centered on providing an excellent guest experience; on building restaurants that are operationally efficient and aesthetically pleasing; and on doing all of this with the highest regard for the safety of our customers and increasing awareness and respect for the environment. We have grown substantially over the past five years, and expect to open between 195 and 210 additional restaurants in 2017.

Throughout our history as a public company, we have pursued a mission to change the way people think about and eat fast food. The fast food landscape has changed dramatically over Chipotle’s 23-year history. The changes in the industry suggest that we may have achieved our mission, with a number of concepts built using service and sourcing formats that closely resemble ours – with more selective sourcing, food prepared onsite, and a service model that allows customers to choose exactly what they eat. Looking at what we have accomplished, we have expanded our mission. Today, we are working to *Ensure that better food, prepared from whole, unprocessed ingredients is accessible to everyone*. We are also aiming to simplify our business focus, to emphasize only those things that result in an excellent guest experience in our restaurants.

We manage our operations and restaurants based on 11 regions that aggregate into one reportable segment. Financial information about our operations, including our revenues and net income for the years ended December 31, 2016, 2015, and 2014, and our total assets as of December 31, 2016 and 2015, is included in our consolidated financial statements and accompanying notes in Item 8. “Financial Statements and Supplementary Data.” Substantially all of our revenues are generated and assets are located in the U.S. For a discussion of risks related to our international operations, see *Risks Related to Our Plans to Return to Sales and*

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Profitability Growth and Restore Our Economic Model – Our expansion into international markets may present increased risks due to lower customer awareness of our brand...” in Item 1A. “Risk Factors.”

Our Focus on Safe and Delicious Food Made with Better Ingredients

A decidedly focused menu. Chipotle restaurants list only a few entree items: burritos, burrito bowls, tacos and salads. But because customers can choose from five different meats or tofu, 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 thousands of choices. We plan to keep a simple menu, but will consider additions that we think make sense. For example, in 2014 we introduced Sofritas, a vegetarian protein option, and in 2016 we introduced chorizo, a spicy ground sausage made from chicken and pork.

In preparing our food, we use classic cooking methods. We use stoves and grills, pots and pans, cutting knives and other kitchen utensils, walk-in refrigerators stocked with a variety of fresh ingredients, herbs and spices and dry goods such as rice. Our restaurants do not have microwaves or freezers. Ingredients we use include chicken, steak and chorizo that is grilled in our restaurants, carnitas (seasoned and braised pork), barbacoa (spicy shredded beef), Sofritas (organic braised tofu) and vegetarian pinto and black beans. We add our rice, which is tossed with lime juice, freshly chopped cilantro, and a pinch of salt, as well as freshly shredded cheese, sour cream, lettuce, peppers and onions, to our entrees depending on each customer's request. We use various herbs, spices and seasonings to prepare our meats and vegetables. We also make a variety of extras such as guacamole, salsas and tortilla chips seasoned with fresh lime juice and salt. In addition to sodas, fruit and tea drinks and organic milk, most of our restaurants also offer a selection of beer and margaritas. Our food is prepared from scratch from whole ingredients, some of which is prepared in our restaurants and some is prepared with the same fresh ingredients in larger batches in commissaries.

Better Food. Serving high quality food while still charging reasonable prices is critical to our mission to ensure that better food is accessible to everyone. We believe that purchasing fresh ingredients and preparing them from scratch in our restaurants 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 the sources of each ingredient, and this has become a cornerstone of our continuous effort to improve the food we serve. We're all about simple, fresh food without artificial flavors or fillers—just genuine raw ingredients and their individual, delectable flavors.

In all of our Chipotle restaurants, we endeavor to serve only meats that were raised in accordance with criteria we've established in an effort to improve sustainability and promote animal welfare, and without the use of non-therapeutic antibiotics or added hormones. We brand these meats as “Responsibly Raised *.” One of our primary goals is for all of our restaurants to serve meats raised to meet our standards, but we have and will continue to face challenges in doing so. For example, some of our restaurants did not serve carnitas for a portion of 2015, and some of our restaurants periodically serve conventionally raised chicken or beef from time to time due to supply constraints for our Responsibly Raised meats. More of our restaurants may periodically serve conventionally raised meats or stop serving one or more menu items in the future due to additional supply constraints. When we become aware that one or more of our restaurants will serve conventionally raised meat, we clearly and specifically disclose this temporary change on signage in each affected restaurant so that customers can avoid those meats if they choose to do so.

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

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

Close Relationships with Suppliers. Maintaining the high levels of quality and safety we expect in our restaurants depends in part on our ability to acquire high-quality, fresh ingredients and other necessary supplies that meet our specifications from reliable suppliers. Our 24 independently owned and operated regional distribution centers purchase from various suppliers we carefully select based on quality and the suppliers' understanding of our mission. We work closely with our suppliers and seek to develop mutually beneficial long-term relationships with them. We use a mix of forward, fixed and formula pricing protocols, and our distribution centers purchase within the pricing guidelines and protocols we have established with the suppliers. We've also tried to increase,

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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 tariffs and other issues, weather, exchange rates, foreign demand, crises and other world events that may affect our ingredient prices. Certain key ingredients (including beef, pork, chicken, beans, rice, sour cream, cheese, and tortillas) are purchased from a small number of suppliers. For a discussion of risks related to our supply chain, see *“Risks Related to Operating in the Restaurant Industry – Failure to receive frequent deliveries of higher-quality food ingredients and other supplies meeting our specifications could harm our operations”* and *“Risks Related to our Unique Business Strategy – Our Food With Integrity philosophy subjects us to risks”* in Item 1A. *“Risk Factors.”*

Quality Assurance and Food Safety. Our business was severely impacted beginning in the fourth quarter of 2015 by food safety incidents that were associated with a number of our restaurants. More discussion of these incidents can be found in *“Risks Related to Our Plans to Return to Sales and Profitability Growth and Restore Our Economic Model – We may continue to be negatively impacted by food safety incidents associated with our restaurants beginning in the fourth quarter of 2015. . . .”* in Item 1A. *“Risk Factors.”* In the wake of these incidents, strengthening trust among our customers and in our brand has become essential to restoring our business results and achieving our mission. This begins with our commitment to serving safe, high quality food. Quality and food safety measures are integrated throughout our supply chain, from the farms that supply our food all the way through to our front line and into our customers’ hands. We maintain a limited list of approved suppliers, many of which are among the top suppliers in the industry. Our quality assurance department establishes and monitors our quality and food safety programs, and works closely with our suppliers to ensure our high standards are met throughout the supply chain. Our training, operations, and risk management departments develop and implement operating standards for food quality, preparation, cleanliness, employee health protocols, and safety in the restaurants. Our food safety programs are also designed to ensure that we not only continue to comply with applicable federal, state and local food safety regulations, but establish Chipotle as an industry leader in food safety.

While our food safety programs have always been carefully designed and have been in conformance with applicable industry standards, over the last year our Executive Director of Food Safety, a respected expert in the industry, has led a comprehensive assessment and enhancement of our food safety programs and practices. Components of our enhanced food safety programs include:

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

These and other enhancements underscore our commitment to becoming a leader in food safety while we continue to serve high quality food that our customers love. To be sure that our food safety programs continue to evolve in ways that will help maintain leadership in this important area, we have established a Food Safety Advisory Council that is comprised of some of the nation’s foremost food safety authorities. The Food Safety Advisory Council is charged with evaluating our programs, both in practice and implementation, and advising us on ways to elevate our already high standards for food safety.

Delivering an Excellent Guest Experience

There is nothing more important than treating our guests to an excellent experience every time they visit one of our restaurants. We believe that restaurants that deliver a consistently great experience attract customers more frequently and engender greater customer loyalty. Creating an excellent guest experience starts with hiring great people, training them on our high standards, and creating great teams in our restaurants. We have identified 13 characteristics of top performing employees, and use these characteristics as a guide to help us identify the very best people for our restaurants. Then, we invest in properly training each employee so that they can seamlessly deliver an excellent experience that our guests will enjoy. Our restaurant training focuses on the guest experience by ensuring we are serving safe and delicious food quickly, in a clean and hospitable environment.

Restaurant Team. Each restaurant typically has a general manager or Restaurateur (a position we’ve characterized as the most important in the company), an apprentice manager (in a majority of our restaurants), and we aim to have two or three hourly service managers, one or two hourly kitchen managers and an average of 23 full and part-time crew members, though our busier restaurants tend to have slightly more employees. We generally have two shifts at our restaurants, which simplifies scheduling and provides stability for our employees. We also cross-train our people so that each can work a

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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

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customer service, we encourage our general managers and crew members to welcome and interact with customers throughout the day. In addition to the employees serving our customers at each restaurant, we also have a field support system that includes apprentice team leaders, team leaders or area managers, team directors, executive team directors, executive regional directors and restaurant support officers.

Innovation. We are prioritizing the development of technological and other innovations, such as digital/mobile ordering platforms, and delivery and catering choices, that allow our guests to engage with Chipotle in whatever fashion is most convenient for them. By allowing our customers to order and receive their food in a variety of ways, we believe we can attract more customers and help encourage customers to choose us more frequently. In order to successfully deliver a great experience for customers, we are emphasizing the optimization of our second make-lines, which allow us to fulfill catering or online orders without disrupting throughput on our main service line. We are also integrating technology into our applications that provides customers with more precise and earlier pick-up times, which help our restaurants fill digital orders more quickly and accurately, improving the experience for customers who use these platforms. Technological innovations also improve the experience of other guests by helping to improve throughput for those who choose to dine in our restaurants. Additionally, we have enhanced our data capabilities to allow us to better identify individual customers and their unique frequency patterns, and to target our marketing and promotional efforts at the individual level. We believe the advancements we have made in this area will help us as we continue to target lapsed customers, and seek to build frequency among newer customers.

Marketing

A great dining experience in our restaurants has always been our most powerful marketing. But there is still a need to introduce our brand to new customers and engage with existing ones in other ways, by helping them understand what makes Chipotle different. Our advertising and promotional programs and in-store communications all help to communicate what differentiates Chipotle from typical fast food. Whether it's engaging with Chipotle via our various social media channels, participating in our local events, or simply eating a burrito at one of our restaurants, each customer interaction affords us an important opportunity to build our brand. On the heels of the safety-related incidents, we redoubled our efforts to attract customers to our restaurants and to provide a restaurant experience that helps keep them as or convert them into loyal, repeat customers. Generating new customers and enhancing customer frequency will be a central objective of our marketing efforts in 2017.

Our advertising has generally included print, outdoor, transit, and radio ads, but we also incorporate digital advertising into the mix, and conduct strategic promotions that demonstrate our commitment to our Food With Integrity philosophy while connecting us to like-minded individuals or organizations. Beyond these traditional channels, we continue to pioneer new avenues of branded content aimed at making consumers more curious about some of the issues that are important to us, and explaining why and how we are working to drive positive change in the nation's food supply. We also have a dedicated team of field marketing staff that helps connect our restaurants to local communities through fundraisers, sponsorships and participation in local events.

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

Competition

The fast-casual, quick-service, and casual dining segments of the restaurant industry are highly competitive with respect to, among other things, taste, price, food quality and presentation, service, location, brand reputation, and the ambience and condition of each restaurant. Our competition includes a variety of restaurants in each of these segments, including locally-owned restaurants and national and regional chains. Many of our competitors offer dine-in, carry-out, catering, and delivery services. In recent years, competition has increased significantly from restaurant formats like ours that serve higher quality food, quickly and at a reasonable price. We believe that this competition has made it more challenging to maintain or increase the frequency of customer visits, but continue to believe that Chipotle can differentiate itself with our mission to ensure that better food is accessible to everyone.

Moreover, we may also compete with companies outside the fast-casual, quick-service, and casual dining segments of the restaurant industry. For example, competitive pressures can come from deli sections and in-store cafés of major grocery store chains, including those targeted at customers who seek higher-quality food, as well as from convenience stores, cafeterias, and other dining outlets. For more information, see "*Risks Related to Operating in the Restaurant Industry—Competition could adversely affect us*" in Item 1A. "Risk Factors." We also compete with other restaurants and retail establishments for site locations and restaurant employees.

Table of Contents**Restaurant Site Selection**

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

Other Restaurant Concepts

We believe that the fundamental principles on which our restaurants are based – finding better ingredients, preparing them using classic techniques in front of the customer, and serving them in an interactive format with great teams dedicated to providing an excellent dining experience – can be adapted to cuisines other than the food served at Chipotle. Over the previous 5 years, we've explored this idea by creating new and innovative concepts such as Tasty Made, a burger concept we opened with a single restaurant in October, 2016, as well as investing in consolidated entities with partners that are developing additional concepts, such as Pizzeria Locale, a fast-casual pizza restaurant that now has seven restaurants in four states. Our first new restaurant concept was ShopHouse Southeast Asian Kitchen, which we opened in 2011 and grew to a total of 15 restaurants. ShopHouse was not able to achieve a level of sales and profitability that made it attractive to us for future investment, and we announced in the fourth quarter of 2016 that we are exploring strategic alternatives for the concept. In 2017, our focus will remain on thoughtfully growing the Chipotle brand.

Information Systems

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

We will continue to invest in our applications and systems to support our continued expansion. See “*General Business Risks—We may be harmed by security risks we face in connection with our electronic processing and transmission of confidential customer and employee information*” in Item 1A. “Risk Factors,” for a discussion of risks associated with our information systems.

Employees

As of December 31, 2016, we had about 64,570 employees, including about 4,700 salaried employees and about 59,870 hourly employees. None of our employees are unionized or covered by a collective bargaining agreement.

Seasonality

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

Our Intellectual Property and Trademarks

“Chipotle,” “Chipotle Mexican Grill,” “Unburritable,” “Food With Integrity,” “Fresh Is Not Enough, Anymore,” “The Gourmet Restaurant Where You Eat With Your Hands,” “Responsibly Raised,” 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

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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

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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 and have registered elements of our restaurant design for trade dress protection in the U.S. as well.

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

Available Information

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

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

Table of Contents**ITEM 1A. RISK FACTORS*****Risks Related to our Plans to Return to Sales and Profitability Growth and Restore our Economic Model***

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

In 2016 we experienced lower sales than the preceding year for the first time in our history as a public company and our average restaurant volumes have declined from \$2.532 million as of September 30, 2015 to \$1.868 million as of December 31, 2016. In order to increase our sales, one of our primary goals is to increase comparable restaurant sales. Comparable restaurant sales represent the change in period-over-period sales for restaurants beginning in their 13th full calendar month of operation. Changes in comparable restaurant sales are also a critical factor affecting our profitability, because the profit margin on incremental comparable restaurant sales is generally higher due to the sales increases being applied against a partially fixed cost base. Conversely, declines in comparable restaurant sales, as we saw throughout the majority of 2016, have a significant adverse effect on profitability due to the loss of the positive impact on profit margins associated with comparable restaurant sales increases, while we continue to incur a certain level of fixed costs.

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

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

These factors, most of which are described in more detail in additional Risk Factors below, are beyond our control to at least some degree. As a result, it is possible that we will experience future declines in comparable restaurant sales or that we otherwise will not achieve our targeted or expected comparable restaurant sales. Any future declines in comparable restaurant sales or failure to meet market expectations for comparable restaurant sales increases would likely result in a significant adverse impact on the price of our common stock. Additionally, if we fail to significantly increase comparable restaurant sales in 2017 and beyond, the price of our common stock is likely to be adversely impacted.

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We may continue to be negatively impacted by food safety incidents associated with our restaurants beginning in the fourth quarter of 2015, and further instances of food-borne or localized illnesses associated with our restaurants would result in increased negative publicity and further adverse impacts on customer perceptions of our brand, which would likely result in further declines in our sales.

During late October and early November 2015, illnesses caused by E. coli bacteria were connected to a number of our restaurants, initially in Washington and Oregon, and subsequently to small numbers of our restaurants in as many as 12 other states. During the week of December 7, 2015, an unrelated incident involving norovirus was reported at a Chipotle restaurant in Brighton, Massachusetts, which worsened the adverse financial and operating impacts we experienced from the earlier E. coli incident. As a result of these incidents and related publicity, our sales and profitability were severely impacted throughout 2016. The significant amount of media coverage regarding these incidents, as well as the impact of social media (which was not in existence during many past food safety incidents involving other restaurant chains), in increasing the awareness of these incidents may continue to negatively impact customer perceptions of our restaurants and brand, notwithstanding the high volume of food-borne illness cases from other sources across the country every day. As a result, it may take longer for our sales to recover than has been the case during past food safety incidents associated with other restaurant chains, and we may not fully recover all of our lost sales.

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

Increasing our sales and profits depends in part on our ability to open new restaurants in sites and on terms attractive to us, which is subject to many unpredictable factors.

We had 2,250 restaurants in operation as of December 31, 2016. We plan to increase the number of our restaurants significantly, and plan to open between 195 and 210 new restaurants in 2017. However, we have in the past experienced delays in opening some restaurants and that could happen again as a result of any one or more of the following factors:

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

One of our biggest challenges in opening new restaurants is staffing. We seek to hire only top-performing employees and to promote general managers from our crew, which may make it more difficult for us to staff all the restaurants we

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intend to open.

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Constraints on our hiring new employees are described further below under “*Risks Related to Operating in the Restaurant Industry—Our business could be adversely affected by increased labor costs...*”

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

Any decision to delay or forego a significant number of new restaurant openings, or our inability to open the number of new restaurants we plan, 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 existing restaurant base will decline, making it increasingly difficult to achieve levels of sales and profitability growth that we achieved prior to 2016.

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.

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

Historically, many of our new restaurants have opened with an initial ramp-up period typically lasting 24 months or more, during which they generate sales and income below the levels at which we expect them to normalize. This is in part due to the time it takes to build a customer base in a new area, which can result in lower initial sales volumes following a restaurant's opening. It may also be difficult for us to attract a customer base if we are not able to staff our restaurants with top performing employees and successfully train them to deliver excellent customer experiences. 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. Our new restaurant sales volumes since the fourth quarter of 2015 have also been negatively impacted by the food safety issues described elsewhere in this report. The negative impact has been of greater relative magnitude to the impact we have seen on comparable restaurant sales, and as a result, new restaurant sales may have an even larger adverse impact on our results than they have in the past.

Our new restaurant development activity has also broadened recently to incorporate trade areas or types of restaurant sites in which we have little or no prior experience, including smaller or more economically mixed communities, highway sites, outlet centers, and restaurants in airports, food courts, or on military sites. The risks relating to building a customer base and managing development and operating costs may be more significant in some or all of these types of trade areas or restaurant sites, which could have an unexpected negative impact on our new restaurant operating results. In addition, in the event we are not able to contain increases in our average restaurant development costs, which could result from inflation, an increase in the proportion of higher cost locations, project mismanagement or other reasons, our new restaurant locations could also result in decreased profitability.

We have also opened restaurants in nearly all major metropolitan areas across the U.S. New restaurants opened in existing markets may adversely impact sales in previously-opened restaurants in the same market as customers who frequent our established restaurants begin to visit a newly-opened restaurant instead. This impact could worsen as we open additional restaurants, and could make it more difficult for us to increase comparable restaurant sales and profitability. Existing restaurants could also make it more difficult to build the customer base for newly-opened restaurants in the same market.

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

In an effort to reverse the downturn in our business results that began in late 2015, we significantly increased marketing and promotional expense in 2016. For the year ended December 31, 2016, our marketing and promotional expense was 5.1% of revenue, significantly higher than the 2.1% of revenue it had averaged over the preceding three years. In 2017 we expect to return marketing and promotional expense to levels closer to our historical practice as a percent of revenue, and doing so may adversely impact the number of customers visiting our restaurants. If so, we may be forced to engage in additional promotional activities, including further offers for free or discounted food, which may hamper our sales and profitability.

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As part of our marketing plans for 2017, we have hired a new advertising agency and media buyer, and are also introducing a new advertising campaign and media strategies, including the possibility of television advertising, which we began testing for the first time in 2016. If our advertising campaign and new media strategies do not resonate with customers in the manner we hope, they may

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not result in increased sales, but would still increase our expenses. Additionally, we will also continue to invest in marketing and advertising strategies that we believe will increase customers' connection with our brand. If these marketing and advertising investments do not drive increased restaurant sales, the expense associated with these programs will adversely impact our financial results, and we may not generate the levels of comparable restaurant sales we expect.

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

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

Our expansion into international markets may present increased risks due to lower customer awareness of our brand, our unfamiliarity with those markets and other factors.

As of December 31, 2016, 29 of our restaurants were located outside of the U.S., with 17 in Canada, 6 in the United Kingdom, 5 in France and 1 in Frankfurt, Germany. As a result of our small number of restaurants outside the U.S. and the relatively short time we have been operating those restaurants, we have lower brand awareness and less operating experience in these markets, and our average restaurant sales and/or transaction counts may be lower in these markets than in the U.S. The markets in which we've opened restaurants outside the U.S., and any additional new markets we enter outside the U.S. in the future, have different competitive conditions, consumer tastes and discretionary spending patterns than our U.S. markets. As a result, new restaurants outside the U.S. may be less successful than restaurants in our existing markets. Specifically, due to lower consumer familiarity with the Chipotle brand, differences in customer tastes or spending patterns, or for other reasons, sales at restaurants opened outside the U.S. may take longer to ramp up and reach expected sales and profit levels, and may never do so, thereby affecting our overall growth and profitability. We have also seen some deterioration in sales trends at our international locations since late 2015, which we believe may be attributable to expanding awareness of the food-borne illness incidents described elsewhere in this report, and those trends may make it more difficult to attract customers to our restaurants in international markets. To build brand awareness in international markets, we may need to make greater investments in advertising and promotional activity than we originally planned, which could negatively impact the profitability of our operations in those markets.

We may also find it more difficult in international markets to hire, train and keep top performing employees who can successfully deliver excellent customer experiences, and labor costs may be higher in international markets due to increased regulation, higher employment taxes or social benefit costs or local market conditions. In addition, restaurants outside the U.S. have had higher construction, occupancy and food costs than restaurants in existing markets, and we may have difficulty finding reliable suppliers or distributors or ones that can provide us, either initially or over time, with adequate supplies of ingredients meeting our quality standards. Additional costs or difficulties from any of the foregoing factors may adversely impact the operating results of our international markets. Markets outside the U.S. may also have regulatory differences with the U.S. with which we are not familiar, or that subject us to significant additional expense or to which we are not able to successfully adapt, which may have a particularly adverse impact on our sales or profitability in those markets and could adversely impact our overall results. Our overall results may also be negatively affected by currency risk on the transactions in other currencies and translation adjustments resulting from the conversion of our international financial results into the U.S. dollar.

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

We believe that the fundamental principles on which our restaurants are based – finding better ingredients, preparing them using classic techniques in front of the customer, and serving them in an interactive format with great teams dedicated to providing an excellent dining experience – can be adapted to cuisines other than the food served at Chipotle. In order to see how our model works when we use different ingredients and a different style of food, we opened a number of ShopHouse Southeast Asian Kitchen restaurants beginning in 2011, and one Tasty Made burger restaurant in Ohio in 2016. We also have a majority ownership interest in a company operating 7 fast casual Pizzeria Locale restaurants in Denver, Colorado, Kansas City, Missouri and Cincinnati, Ohio, and we plan to assist with the further expansion of Pizzeria Locale in the future. ShopHouse was not able to achieve a level of sales and profitability that made it attractive to us for future investment, and we announced in the fourth quarter of 2016 that we are exploring strategic alternatives for the concept. We

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recognized a \$14.5 million non-cash impairment charge, representing substantially all of the value of long-lived assets of ShopHouse during the year ended December 31, 2016. Furthermore, Pizzeria Locale and Tasty Made are

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new brands and have lower brand awareness, lower sales and less operating experience than most Chipotle restaurants, and may also not achieve restaurant economics that make them attractive for further investment in the future. Notwithstanding our growth plans for Tasty Made, our investment in Pizzeria Locale, and exploration of other restaurant brand opportunities, our immediate focus will remain on thoughtfully growing the Chipotle brand. As a result, we do not expect Pizzeria Locale, Tasty Made or other concepts to contribute to our growth in a meaningful way for at least the next several years. We may also determine not to move forward with any further expansion of Tasty Made or Pizzeria Locale. These decisions would each limit our overall growth over the long term as well. Additionally, the exploration of strategic alternatives for ShopHouse, the expansion of Tasty Made or Pizzeria Locale, or investments in other restaurant concepts each might distract our management, which could have an adverse impact on our core Chipotle business.

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

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

Risks Related to Operating in the Restaurant Industry

Competition could adversely affect us.

The fast-casual, quick-service and casual dining segments of the restaurant industry are highly competitive with respect to, among other things, taste, price, food quality and presentation, service, location, brand reputation, and the ambiance and condition of each restaurant. Our competition includes a variety of restaurants in each of these segments, including locally owned restaurants and national and regional chains. Many of our competitors offer dine-in, carry-out and delivery services. In recent years, competition has increased significantly from restaurant formats like ours that serve higher quality food, quickly at a reasonable price. We believe that this competition has made it more challenging to maintain or increase the frequency of customer visits. Additionally, although we continue to believe that Chipotle can differentiate itself with our mission to ensure that better food is accessible to everyone, competitors have increasingly made claims related to the quality of their ingredients, or distinctions between artificial and natural flavors, colors and preservatives. The increasing use of these claims in the marketplace, even if the substantive basis for some of them may be questionable, may lessen our differentiation.

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. Some of these competitors and other fast casual concepts have sought to duplicate various elements of our business operations, and more chains may copy us to varying degrees in the future. Additionally, our newer concepts, Tasty Made and Pizzeria Locale, operate in markets in which there are numerous competitors, including a number of large and well-known brands. A number of other companies or individuals in the restaurant industry have recently opened or invested in fast-casual pizza concepts or so-called "better burger" restaurants. 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 and other competing products, or by price competition more generally.

Moreover, we may also compete with companies outside the fast casual and quick service and casual dining segments of the restaurant industry. For example, competitive pressures can come from deli sections and in-store cafés of several major grocery store chains, including those targeted at customers who want higher-quality food, as well as from convenience stores and other dining outlets. These competitors may have, among other things, a more diverse menu, lower

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operating costs and prices, better locations, better facilities, better management, more effective marketing and more efficient operations than we have.

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

Our business could be adversely affected by increased labor costs or difficulties in finding and retaining top-performing employees.

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 general managers and crew. Increased labor costs due to factors such as competition for workers and labor market pressures, increased minimum wage requirements, paid sick leave or vacation accrual mandates, or changes in our restaurant staffing structure have, and may continue to adversely impact our operating costs. Additional taxes or requirements to incur additional employee benefits costs, including the requirements of the Patient Protection and Affordable Care Act, or the Affordable Care Act, (discussed further under “Regulatory and Legal Risks—The effect of recent changes to U.S. healthcare laws may increase our healthcare costs...”), could also adversely impact our labor costs. Moreover, if our managers do not schedule our restaurant crews efficiently, our restaurants may be overstaffed at some times, which adversely impacts our labor costs as a percentage of revenue, decreasing our operating margins. Efficient staffing may continue to be a challenge in 2017 due to continued volatility and uncertainty in our sales trends.

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

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

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

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

Our profitability depends in part on our ability to anticipate and react to changes in food and supply costs. Like all restaurant companies, we are susceptible to increases in food costs as a result of factors beyond our control, such as general economic conditions, seasonal fluctuations, weather conditions, global demand, food safety concerns, generalized infectious diseases, fluctuations of the U.S. dollar, product recalls and government regulations. The cost of many basic foods for humans and animals, including corn, wheat, rice and cooking oils, has increased markedly in some years, resulting in upward pricing pressures on almost all of our raw ingredients including chicken, beef, tortillas and rice. In

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2016, a significant spike in avocado prices from September to November adversely impacted our food costs for the third and fourth quarters, and there could be similar or greater pricing pressure on key ingredients

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during 2017. Costs have increased from the enhanced food safety procedures described elsewhere in this report. Additionally, a substantial volume of produce items are grown in Mexico and other countries, and some of our meats and restaurant supplies are sourced from outside the U.S. as well. Any new or increased import duties, tariffs or taxes, or other changes in U.S. trade or tax policy, could result in higher food and supply costs that would adversely impact our financial results.

We could also be adversely impacted by price increases specific to meats raised in accordance with our sustainability and animal welfare criteria or other food items we buy as part of our Food With Integrity focus, the markets for which are generally smaller and more concentrated than the markets for food products that are conventionally raised and grown. Weather related issues, such as freezes or drought, may also lead to temporary spikes in the prices of some ingredients such as produce or meats. For instance, drought conditions in parts of the U.S. resulted in significant increases in beef prices during 2014 and 2015. Increasing weather volatility or other long-term changes in global weather patterns, including any changes associated with global climate change, could have a significant impact on the price or availability of some of our ingredients. Any increase in the prices of the ingredients most critical to our menu, such as chicken, beef, cheese, avocados, beans, rice, tomatoes and pork, would 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 guacamole or one or more of our salsas, rather than paying the increased cost for the ingredients. Any such changes to our available menu may negatively impact our restaurant traffic and comparable restaurant sales, and could also have an adverse impact on our brand.

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

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

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

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

Additionally, some of the enhanced food safety procedures we have introduced or may introduce in the future rely on increased use of centralized food preparation, additional in-restaurant preparation steps, or new ingredients, some or all of which may be inconsistent with previous customer perceptions of our restaurant operations. To the extent customers perceive any of these developments as a move away from our Food With Integrity strategy and/or towards a more traditional fast food experience, our ability to win back customers may be adversely impacted and our sales may decline or recover more slowly than they otherwise would have.

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

Our ability to maintain our menu depends in part on our ability to acquire ingredients that meet our specifications from reliable suppliers. Shortages or interruptions in the supply of ingredients caused by unanticipated demand, problems in

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production or distribution, food contamination (which we may detect more frequently under the microbiological testing protocols we've recently

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introduced), inclement weather, a supplier ceasing operations or deciding not to follow our required protocols, or other conditions could adversely affect the availability, quality and cost of our ingredients, which could harm our operations. In particular, shortages of one or more of our menu items could force our restaurants to remove items from their menus, which may result in customers choosing to eat elsewhere. If that happens, our affected restaurants could experience significant reductions in sales during the menu item shortage, and potentially thereafter if customers do not return to us after the shortage is resolved. Our focus on a limited menu would make the consequences of a shortage of a key ingredient more severe to us than at other restaurants.

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

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

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

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

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

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

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

Table of Contents***Risks Related to our Unique Business Strategy******We may not persuade customers of the benefits of paying our prices for higher-quality food.***

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

Our Food With Integrity philosophy subjects us to risks.

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

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

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

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Our success may depend on the continued service and availability of key personnel, and recent changes in our management team may adversely impact us.

Our Chairman and Chief Executive Officer Steve Ells founded our company, has been the principal architect of our business strategy, and has led our growth from a single restaurant in 1993 to over 2,000 restaurants today. Monty Moran, who served as our co-Chief Executive Officer for over 11 years before announcing his retirement in December 2016, and Jack Hartung, our Chief Financial Officer, have also served with us since early in our company's history, and much of our growth has occurred under their direction as well. Additionally, Mark Crumacker, our Chief Marketing and Development Officer, who has played a role in our marketing and branding efforts for many years and who has been an executive officer since joining us full time in January 2009, has been instrumental in formulating strategies to help us regain customers following the sales declines we experienced throughout 2016. Curt Garner, who joined us as Chief Information Officer in November 2015, has had a key role in developing and executing our digital/mobile ordering platforms and strategy, and we believe these and other technology innovations will become increasingly important in helping us return to sales and profitability growth. We believe our executive officers, each of whom is an at-will employee without any employment contract, 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. Monty Moran's resignation from the co-Chief Executive Officer position in connection with his planned retirement was the first change in our executive officer team in a number of years. If our company culture or operations were to deteriorate following this or other changes in leadership, or if a new management team were to be unsuccessful in executing our strategy or were to change important elements of our current strategy, our growth prospects or future operating results may be adversely impacted.

Regulatory and Legal Risks

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

Employment and Immigration Regulations

We are subject to various federal 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 number of lawsuits have been filed against us alleging violations of federal and state laws regarding employee wages and payment of overtime, meal and rest breaks, employee classification, employee record-keeping and related practices with respect to our employees. We incur legal costs to defend, and we could suffer losses from, these and similar cases, and the amount of such losses or costs could be significant. In addition, several states and localities in which we operate and the federal government have from time to time enacted minimum wage increases, changes to eligibility for overtime pay, paid sick leave and mandatory vacation accruals, and similar requirements and these changes could increase our labor costs. In addition, see "*The effect of recent changes to U.S. healthcare laws may increase our healthcare costs...*" below for a discussion of risks related to recent changes in U.S. healthcare laws.

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

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investigations in this area may be expensive and distracting, and could subject us to fines, reputational damage, and other liabilities that could be significant.

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

Americans with Disabilities Act and Similar State Laws

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

Nutrition and Food Regulation

In recent years, there has been an increased legislative, regulatory and consumer focus at the federal, state and municipal levels on the food industry including nutrition and advertising practices. Restaurants operating in the quick-service and fast-casual segments have been a particular focus. For example, the State of California, New York City and a number of other jurisdictions around the U.S. have adopted regulations requiring that chain restaurants include calorie information on their menu boards or make other nutritional information available, and nation-wide nutrition disclosure requirements included in the U.S. health care reform law are scheduled to go into effect on May 5, 2017. These nutrition disclosure requirements may increase our expenses or slow customers as they move through the line, decreasing our throughput. These initiatives may also change customer buying habits in a way that adversely impacts our sales, and could subject us to liability if we make errors in calculating or disclosing the required information.

Privacy/Cybersecurity

We are required to collect and maintain personal information about our employees, and we collect information about customers as part of some of our marketing programs as well. The collection and use of such information is regulated at the federal and state levels, and by the European Union and its member states, and the regulatory environment related to information security and privacy is evolving and increasingly demanding. At the same time, we are relying increasingly on cloud computing and other technologies that result in third parties holding significant amounts of customer or employee information on our behalf. If our security and information systems or those of outsourced third party providers we use to store or process such information are compromised, or if we or such third parties otherwise fail to comply with these laws and regulations, we could face litigation and the imposition of penalties that could adversely affect our financial performance. Our reputation as a brand or as an employer could also be adversely affected from these types of security breaches or regulatory violations, which could impair our sales or ability to attract and keep qualified employees. Additional risks related to cybersecurity are described below under “*General Business Risks-We may be harmed by security risks we face in connection with our electronic processing and transmission of confidential customer and employee information.*”

Local Licensure, Zoning and Other Regulation

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

Environmental Laws

We are subject to federal, state and local environmental laws and regulations concerning the discharge, storage, handling, release and disposal of hazardous or toxic substances, as well as local ordinances restricting the types of packaging we can use in our restaurants. We have not conducted a comprehensive environmental review of our properties or operations. We have, however, conducted investigations of some of our properties and identified contamination caused by third-party operations. We believe any such contamination has been or should be addressed by the third party. If the relevant third party does not address or has not addressed the identified contamination properly or completely, then under certain environmental laws, we could be held liable as an owner or

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operator to address any remaining contamination, sometimes without regard to whether we knew of, or were responsible for, the release or presence of hazardous or toxic substances. Any such liability could be material. Further, we may not have identified all of the potential environmental liabilities at our properties, and any such liabilities could have a material adverse effect on our operations or results of operations. We also cannot predict what environmental laws will be enacted in the future, how existing or future environmental laws will be administered or interpreted, or the amount of future expenditures that we may need to make to comply with, or to satisfy claims relating to, environmental laws.

Other Aspects of Regulatory Risk

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

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

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

We are facing ongoing government investigations into the food safety incidents that occurred in 2015, including the criminal investigation described in Note 10. "Commitments and Contingencies" in our consolidated financial statements included in Item 8. "Financial Statements and Supplementary Data." We also have received numerous claims from customers who were or claim to have been impacted by these incidents, and a number of those claimants have filed lawsuits against us. We are cooperating in the government investigations and with many of the customers impacted by these incidents, but will incur significant legal and other costs in doing so. We have also been sued in a shareholder class action lawsuit in connection with the decline in our stock price in the wake of the food safety incidents, and defending this lawsuit will subject us to significant legal expense. Additionally, the liabilities from customer claims and related litigation expenses may be greater than we anticipate due to the uncertainties inherent in litigation. All of these costs, liabilities and expenses will negatively impact our operating results. Moreover, publicity regarding any legal proceedings related to food safety incidents may increase or prolong consumer awareness of the incidents or otherwise negatively impact perceptions of our brand, which may hamper our ability to regain lost sales or attract new customers to our restaurants.

The effect of recent changes to U.S. healthcare laws may increase our healthcare costs and negatively impact our financial results.

We offer eligible full-time and part-time U.S. employees the opportunity to enroll in healthcare coverage subsidized by us. For various reasons, many of our eligible employees currently choose not to participate in our healthcare plans. However, under the comprehensive U.S. health care reform law enacted in 2010, the Affordable Care Act, changes that became effective in 2014, and especially the employer mandate and employer penalties that became effective January 1, 2015, may increase our labor costs significantly in future years. In 2015, we adopted a qualifying plan under the Affordable Care Act for our full-time hourly employees. Changes under the Affordable Care Act, including the imposition of a penalty on individuals who do not obtain healthcare coverage, may result in employees who are currently eligible but have not elected to participate in our healthcare plans increasingly finding it advantageous to do so, which may increase our healthcare costs in the future, which may further increase our healthcare expenses. It is also possible that even in light of recent changes in the healthcare plans we offer, healthcare plans offered by other companies with which we compete for employees will make us less attractive to our current or potential employees. And in any event, implementing the requirements of the Affordable Care Act has imposed some additional administrative costs on us, and those costs may increase over time. The costs and other effects of these new healthcare requirements cannot be determined with certainty, but they may have a material adverse effect on our financial and operating results.

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

We're subject to numerous claims alleging violations of federal and state laws regarding workplace and employment matters, including wages, work hours, overtime, vacation and family leave, discrimination, wrongful termination, and similar matters, and we could become subject to class action or other lawsuits related to these or different matters in the future. Our customers also occasionally file complaints or lawsuits against us alleging that we're responsible for some illness or injury they suffered at or after a visit to our restaurants, or that we have problems with food quality, operations or our food related disclosure or advertising practices.

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See “—Governmental regulation in one or more of the following areas may adversely affect our existing and future operations and results, including by harming our ability to open new restaurants or increasing our operating costs” above, for additional discussion of these types of claims. From time to time, we also face claims alleging that technology we use in our business infringes patents held by third parties. In addition, the restaurant industry has been subject to a growing number of claims based on the nutritional content of food products sold and disclosure and advertising practices. We have been subject to a number of these actions and may be subject to additional actions of this type in the future. We are also undergoing government investigations and have been sued in a shareholder class action lawsuit, each as described elsewhere in this report, including in Note 10. “Commitments and Contingencies” in our consolidated financial statements included in Item 8. “Financial Statements and Supplementary Data,” and these matters may be particularly expensive to defend and/or resolve.

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

General Business Risks

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

We accept electronic payment cards for payment in our restaurants. During 2016 approximately 70% of our sales were attributable to credit and debit card transactions, and credit and debit card usage could continue to increase. A number of retailers have experienced actual or potential security breaches in which credit and debit card information may have been stolen, including a number of highly publicized incidents with well-known retailers in recent years. In 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 liabilities resulting from any of the foregoing would likely be far greater than the losses we recorded in connection with the data breach incident in 2004.

We also are required to collect and maintain personal information about our employees, and we collect information about customers as part of some of our marketing programs as well. The collection and use of such information is regulated at the federal and state levels, and by the European Union and its member states, and the regulatory environment related to information security and privacy is increasingly demanding. At the same time, we are relying increasingly on cloud computing and other technologies that result in third parties holding significant amounts of customer or employee information on our behalf. We have seen an increase over the past several years in the frequency and sophistication of attempts to compromise the security of several of these systems. If the security and information systems that we or our outsourced third party providers use to store or process such information are compromised or if we, or such third parties, otherwise fail to comply with these laws and regulations, we could face litigation and the imposition of penalties that could adversely affect our financial performance. Our reputation as a brand or as an employer could also be adversely affected from these types of security breaches or regulatory violations, which could impair our sales or ability to attract and keep qualified employees.

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

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

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regulatory issues, our suppliers' potential failure to adhere to elements of our Food With Integrity protocols, other issues regarding the integrity of our suppliers' food processing,

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

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

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

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

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

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

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

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

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

- changes in comparable restaurant sales and customer visits, including as a result of perceptions about our brand, competition, changes in consumer confidence or discretionary spending, and other factors listed in these Risk Factors;
- additional negative publicity about the occurrence of food-borne illnesses, the ingredients we use, or other problems at our restaurants;

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

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

As a result of these factors, results for any one quarter are not necessarily indicative of results to be expected for any other quarter or for any year. Average restaurant sales or comparable restaurant sales in any particular future period may decrease. In the future, operating results may fall below the expectations of securities analysts and investors, which could cause our stock price to fall. This risk may continue to be a greater concern during 2017, as the expectations of analysts and investors of a recovery in our business results may be higher than any level of recovery that we do actually achieve.

Additionally, we believe the market price of our common stock, which has generally traded at a higher price-earnings ratio than stocks of most or all of our peer companies, has typically reflected high market expectations for our future operating results. The trading market for our common stock has been volatile at times as well, including during 2016. As a result, if we fail to meet market expectations for our operating results in the future, any resulting decline in the price of our common stock could be significant.

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

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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As of December 31, 2016, there were 2,250 restaurants operated by Chipotle and our consolidated subsidiaries, 2,227 of which were Chipotle restaurants. The table below sets forth the locations (by state or country) of all restaurants in operation.

Alabama	12
Arizona	78
Arkansas	6
California	384
Colorado	76
Connecticut	22
Delaware	6
District of Columbia	23
Florida	135
Georgia	44
Idaho	7
Illinois	130
Indiana	34
Iowa	11
Kansas	26
Kentucky	18
Louisiana	8
Maine	5
Maryland	82
Massachusetts	50
Michigan	31
Minnesota	61
Missouri	37
Montana	3
Nebraska	9
Nevada	25
New Hampshire	6
New Jersey	50
New Mexico	4
New York	127
North Carolina	45
North Dakota	1
Ohio	168
Oklahoma	11
Oregon	26
Pennsylvania	73
Rhode Island	7
South Carolina	20
Tennessee	18
Texas	181
Utah	10
Vermont	1
Virginia	89
Washington	35
West Virginia	5
Wisconsin	19
Wyoming	2
Canada	17
France	5
Germany	1
United Kingdom	6
Total	<hr/> 2,250

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We categorize our restaurants as end-caps (at the end of a line of retail outlets), in-lines (in a line of retail outlets), free-standing, or other. Of our restaurants in operation as of December 31, 2016, we had 1,396 end-cap locations, 370 free-standing units, 346 in-line locations, and 138 other locations. The average restaurant size is about 2,500 square feet and seats about 57 people. Many of our restaurants also feature outdoor patio space.

Our main office is located at 1401 Wynkoop Street, Suite 500, Denver, Colorado, 80202 and our telephone number is (303) 595-4000. We lease our main office and substantially all of the properties on which we operate restaurants. For additional information regarding the lease terms and provisions, see Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations—*Contractual Obligations*," as well as Note 8. "Leases" in our consolidated financial statements included in Item 8. "Financial Statements and Supplementary Data."

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

ITEM 3. LEGAL PROCEEDINGS

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

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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

	<u>High</u>	<u>Low</u>
2015		
First Quarter	\$ 727.97	\$ 647.28
Second Quarter	\$ 699.03	\$ 598.04
Third Quarter	\$ 758.61	\$ 597.33
Fourth Quarter	\$ 757.00	\$ 477.97
	<u>High</u>	<u>Low</u>
2016		
First Quarter	\$ 542.50	\$ 399.14
Second Quarter	\$ 473.17	\$ 384.77
Third Quarter	\$ 444.13	\$ 386.10
Fourth Quarter	\$ 440.00	\$ 352.96

As of January 26, 2017, there were approximately 1,233 holders of our common stock, as determined by counting our record holders and the number of participants reflected in a security position listing provided to us by the Depository Trust Company. Because such "DTC participants" are brokers and other institutions holding shares of our common stock on behalf of their customers, we do not know the actual number of unique shareholders represented by these record holders.

Purchases of Equity Securities by the Issuer

The table below reflects shares of common stock we repurchased during the fourth quarter of 2016.

	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid Per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs⁽¹⁾</u>	<u>Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs⁽²⁾</u>
October	49,969	\$ 403.18	49,969	\$ 149,060,523
<i>Purchased 10/1 through 10/31</i>				
November	57,640	\$ 391.17	57,640	\$ 126,513,735
<i>Purchased 11/1 through 11/30</i>				
December	62,268	\$ 384.56	62,268	\$ 102,567,759
<i>Purchased 12/1 through 12/31</i>				
Total	169,877	\$ 392.28	169,877	\$ 102,567,759

(1) Shares were repurchased pursuant to a repurchase program announced on May 11, 2016.

(2) This column includes \$100 million in authorized repurchases announced on October 25, 2016, but does not include an additional \$100 million in authorized repurchases announced on January 10, 2017. Our authorized repurchase programs have no expiration date, but may be modified, suspended, or discontinued at any time.

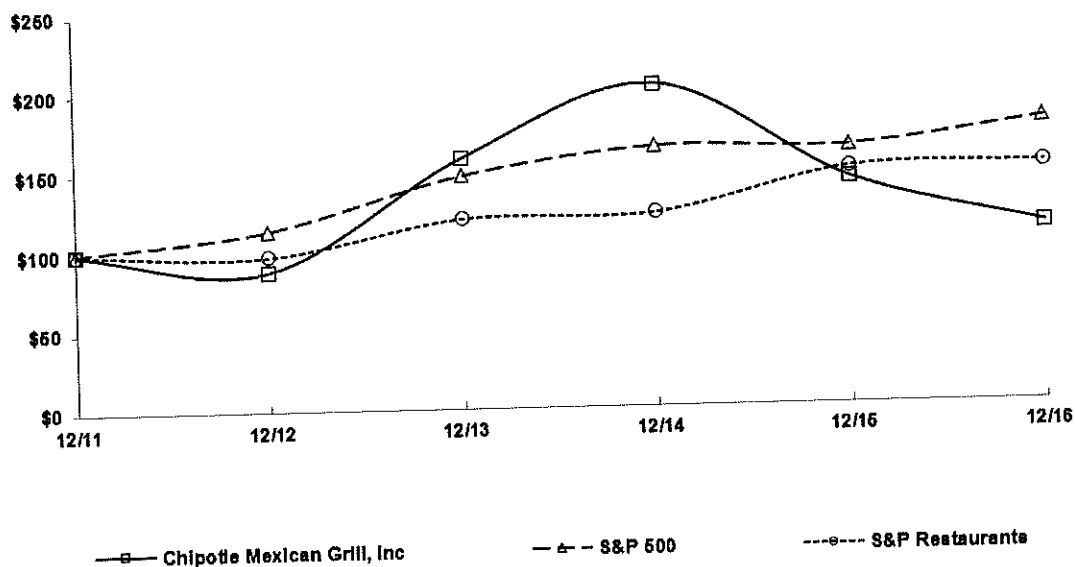
Dividend Policy

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

Table of Contents**COMPARISON OF CUMULATIVE TOTAL RETURN**

The following graph compares the cumulative annual stockholders return on our common stock from December 31, 2011 through December 31, 2016 to that of the total return index for the S&P 500 and the S&P 500 Restaurants Index assuming an investment of \$100 on December 31, 2011. In calculating total annual stockholder return, reinvestment of dividends, if any, is assumed. The indices are included for comparative purposes only. They do not necessarily reflect management's opinion that such indices are an appropriate measure of the relative performance of our common stock. This graph is not "soliciting material," is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference in any of our filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*
Among Chipotle Mexican Grill, Inc, the S&P 500 Index, and the S&P Restaurants Index



*\$100 invested on 12/31/11 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

Source data: S&P Capital IQ

Table of Contents**ITEM 6. SELECTED FINANCIAL DATA**

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

	Year ended December 31,				
	2016	2015	2014	2013	2012
Statement of Income:					
Revenue	\$ 3,904,384	\$ 4,501,223	\$ 4,108,269	\$ 3,214,591	\$ 2,731,224
Food, beverage and packaging costs	1,365,580	1,503,835	1,420,994	1,073,514	891,003
Labor costs	1,105,001	1,045,726	904,407	739,800	641,836
Occupancy costs	293,636	262,412	230,868	199,107	171,435
Other operating costs	641,953	514,963	434,244	347,401	286,610
General and administrative expenses	276,240	250,214	273,897	203,733	183,409
Depreciation and amortization	146,368	130,368	110,474	96,054	84,130
Pre-opening costs	17,162	16,922	15,609	15,511	11,909
Loss on disposal of assets	23,877	13,194	6,976	6,751	5,027
Total operating expenses	3,869,817	3,737,634	3,397,469	2,681,871	2,275,359
Income from operations	34,567	763,589	710,800	532,720	455,865
Interest and other income (expense), net	4,172	6,278	3,503	1,751	1,820
Income before income taxes	38,739	769,867	714,303	534,471	457,685
Provision for income taxes	(15,801)	(294,265)	(268,929)	(207,033)	(179,685)
Net income	\$ 22,938	\$ 475,602	\$ 445,374	\$ 327,438	\$ 278,000
Earnings per share					
Basic	\$ 0.78	\$ 15.30	\$ 14.35	\$ 10.58	\$ 8.82
Diluted	\$ 0.77	\$ 15.10	\$ 14.13	\$ 10.47	\$ 8.75
Weighted average common shares outstanding					
Basic	29,265	31,092	31,038	30,957	31,513
Diluted	29,770	31,494	31,512	31,281	31,783

	December 31,				
	2016	2015	2014	2013	2012
Balance Sheet Data:					
Total current assets	\$ 522,374	\$ 814,647	\$ 859,511	\$ 653,095	\$ 537,745
Total assets	\$ 2,026,103	\$ 2,725,066	\$ 2,527,317	\$ 1,996,068	\$ 1,659,805
Total current liabilities	\$ 281,793	\$ 279,942	\$ 245,710	\$ 199,228	\$ 186,852
Total liabilities	\$ 623,610	\$ 597,092	\$ 514,948	\$ 457,780	\$ 413,879
Total shareholders' equity	\$ 1,402,493	\$ 2,127,974	\$ 2,012,369	\$ 1,538,288	\$ 1,245,926

Table of Contents**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

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

Overview

Steve Ells, our founder, Chairman and CEO, started Chipotle with the idea that food served fast did not have to be a typical fast food experience. Today, Chipotle continues to offer a focused menu of burritos, tacos, burrito bowls, and salads made from fresh, high-quality raw ingredients, prepared using classic cooking methods and served in an interactive style allowing people to get what they want. Chipotle seeks out extraordinary ingredients that are not only fresh, but that are raised responsibly, with respect for the animals, land, and people who produce them. Chipotle prepares its food using whole, unprocessed ingredients and without the use of added colors, flavors or other additives typically found in fast food. Chipotle opened with a single restaurant in Denver in 1993 and as of December 31, 2016, operated 2,250 restaurants.

Our focus during 2017 is to return to sales and profitability growth and restore our restaurant economic model. To do so, we have a renewed focus on ensuring that every guest in every one of our restaurants is provided with an excellent customer experience.

2016 Highlights and Trends

Operating Results. Our sales and profitability were adversely impacted throughout 2016 as a result of a number of food-borne illness incidents associated with Chipotle restaurants in as many as 15 states, which were widely reported during the fourth quarter of 2015 and the first quarter of 2016. Our comparable restaurant sales trends have improved sequentially for each quarter during 2016 as shown below:

	2016				
	Mar. 31	Jun. 30	Sep. 30	Dec. 31	Full year
Comparable restaurant sales declines	(29.7%)	(23.6%)	(21.9%)	(4.8%)	(20.4%)
Impact of deferred revenue on comparable restaurant sales	-	-	(0.8%)	0.5%	(0.1%)

Our sales comparisons were lapping an easier compare in the fourth quarter due to lower sales levels in November and December 2015 as a result of the food-borne illness incidents. Comparable restaurant sales decreases were driven primarily by a 14.4% decrease in the number of transactions for the full year 2016, and to a lesser extent by decreases in average check. Comparable restaurant sales represent the change in period-over-period sales for restaurants beginning in their 13th full calendar month of operation. Average restaurant sales were \$1.868 million as of December 31, 2016, decreasing from \$2.424 million as of December 31, 2015. We define average restaurant sales as the average trailing 12-month sales for restaurants in operation for at least 12 full calendar months.

During the full year 2016, our restaurant operating costs (food, beverage and packaging; labor; occupancy; and other operating costs) as a percent of revenue increased 13.3% as compared to the full year 2015. About 6.2% of the increase was attributable to sales deleveraging, while incremental marketing and promotional spend aimed at regaining our customers, combined with additional labor to support the sales promotions, contributed about 3.1% to the increase. Additionally, as part of our response to the food-borne illness incidents, we have implemented enhanced food safety procedures in our supply chain and restaurants that have increased our food costs as a percentage of revenue. We anticipate that the ongoing impact of the enhanced food safety procedures on our food costs as a percentage of revenue will be approximately 1% compared to pre-crisis levels.

Restaurant Development. As of December 31, 2016, we had 2,250 restaurants in operation, including 2,198 Chipotle restaurants throughout the United States, with an additional 29 international Chipotle restaurants and 23 non-Chipotle restaurants that were consolidated into our financial results. We opened 240 restaurants in 2016, net of relocations and closures, which contributed \$156.2 million to revenue. In the fourth quarter of 2016, we announced that we were exploring strategic alternatives for our 15 ShopHouse Southeast Asian Kitchen restaurants, and as a result, we recognized a non-cash impairment charge of \$14.5 million.

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Stock Repurchases. In accordance with stock repurchases authorized by our Board of Directors, we purchased shares of our common stock during 2016 with an aggregate total repurchase price of \$813.9 million. As of December 31, 2016, \$102.6 million was available for stock repurchases under the authorizations announced on May 11, 2016 and October 25, 2016. On January 10, 2017, we also announced authorizations by our Board of Directors of up to an additional \$100 million in common stock repurchases. 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 authorizations of the repurchases may be modified, suspended, or discontinued at any time.

Management and Governance Enhancements. In the fourth quarter of 2016, we announced that our Board of Directors named Steve Ells as our sole chief executive officer, and that Monty Moran, formerly our co-Chief Executive Officer, had stepped down from his officer and board positions and will retire effective June 9, 2017. On December 19, 2016, we also announced the appointment of four new members to our Board of Directors, two of whom were nominated by Pershing Square Capital Management, L.P., which, together with its affiliates, we believe to be our largest shareholder.

2017 Outlook

Sales. We are targeting comparable restaurant sales increases in the high single digits for the full year 2017 as comparisons become easier in the first half of 2017, and based on our plans to attract more customers with a variety of marketing activities and improvements to our digital ordering platforms, and by improving the quality of the customer experience we provide in our restaurants.

Restaurant Operating Costs. We expect to reduce restaurant level operating costs as a percent of revenue for the full year 2017. Our expectation is based in part on the increased sales we are anticipating and the resulting leverage in fixed operating costs, but we are forecasting additional improvements as well. We expect food, beverage and packaging costs to decrease as a percent of revenue due to relief in avocado prices and more efficient food management. We also believe that other operating expenses will decline compared to 2016 as we reduce marketing and promotional spend as a percent of revenue from the elevated levels of 2016, although we still plan for these expenses in 2017 to be above historical levels.

Other Expense Items and Restaurant Development Plans. We expect that general and administrative expenses will increase in 2017 due to higher non-cash stock-based compensation expense and higher bonuses, although underlying general and administrative expenses for the year should remain relatively consistent with 2016. The expected increase in stock based compensation is primarily a result of lower expense in 2016 due to an expense reversal for performance-based stock awards that did not vest, as well as higher expense in 2017 due to a planned retention award for non-executive employees and broadening the group of non-executive employees eligible for awards. We expect to realize cost efficiencies in the development of our restaurants in 2017 by simplifying our restaurant design, and choosing real estate sites, such as end-caps, that can more easily and cost-efficiently be converted into Chipotle restaurants. We intend to open between 195 and 210 restaurants for the full year 2017. Most of our 2017 restaurant openings are planned in markets that are proven or already have a Chipotle presence established.

Tax Rates. We expect the 2017 full year effective tax rate to be between 39.0% and 39.5%. However, as discussed in Note 1. "Description of Business and Summary of Significant Accounting Policies," included in Item 8. "Financial Statements and Supplementary Data" the adoption of ASU No. 2016-09, "Compensation-Stock Compensation (Topic 718)" will subject our tax rate to quarterly volatility from the effect of stock award exercise and vesting activities.

Restaurant Openings, Relocations and Closures

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

	Year ended December 31,		
	2016	2015	2014
Beginning of period	2,010	1,783	1,595
Openings	243	229	192
Relocations/closures	(3)	(2)	(4)
Total restaurants at end of period	2,250	2,010	1,783

Results of Operations

Our results of operations as a percentage of revenue and period-over-period variances are discussed in the following section.

Table of Contents**Revenue**

	Year ended December 31,			% increase/ (decrease) 2016 over 2015	% increase/ (decrease) 2015 over 2014
	2016	2015	2014		
	(dollars in millions)				
Revenue	\$ 3,904.4	\$ 4,501.2	\$ 4,108.3	(13.3%)	9.6%
Average restaurant sales	\$ 1,868	\$ 2,424	\$ 2,472	(22.9%)	(1.9%)
Comparable restaurant sales	(20.4%)	0.2%	16.8%		
Number of restaurants as of the end of the period	2,250	2,010	1,783	11.9%	12.7%
Number of restaurants opened in the period, net of relocations/closures	240	227	188		

In 2016, the decrease in revenue was attributable to a decline in comparable restaurant sales, partially offset by new restaurant openings. Comparable restaurant sales decreased \$914.7 million while revenue from restaurants not yet in the comparable restaurant base contributed \$323.9 million, of which \$156.2 million was attributable to restaurants opened in 2016.

In 2015, increased revenue was primarily driven by new restaurant openings. Revenue from restaurants not yet in the comparable base contributed \$390.4 million of the increase in sales in 2015, of which \$183.6 million was attributable to restaurants opened during 2015.

Food, Beverage and Packaging Costs

	Year ended December 31,			% decrease 2016 over 2015	% increase 2015 over 2014
	2016	2015	2014		
	(dollars in millions)				
Food, beverage and packaging	\$ 1,365.6	\$ 1,503.8	\$ 1,421.0	(9.2%)	5.8%
As a percentage of revenue	35.0%	33.4%	34.6%		

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

Food, beverage and packaging costs decreased as a percentage of revenue in 2015 primarily due to the benefit of the nation-wide menu price increases taken in the second quarter of 2014 and relief in dairy and avocado costs. The decrease was partially offset by inflation on beef costs.

Labor Costs

	Year ended December 31,			% increase 2016 over 2015	% increase 2015 over 2014
	2016	2015	2014		
	(dollars in millions)				
Labor costs	\$ 1,105.0	\$ 1,045.7	\$ 904.4	5.7%	15.6%
As a percentage of revenue	28.3%	23.2%	22.0%		

Labor costs as a percentage of revenue increased in 2016 due primarily to sales deleveraging and wage inflation, partially offset by labor efficiencies resulting from fewer managers and crew in each of our restaurants. Although we incurred additional costs to staff our restaurants for sales promotions during 2016, those incremental costs were offset by the improvement from 2015 when we incurred scheduling inefficiencies as a result of reporting challenges from a system

change in early 2015. Labor costs increased in dollar terms for the year ended December 31, 2016 due to staffing needs for new restaurants.

Labor costs as a percentage of revenue increased in 2015 compared to full year 2014 due primarily to wage inflation and an increased number of crew and managers in each of our restaurants caused by scheduling inefficiencies occurring earlier in the year.

Table of Contents**Occupancy Costs**

	Year ended December 31,			%	%
				increase	increase
	2016	2015	2014	2016 over 2015	2015 over 2014
	(dollars in millions)				
Occupancy costs	\$ 293.6	\$ 262.4	\$ 230.9	11.9%	13.7%
As a percentage of revenue	7.5%	5.8%	5.6%		

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

In 2015, occupancy costs increased as a percentage of revenue primarily due to higher average rents for new locations.

Other Operating Costs

	Year ended December 31,			%	%
				increase	increase
	2016	2015	2014	2016 over 2015	2015 over 2014
	(dollars in millions)				
Other operating costs	\$ 642.0	\$ 515.0	\$ 434.2	24.7%	18.6%
As a percentage of revenue	16.4%	11.4%	10.6%		

Other operating costs include, among other items, marketing and promotional costs, bank and credit card fees, and restaurant utilities and maintenance costs. Other operating costs increased as a percentage of revenue in 2016 due primarily to higher marketing and promotional expense as well as sales deleveraging. We increased our marketing and promotional spend in an effort to regain customers, which contributed \$98.2 million to the increase.

Other operating costs increased as a percentage of revenue in 2015 due primarily to a change in the classification of kitchen gloves out of food, beverage, and packaging costs beginning in 2015, and higher marketing and promotional costs.

General and Administrative Expenses

	Year ended December 31,			%	%
				increase	decrease
	2016	2015	2014	2016 over 2015	2015 over 2014
	(dollars in millions)				
General and administrative expense	\$ 276.2	\$ 250.2	\$ 273.9	10.4%	(8.6%)
As a percentage of revenue	7.1%	5.6%	6.7%		

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

The decrease in general and administrative expenses in dollar terms in 2015 primarily resulted from decreased non-cash stock-based compensation expense, lower bonus expense, and decreased expense associated with our biennial All Managers' Conference held during 2014, partially offset by higher payroll costs as we grew. Stock-based compensation expense decreased \$39.4 million primarily due to a change in the structure of our executive compensation, as well as a decrease in our estimate of non-vested performance stock awards that we expect to vest.

Table of Contents**Depreciation and Amortization**

	Year ended December 31,			%	%
	2016	2015	2014	increase	increase
				2016	2015
				over	over
				2015	2014
	(dollars in millions)				
Depreciation and amortization	\$ 146.4	\$ 130.4	\$ 110.5	12.3%	18.0%
As a percentage of revenue	3.7%	2.9%	2.7%		

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

In 2015, depreciation and amortization increased as a percentage of revenue due to reinvestment costs for our restaurants as they age.

Loss on Disposal of Assets

	Year ended December 31,			%	%
	2016	2015	2014	increase	increase
				2016	2015
				over	over
				2015	2014
	(dollars in millions)				
Loss on disposal and impairment of assets	\$ 23.9	\$ 13.2	\$ 7.0	81.0%	89.1%
As a percentage of revenue	0.6%	0.3%	0.2%		

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

Loss on disposal of assets increased in 2015 due to impairment charges resulting from an internally developed software program that we chose not to implement and related hardware, the discontinued use of certain kitchen equipment, as well as restaurant relocations.

Income Tax Provision

	Year ended December 31,			%	%
	2016	2015	2014	decrease	increase
				2016	2015
				over	over
				2015	2014
	(dollars in millions)				
Provision for income taxes	\$ 15.8	\$ 294.3	\$ 268.9	(94.6%)	9.4%
Effective tax rate	40.8%	38.2%	37.6%		

The 2016 effective tax rate was higher due to a higher state tax rate, not qualifying for the federal research and development tax credit in 2016, and non-deductible items on overall lower pre-tax operating income. The 2015 effective tax rate was higher than 2014 due primarily to 2014 benefiting from filing the 2013 tax returns, which included a non-recurring change in the estimate of usable employer credits.

Quarterly Financial Data/Seasonality

The following table presents data from the consolidated statement of income and comprehensive income for each of the eight quarters in the period ended December 31, 2016. The operating results for any quarter are not necessarily indicative of the results for any subsequent quarter. Results from the quarter ended December 31, 2015 and for each quarter in 2016 include the impact of the food-borne illness incidents described elsewhere in this report.

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

	2015 Quarters Ended			
	March 31	June 30	September 30	December 31
Revenue	\$ 1,089.0	\$ 1,197.8	\$ 1,216.9	\$ 997.5
Operating income	\$ 197.8	\$ 227.4	\$ 234.8	\$ 103.6
Net income	\$ 122.6	\$ 140.2	\$ 144.9	\$ 67.9
Number of restaurants opened in the quarter, net of relocations/closures	49	48	53	79
Comparable restaurant sales increase (decrease)	10.4%	4.3%	2.6%	(14.6%)

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. Seasonal factors, however, might be moderated or outweighed by other factors that may influence our quarterly results, such as the adverse publicity that we saw beginning in the fourth quarter of 2015 around food-borne illness incidents associated with our restaurants, as well as fluctuations in food or packaging costs or the timing of menu price increases. The number of trading days in a quarter can also affect our results, although, on an overall annual basis, changes in trading days do not have a significant impact.

Our quarterly results are also affected by other factors such as the amount and timing of non-cash stock-based compensation expense, the number of new restaurants opened in a quarter, anticipated and unanticipated events. New restaurants typically have lower margins following opening as a result of the expenses associated with opening new restaurants and their operating inefficiencies in the months immediately following opening. 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. As of December 31, 2016, we had a cash and short-term investment balance of \$417.7 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 additional shares of our common stock subject to market conditions, to maintain our existing restaurants and for general corporate purposes. As of December 31, 2016, there was \$102.6 million remaining available under repurchase authorizations previously approved by our Board of Directors. On January 10, 2017 we announced authorizations by our Board of Directors of up to an additional \$100 million in common stock repurchases. We also have a long term investments balance of \$125.1 million, which consists of U.S. treasury notes with maturities of up to 15 months. We believe that cash from operations, together with our cash and investment balances, will be enough to meet ongoing capital expenditures, working capital requirements and other cash needs for the foreseeable future.

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

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One of our primary uses of cash is in new restaurant development. Our total capital expenditures for 2016 were \$258.8 million, and we expect to incur capital expenditures of about \$224 million in 2017, of which about \$170 million relates to our construction of new restaurants before any reductions for landlord reimbursements, and the remainder primarily relates to restaurant reinvestments, information technology and infrastructure initiatives, and other corporate expenses. Our expected reduction in capital expenditures is due to fewer planned restaurant openings and lower average investment costs per restaurant in 2017. In 2016, we spent on average about \$880,000 in development and construction costs per restaurant, or about \$790,000 net of landlord reimbursements of \$90,000. For new restaurants to be opened in 2017, we anticipate average development costs will decrease due to cost savings initiatives.

Contractual Obligations

Our contractual obligations as of December 31, 2016 were as follows:

	2016				
	Total	1 year	2-3 years	4-5 years	After 5 years
	(in thousands)				
Operating leases	\$ 3,682,979	\$ 264,911	\$ 537,995	\$ 521,132	\$ 2,358,941
Deemed landlord financing	\$ 3,895	\$ 423	\$ 846	\$ 885	\$ 1,741
Other contractual obligations ⁽¹⁾	\$ 301,623	\$ 232,014	\$ 69,609	\$ -	\$ -
Total contractual cash obligations	\$ 3,988,497	\$ 497,348	\$ 608,450	\$ 522,017	\$ 2,360,682

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

The majority of our restaurants and administrative office leases are non-cancelable obligations. 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 10 to 15 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, 2016 and 2015, we had no off-balance sheet arrangements or obligations.

Inflation

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

Critical Accounting Estimates

We describe our significant accounting policies in Note 1. "Description of Business and Summary of Significant Accounting Policies" and Note 6. "Stock Based Compensation" of our consolidated financial statements included in Item 8. "Financial Statements and Supplementary Data." Critical accounting estimates are those that we believe are both significant and that require us to make difficult, subjective or complex judgments, often because we need to estimate the effect of inherently uncertain matters. We base our estimates and judgments on historical experiences and various other factors that we believe to be appropriate under the circumstances. Actual results may differ from these estimates, and we might obtain different estimates if we used different assumptions or factors. We believe that of our critical accounting estimates, the following involve a higher degree of judgement and subjectivity:

Table of Contents***Leases***

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

Stock-based Compensation

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

Insurance Liability

We maintain various insurance policies for workers' compensation, general liability and auto damage with varying deductibles as high as \$1 million per incident, and for property which generally has a \$1.5 million per incident 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. Our history of claims experience is relatively short and our significant growth during most of our operating history could affect the accuracy of estimates based on historical experience. If a greater amount of claims occurs compared to what we have estimated, or if medical costs increase beyond what we expected, our accrued liabilities might not be sufficient and we may be required to record additional expense. Actual claims experience could also be more favorable than estimated, which would result in expense reductions. Unanticipated changes may produce materially different amounts of expense than that reported under these programs. The total estimated insurance liabilities as of December 31, 2016 were \$49.4 million.

Reserves/Contingencies for Litigation and Other Matters

We are involved in various claims and legal actions that arise in the ordinary course of business. These actions are subject to many uncertainties, and we cannot predict the outcomes with any degree of certainty. Consequently, we were unable to estimate the ultimate aggregate amount of monetary liability or financial impact with respect to these matters as of December 31, 2016. Although we have recorded liabilities related to a number of legal actions, our estimates used to determine the amount of these liabilities may not be accurate, and there are other legal actions for which we have not recorded a liability. As a result, in the event legal actions for which we have not accrued a liability or for which our accrued liabilities are not accurate are resolved, such resolution may affect our operating results and cash flows.

Table of Contents**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK****Commodity Price Risks**

We are exposed to commodity price risks. Many of the ingredients we use to prepare our food, our packaging materials, as well as utilities to run our restaurants 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 majority 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 24 months, depending on the outlook for prices of the particular ingredient. In several cases, we have minimum purchase obligations. We've tried to increase, where 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 for competitive or other reasons not to increase menu prices at the same rate at which ingredient costs increase, or if menu price increases result in customer resistance.

Changing Interest Rates

We are also exposed to interest rate risk through fluctuations of interest rates on our investments. Changes in interest rates affect the interest income we earn, and therefore impact our cash flows and results of operations. As of December 31, 2016, we had \$500.5 million in investments and interest-bearing cash accounts, including insurance-related restricted trust accounts classified in other assets, and \$37.6 million in accounts with an earnings credit we classify as interest income, which combined earned a weighted average interest rate of 0.71%.

Foreign Currency Exchange Risk

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

Table of Contents**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA****INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

<u>Report of Independent Registered Public Accounting Firm</u>	39
<u>Consolidated Balance Sheet as of December 31, 2016 and 2015</u>	40
<u>Consolidated Statement of Income and Comprehensive Income for the years ended December 31, 2016, 2015 and 2014</u>	41
<u>Consolidated Statement of Shareholders' Equity for the years ended December 31, 2016, 2015 and 2014</u>	42
<u>Consolidated Statement of Cash Flows for the years ended December 31, 2016, 2015 and 2014</u>	43
<u>Notes to Consolidated Financial Statements</u>	44

Table of Contents**Report of Independent Registered Public Accounting Firm****The Board of Directors and Shareholders of
Chipotle Mexican Grill, Inc.**

We have audited the accompanying consolidated balance sheets of Chipotle Mexican Grill, Inc. (the "Company") as of December 31, 2016 and 2015, and the related consolidated statements of income and comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2016. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Chipotle Mexican Grill, Inc. at December 31, 2016 and 2015, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Chipotle Mexican Grill, Inc.'s internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 6, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Denver, Colorado
February 6, 2017

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

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 87,880	\$ 248,005
Accounts receivable, net of allowance for doubtful accounts of \$259 and \$1,176 as of December 31, 2016 and 2015, respectively	40,451	38,283
Inventory	15,019	15,043
Prepaid expenses and other current assets	44,080	39,965
Income tax receivable	5,108	58,152
Investments	329,836	415,199
Total current assets	522,374	814,647
Leasehold improvements, property and equipment, net	1,303,558	1,217,220
Long term investments	125,055	622,939
Other assets	53,177	48,321
Goodwill	21,939	21,939
Total assets	<u>\$ 2,026,103</u>	<u>\$ 2,725,066</u>
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	\$ 78,363	\$ 85,709
Accrued payroll and benefits	76,301	64,958
Accrued liabilities	127,129	129,275
Total current liabilities	281,793	279,942
Deferred rent	288,927	251,962
Deferred income tax liability	18,944	32,305
Other liabilities	33,946	32,883
Total liabilities	623,610	597,092
Shareholders' equity:		
Preferred stock, \$0.01 par value, 600,000 shares authorized, no shares issued as of December 31, 2016 and 2015, respectively	-	-
Common stock \$0.01 par value, 230,000 shares authorized, and 35,833 and 35,790 shares issued as of December 31, 2016 and 2015, respectively	358	358
Additional paid-in capital	1,238,875	1,172,628
Treasury stock, at cost, 7,019 and 5,206 common shares at December 31, 2016 and 2015, respectively	(2,049,389)	(1,234,612)
Accumulated other comprehensive income (loss)	(8,162)	(8,273)
Retained earnings	2,220,811	2,197,873
Total shareholders' equity	1,402,493	2,127,974
Total liabilities and shareholders' equity	<u>\$ 2,026,103</u>	<u>\$ 2,725,066</u>

See accompanying notes to consolidated financial statements.

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CHIPOTLE MEXICAN GRILL, INC.
CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME
(in thousands, except per share data)

	Year ended December 31,		
	2016	2015	2014
Revenue	\$ 3,904,384	\$ 4,501,223	\$ 4,108,269
Restaurant operating costs (exclusive of depreciation and amortization shown separately below):			
Food, beverage and packaging	1,365,580	1,503,835	1,420,994
Labor	1,105,001	1,045,726	904,407
Occupancy	293,636	262,412	230,868
Other operating costs	641,953	514,963	434,244
General and administrative expenses	276,240	250,214	273,897
Depreciation and amortization	146,368	130,368	110,474
Pre-opening costs	17,162	16,922	15,609
Loss on disposal and impairment of assets	23,877	13,194	6,976
Total operating expenses	3,869,817	3,737,634	3,397,469
Income from operations	34,567	763,589	710,800
Interest and other income, net	4,172	6,278	3,503
Income before income taxes	38,739	769,867	714,303
Provision for income taxes	(15,801)	(294,265)	(268,929)
Net income	\$ 22,938	\$ 475,602	\$ 445,374
Other comprehensive income (loss), net of income taxes:			
Foreign currency translation adjustments	(1,291)	(6,322)	(2,049)
Unrealized gain (loss) on investments, net of income taxes of \$(849), \$946, and \$0	1,402	(1,522)	-
Other comprehensive income (loss), net of income taxes	111	(7,844)	(2,049)
Comprehensive income	\$ 23,049	\$ 467,758	\$ 443,325
Earnings per share:			
Basic	\$ 0.78	\$ 15.30	\$ 14.35
Diluted	\$ 0.77	\$ 15.10	\$ 14.13
Weighted average common shares outstanding:			
Basic	29,265	31,092	31,038
Diluted	29,770	31,494	31,512

See accompanying notes to consolidated financial statements.

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

	Common Stock		Additional Paid-In Capital	Treasury Stock		Retained Earnings	Accumulated Other Comprehensive Income (Loss)		Total
	Shares	Amount		Shares	Amount		Available- for-Sale Securities	Foreign Currency Translation	
Balance, December 31, 2013	35,245	\$ 352	\$ 919,840	4,212	\$ (660,421)	\$ 1,276,897	\$ -	1,620	\$ 1,538,288
Stock-based compensation			97,618						97,618
Stock plan transactions and other	149	2	(193)						(191)
Excess tax benefit on stock-based compensation			21,667						21,667
Acquisition of treasury stock				155	(88,338)				(88,338)
Net income						445,374			445,374
Other comprehensive income (loss), net of income tax								(2,049)	(2,049)
Balance, December 31, 2014	35,394	\$ 354	\$ 1,038,932	4,367	\$ (748,759)	\$ 1,722,271	\$ -	(429)	\$ 2,012,369
Stock-based compensation			59,465						59,465
Stock plan transactions and other	396	4	(211)						(207)
Excess tax benefit on stock-based compensation			74,442						74,442
Acquisition of treasury stock				839	(485,853)				(485,853)
Net income						475,602			475,602
Other comprehensive income (loss), net of income tax							(1,522)	(6,322)	(7,844)
Balance, December 31, 2015	35,790	\$ 358	\$ 1,172,628	5,206	\$ (1,234,612)	\$ 2,197,873	\$ (1,522)	(6,751)	\$ 2,127,974
Stock-based compensation			65,112						65,112
Stock plan transactions and other	43	-	(185)						(185)
Excess tax benefit on stock-based compensation			1,320						1,320
Acquisition of treasury stock				1,813	(814,777)				(814,777)
Net income						22,938			22,938
Other comprehensive income (loss), net of income tax							1,402	(1,291)	111
Balance, December 31, 2016	35,833	\$ 358	\$ 1,238,875	7,019	\$ (2,049,389)	\$ 2,220,811	\$ (120)	\$ (8,042)	\$ 1,402,493

See accompanying notes to consolidated financial statements.

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CHIPOTLE MEXICAN GRILL, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
(in thousands)

	Year ended December 31,		
	2016	2015	2014
Operating activities			
Net income	\$ 22,938	\$ 475,602	\$ 445,374
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	146,368	130,368	110,474
Deferred income tax (benefit) provision	(14,207)	11,666	(20,671)
Loss on disposal and impairment of assets	23,877	13,194	6,976
Bad debt allowance	(262)	(23)	9
Stock-based compensation expense	64,166	57,911	96,440
Excess tax benefit on stock-based compensation	(1,320)	(74,442)	(21,667)
Other	(604)	582	104
Changes in operating assets and liabilities:			
Accounts receivable	(1,923)	(3,504)	(10,966)
Inventory	(91)	262	(2,307)
Prepaid expenses and other current assets	(4,259)	(5,259)	(658)
Other assets	(4,855)	(5,619)	1,071
Accounts payable	(6,734)	19,525	2,168
Accrued liabilities	33,491	(7,440)	35,019
Income tax payable/receivable	54,340	32,756	8,831
Deferred rent	37,030	32,911	27,025
Other long-term liabilities	1,287	4,826	4,845
Net cash provided by operating activities	<u>349,242</u>	<u>683,316</u>	<u>682,067</u>
Investing activities			
Purchases of leasehold improvements, property and equipment	(258,842)	(257,418)	(252,590)
Purchases of investments	-	(559,372)	(521,004)
Maturities of investments	45,000	352,650	254,750
Proceeds from sale of investments	540,648	-	-
Net cash provided by (used in) investing activities	<u>326,806</u>	<u>(464,140)</u>	<u>(518,844)</u>
Financing activities			
Acquisition of treasury stock	(837,655)	(460,675)	(88,338)
Excess tax benefit on stock-based compensation	1,320	74,442	21,667
Stock plan transactions and other financing activities	52	(207)	(66)
Net cash used in financing activities	<u>(836,283)</u>	<u>(386,440)</u>	<u>(66,737)</u>
Effect of exchange rate changes on cash and cash equivalents	110	(4,196)	(224)
Net change in cash and cash equivalents	(160,125)	(171,460)	96,262
Cash and cash equivalents at beginning of year	248,005	419,465	323,203
Cash and cash equivalents at end of year	<u>\$ 87,880</u>	<u>\$ 248,005</u>	<u>\$ 419,465</u>
Supplemental disclosures of cash flow information			
Income taxes paid	\$ 23,862	\$ 248,547	\$ 280,687
Increase (decrease) in purchases of leasehold improvements, property, and equipment accrued in accounts payable and accrued liabilities	\$ (1,781)	\$ (2,870)	\$ 9,424
Increase (decrease) in acquisition of treasury stock accrued in accrued liabilities	\$ (22,878)	\$ 25,178	\$ -

See accompanying notes to consolidated financial statements.

Table of Contents**CHIPOTLE MEXICAN GRILL, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(dollar and share amounts in thousands, unless otherwise specified)****1. Description of Business and Summary of Significant Accounting Policies**

Chipotle Mexican Grill, Inc., a Delaware corporation, together with its subsidiaries (collectively the "Company") develops and operates restaurants that serve a focused menu of burritos, tacos, burrito bowls and salads, made using fresh, high-quality ingredients. As of December 31, 2016, the Company operated 2,198 Chipotle restaurants throughout the United States as well as 29 international Chipotle restaurants and 23 non-Chipotle restaurants. The Company transitioned the management of its operations from nine to eleven regions during 2016 and aggregates its operations to one reportable segment.

Principles of Consolidation and Basis of Presentation

The consolidated financial statements include the accounts of the Company, including wholly and majority owned subsidiaries. All intercompany balances and transactions have been eliminated.

Management Estimates

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

Revenue Recognition

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

During the year ended December 31, 2016, the Company introduced a limited-time frequency program that awarded free food or merchandise to customers based on frequency of monthly visits. The Company deferred revenue reflecting the portion of original sales allocated to the rewards that were earned by program participants and not redeemed at the end of the year, and recorded a corresponding liability in accrued liabilities on its consolidated balance sheet. The portion of revenue allocated to the rewards was based on the estimated value of the award earned and takes into consideration company-specific historical redemption patterns for similar promotions. Rewards expire according to the loyalty awards terms and conditions. The Company recognizes revenue when awards are redeemed or expire.

The Company sells gift cards which do not have an expiration date and it does not deduct non-usage fees from outstanding gift card balances. The Company recognizes revenue from gift cards when: (i) the gift card is redeemed by the customer; or (ii) the Company determines the likelihood of the gift card being redeemed by the customer is remote (gift card breakage) and there is not a legal obligation to remit the unredeemed gift cards to the relevant jurisdiction. The determination of the gift card breakage rate is based upon Company-specific historical redemption patterns. Gift card breakage is recognized in revenue as the gift cards are used on a pro rata basis over a six-month period beginning at the date of the gift card sale and is included in revenue in the consolidated statement of income and comprehensive income. The Company has determined that 4% of gift card sales will not be redeemed and will be retained by the Company. Breakage recognized during the years ended December 31, 2016, 2015 and 2014 was \$3,624, \$4,226 and \$3,146, respectively.

Cash and Cash Equivalents

The Company considers all highly liquid investment instruments purchased with an initial maturity of three months or less to be cash equivalents. The Company maintains cash and cash equivalent balances with financial institutions that exceed federally-insured limits. The Company has not experienced any losses related to these balances and believes the risk to be minimal.

Table of Contents**Accounts Receivable**

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

Inventory

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

Investments

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

Leasehold Improvements, Property and Equipment

Leasehold improvements, property and equipment are recorded at cost. Internal costs directly associated with the acquisition, development and construction of a restaurant are capitalized and were \$8,076, \$9,554 and \$7,756 for the years ended December 31, 2016, 2015 and 2014, respectively. Expenditures for major renewals and improvements are capitalized while expenditures for minor replacements, maintenance and repairs are expensed as incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the lease term, which generally includes reasonably assured option periods, or the estimated useful lives of the assets. Upon retirement or disposal of assets, the accounts are relieved of cost and accumulated depreciation and any related gain or loss is reflected in loss on disposal and impairment of assets in the consolidated statement of income and comprehensive income.

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

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

Goodwill

Goodwill represents the excess of cost over fair value of net assets of the business acquired. Goodwill is not subject to amortization, but instead is tested for impairment at least annually, and the Company is required to record any necessary impairment adjustments. Impairment is measured as the excess of the carrying value over the fair value of the goodwill. Based on the Company's analysis, no impairment charges were recognized on goodwill for the years ended December 31, 2016, 2015 and 2014.

Other Assets

Other assets consist primarily of restricted cash assets of \$28,490 and \$22,572 as of December 31, 2016 and 2015, respectively, a rabbi trust as described further in Note 7. "Employee Benefit Plans," transferable liquor licenses which are carried at the lower of fair value or cost, and rental deposits related to leased properties. Restricted cash assets are primarily insurance-related restricted trust assets.

Table of Contents**Impairment of Long-Lived Assets**

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For the purpose of reviewing restaurant assets to be held and used for potential impairment, assets are grouped together at the market level, or in the case of a potential relocation or closure, at the restaurant level. The Company manages its restaurants as a group with significant common costs and promotional activities; as such, an individual restaurant's cash flows are not generally independent of the cash flows of others in a market. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized as the amount by which the carrying amount of the asset exceeds the fair value of the asset. During the years ended December 31, 2016, 2015 and 2014, an aggregate impairment charge of \$17,394, \$6,675 and \$0, respectively, was recognized in loss on disposal and impairment of assets in the consolidated statement of income and comprehensive income.

Impairment charges recognized during the year ended December 31, 2016 resulted primarily from the Company's determination that its ShopHouse Southeast Asian Kitchen restaurants were impaired and the recognition of a non-cash impairment charge of \$14,505 (\$8,014 net of tax), representing substantially all of the value of long-lived assets of ShopHouse. The decision to impair the assets was based on an analysis of each restaurant's past and present operating performance, including a significant change from comparable restaurant sales increases to decreases, and projected future cash flows expected to be generated by the restaurant assets. The Company has decided not to invest further in developing and growing the ShopHouse brand and is pursuing strategic alternatives. During the year ended December 31, 2015, the impairment charges resulted from an internally developed software program that the Company chose not to implement and the related hardware, the discontinued use of certain kitchen equipment from the Company's restaurants, as well as restaurant relocations. The fair value of restaurants, including ShopHouse, was determined using level 3 inputs (unobservable inputs) based on a discounted cash flows method.

Income Taxes

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

Restaurant Pre-Opening Costs

Pre-opening costs, including rent, wages, benefits and travel for training and opening teams, food and other restaurant operating costs, are expensed as incurred prior to a restaurant opening for business.

Insurance Liability

The Company maintains various insurance policies including workers' compensation, employee health, general liability, automobile, and property damage. Pursuant to these policies, the Company is responsible for losses up to certain limits and is required to estimate a liability that represents the ultimate exposure for aggregate losses below those limits. This liability is based on management's estimates of the ultimate costs to be incurred to settle known claims and, where applicable, claims not reported as of the balance sheet date. The estimated liability is not discounted and is based on a number of assumptions and factors, including historical trends, actuarial assumptions, and economic conditions. If actual trends differ from the estimates, the financial results could be impacted. As of December 31, 2016 and 2015, \$35,550 and \$28,391, respectively, of the estimated liability was included in accrued payroll and benefits and \$13,881 and \$11,898, respectively, was included in accrued liabilities in the consolidated balance sheet.

Table of Contents**Advertising and Marketing Costs**

Advertising and marketing costs are expensed as incurred and totaled \$102,969, \$69,257 and \$57,290 for the years ended December 31, 2016, 2015 and 2014, respectively. Advertising and marketing costs are included in other operating costs in the consolidated statement of income and comprehensive income.

Rent

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

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

Fair Value of Financial Instruments

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

Fair Value Measurements

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

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

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

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

Foreign Currency Translation

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

Recently Issued Accounting Standards and Adoption of Accounting Pronouncements

In November 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-18, "Statement of Cash Flows (Topic 230)", which provides guidance on the classification of restricted cash to be included with cash and cash equivalents when reconciling the beginning of period and end of period total amounts on the statement of cash flows. This pronouncement is effective for reporting periods beginning after December 15, 2017 using a retrospective adoption method and early adoption is permitted. For the years ended December 31, 2016, 2015 and 2014, \$28,490, \$22,572 and \$19,889, respectively, of restricted cash would have been included in cash and cash equivalents and changes in the balance excluded from net cash provided by operating activities in the consolidated statement of cash flows if this new guidance had been adopted as of the respective dates.

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In March 2016, the FASB issued ASU No. 2016-09, "Compensation – Stock Compensation (Topic 718)." The pronouncement was issued to simplify the accounting for share-based payment transactions, including income tax consequences, the classification of awards as either equity or liabilities, and the classification on the statement of cash flows. This pronouncement is effective for reporting periods beginning after December 15, 2016. The guidance will be applied either prospectively, retrospectively or using a modified retrospective transition method, depending on the area covered in this update. Upon adoption, any future excess tax benefits or deficiencies will be recorded to the provision for income taxes in the consolidated statement of income, instead of additional paid-in capital in the consolidated balance sheet. For the years ended December 31, 2016, 2015 and 2014, \$1,320, \$74,442 and \$21,667, respectively, of excess tax benefits were recorded to additional paid-in capital that would have been recorded as a reduction to the provision for income taxes if this new guidance had been adopted as of the respective dates. Additionally, excess tax benefits will be classified as operating activities in the consolidated statement of cash flow instead of in financing activities as required under the current guidance. The Company has not selected a transition method, and except as described above, does not expect the provisions of ASU 2016-09 to have an impact on the Company's consolidated financial position or results of operations.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)." The pronouncement requires the recognition of a liability for lease obligations and a corresponding right-of-use asset on the balance sheet and disclosure of key information about leasing arrangements. This pronouncement is effective for reporting periods beginning after December 15, 2018 using a modified retrospective adoption method. The Company's adoption of ASU No. 2016-02 will have a significant impact on its consolidated balance sheet as it will record material assets and obligations for current operating leases. The Company is evaluating the impact that adoption will have on its consolidated statement of income.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)," as amended by multiple standards updates. The pronouncement was issued to clarify the principles for recognizing revenue and to develop a common revenue standard and disclosure requirements for U.S. GAAP and IFRS. The pronouncement is effective for reporting periods beginning after December 15, 2017. The expected adoption method of ASU 2014-09 is being evaluated by the Company, and the adoption is not expected to have a significant impact on the Company's consolidated financial position or results of operations.

The Company reviewed all other recently issued accounting pronouncements and concluded that they were either not applicable or not expected to have a significant impact to the consolidated financial statements. Additionally, the adoption of accounting pronouncements during 2016 did not have an impact on the Company's consolidated financial position or results of operations.

2. Supplemental Financial Information

Leasehold improvements, property and equipment were as follows:

	December 31,	
	2016	2015
Land	\$ 12,943	\$ 13,052
Leasehold improvements and buildings	1,572,606	1,419,418
Furniture and fixtures	157,541	142,825
Equipment	405,937	362,800
Leasehold improvements, property and equipment	2,149,027	1,938,095
Accumulated depreciation	(845,469)	(720,875)
Leasehold improvements, property and equipment, net	<u>\$1,303,558</u>	<u>\$1,217,220</u>

Accrued payroll and benefits were as follows:

	December 31,	
	2016	2015
Worker's compensation liability	\$ 33,038	\$ 26,408
Accrued payroll	22,338	13,780
Other accrued payroll and benefits	20,925	24,770
Accrued payroll and benefits	<u>\$ 76,301</u>	<u>\$ 64,958</u>

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Accrued liabilities were as follows:

	December 31,	
	2016	2015
Gift card liability	\$ 59,438	\$ 51,055
Transaction tax payable	20,435	15,634
Treasury stock liability	2,300	25,178
Other accrued expenses	44,956	37,408
Accrued liabilities	<u>\$ 127,129</u>	<u>\$ 129,275</u>

3. Investments

As of December 31, 2016 and 2015, the Company's investments consisted of U.S. treasury notes with maturities up to approximately two years and were classified as available-for-sale. Fair market value of U.S. treasury notes is measured on a recurring basis based on Level 1 inputs (level inputs are described in Note 1 under "Fair Value Measurements").

The Company designates the appropriate classification of its investments at the time of purchase based upon the intended holding period. During the year ended December 31, 2015, the Company transferred the classification of its investments from held-to-maturity to available-for-sale due to anticipated liquidity needs related to increased repurchases of shares of the Company's common stock. The carrying value of held-to-maturity securities transferred to available-for-sale during the year ended December 31, 2015 was \$1,040,850 and the fair market value of those securities was determined to be \$1,038,138, resulting in an unrealized holding loss of \$2,712. As a result, the Company recorded \$2,468 (\$1,522, net of tax) of unrealized holding losses in other comprehensive income (loss), and an other-than-temporary impairment charge of \$244 in interest and other income (expense), in the consolidated statement of income and comprehensive income.

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

	December 31,	
	2016	2015
Amortized cost	\$ 455,109	\$ 1,040,850
Unrealized gains (losses)	(218)	(2,712)
Fair market value	<u>\$ 454,891</u>	<u>\$ 1,038,138</u>

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

	Year ended December 31,		
	2016	2015	2014
Unrealized gains (losses) on available-for-sale securities	\$ 2,251	\$ (2,468)	\$ -
Unrealized gains (losses) on available-for-sale securities, net of tax	\$ 1,402	\$ (1,522)	\$ -

The following is a summary of available-for-sale securities activity recorded in interest and other income (expense) in the consolidated statement of income and comprehensive income:

	Year ended December 31,		
	2016	2015	2014
Realized gains (losses) from sale of available-for-sale securities	\$ 547	\$ -	\$ -
Other-than-temporary impairment	\$ -	\$ 244	\$ -

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

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

	Year ended December 31,		
	2016	2015	2014
Current tax:			
U.S. Federal	\$ 20,765	\$ 244,470	\$ 248,219
U.S. State	8,687	37,957	41,225
Foreign	556	172	156
	<u>30,008</u>	<u>282,599</u>	<u>289,600</u>
Deferred tax:			
U.S. Federal	(11,596)	11,000	(13,890)
U.S. State	(2,546)	699	(6,740)
Foreign	(2,470)	(2,288)	(3,075)
	<u>(16,612)</u>	<u>9,411</u>	<u>(23,705)</u>
Valuation allowance	2,405	2,255	3,034
Provision for income taxes	<u>\$ 15,801</u>	<u>\$ 294,265</u>	<u>\$ 268,929</u>

Actual taxes paid for each tax period were less than the current tax expense due to the excess tax benefit on stock-based compensation of \$1,320, \$74,442, and \$21,667 during the years ended December 31, 2016, 2015, and 2014, respectively.

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

	Year ended December 31,		
	2016	2015	2014
Statutory U.S. federal income tax rate	35.0 %	35.0 %	35.0 %
State income tax, net of related federal income tax benefit	13.3	3.6	3.7
Federal credits	(10.1)	(0.4)	(0.5)
Enhanced deduction for food donation	(2.4)	(0.2)	(0.1)
Valuation allowance	6.0	0.3	0.4
Other	6.2	-	0.1
Return to provision and other discrete items	(7.2)	(0.1)	(1.0)
Effective income tax rate	<u>40.8 %</u>	<u>38.2 %</u>	<u>37.6 %</u>

The 2016 effective tax rate was higher due to a higher state tax rate, not qualifying for the federal research and development tax credit in 2016, and non-deductible items on overall lower pre-tax operating income. Additionally, 2014 included a benefit from filing the 2013 tax returns, which included a non-recurring change in the estimate of usable employer credits resulting in a lower effective tax rate than 2015.

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

	December 31,	
	2016	2015
Deferred income tax liability:		
Leasehold improvements, property and equipment	\$ 204,640	\$ 192,125
Goodwill and other assets	1,856	1,696
Prepaid assets and other	6,012	8,297
Total deferred income tax liability	<u>212,508</u>	<u>202,118</u>
Deferred income tax asset:		
Deferred rent	63,159	57,716
Gift card liability	5,563	3,171
Capitalized transaction costs	500	502
Stock-based compensation and other employee benefits	101,628	83,058
Foreign net operating loss carry-forwards	9,580	11,407
State credits	4,595	4,783
Allowances, reserves and other	19,359	18,577
Valuation allowance	(10,820)	(9,401)
Total deferred income tax asset	<u>193,564</u>	<u>169,813</u>
Net deferred income tax liability	<u>\$ 18,944</u>	<u>\$ 32,305</u>

The unrecognized tax benefits are as follows:

	2016	2015	2014
Beginning of year	\$ 3,776	\$ 1,342	\$ -
Increase resulting from prior year tax position	-	402	-
Increase resulting from current year tax position	435	2,032	1,342
End of year	<u>\$ 4,211</u>	<u>\$ 3,776</u>	<u>\$ 1,342</u>

During the year ending December 31, 2016, \$430 of interest was accrued for uncertain tax positions. The Company is open to federal and state tax audits until the applicable statutes of limitations expire. Tax audits by their very nature are often complex and can require several years to complete. The Company is no longer subject to U.S. federal tax examinations by tax authorities for tax years before 2013. For the majority of states where the Company has a significant presence, it is no longer subject to tax examinations by tax authorities for tax years before 2013. As of December 31, 2016, the Company had cumulative gross foreign net operating losses of \$36,464, which have no expiration date.

5. Shareholders' Equity

Through December 31, 2016, the Company announced authorizations by its Board of Directors of the expenditure of an aggregate of up to \$2,100,000 to repurchase shares of the Company's common stock. On January 10, 2017, the Company announced that its Board of Directors authorized the expenditure of up to an additional \$100,000 to repurchase shares of its common stock. Under the remaining repurchase authorization, shares may be purchased from time to time in open market transactions, subject to market conditions.

The shares of common stock repurchased under authorized programs were 1,811 during the year ended December 31, 2016, 839 during the year ended December 31, 2015 and 154 during the year ended December 31, 2014, for a total cost of \$813,881, \$485,841 and \$87,996 during 2016, 2015 and 2014, respectively. As of December 31, 2016, \$102,568 was available to be repurchased under the authorized programs. The shares repurchased are being held in treasury until such time as they are reissued or retired, at the discretion of the Board of Directors.

During 2016, 2015, and 2014, shares of common stock were netted and surrendered as payment for minimum statutory tax withholding obligations in connection with the exercise and vesting of outstanding stock awards. Shares surrendered by the participants in accordance with the applicable award agreements and plan are deemed repurchased by the Company but are not part of publicly announced share repurchase programs.

Table of Contents**6. Stock Based Compensation**

The Company issues shares pursuant to the Amended and Restated Chipotle Mexican Grill, Inc. 2011 Stock Incentive Plan (the "2011 Incentive Plan"), approved at the annual shareholders' meeting on May 13, 2015. Shares issued pursuant to awards granted prior to the 2011 Incentive Plan were issued subject to previous stock plans that were also approved by shareholders. For purposes of counting the shares remaining available under the 2011 Incentive Plan, each share issuable pursuant to outstanding full value awards, such as restricted stock units and performance shares, count as two shares used, whereas each share underlying a stock appreciation right or stock option count as one share used. Under the 2011 Incentive Plan, 5,560 shares of common stock have been authorized and reserved for issuance to eligible participants, of which 2,165 represent shares that were authorized for issuance but not issued or subject to outstanding awards at December 31, 2016. The 2011 Incentive Plan is administered by the Compensation Committee of the Board of Directors, which has the authority to select the individuals to whom awards will be granted or to delegate its authority under the plan to make grants (subject to certain legal and regulatory restrictions), to determine the type of awards and when the awards are to be granted, the number of shares to be covered by each award, the vesting schedule and all other terms and conditions of the awards. The exercise price for stock awards granted under the 2011 Incentive Plan cannot be less than fair market value at the date of grant.

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

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

	Year ended December 31,		
	2016	2015	2014
Stock-based compensation expense	\$ 65,112	\$ 59,465	\$ 97,618
Stock-based compensation expense, net of tax	35,974	36,666	60,084
Stock-based compensation expense recognized as capitalized development	946	1,554	1,178

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

	2016		2015		2014	
	Shares	Weighted-Average Exercise Price Per Share	Shares	Weighted-Average Exercise Price Per Share	Shares	Weighted-Average Exercise Price Per Share
Outstanding, beginning of year	1,694	\$ 490.70	2,087	\$ 395.46	1,690	\$ 312.44
Granted	460	\$ 457.77	379	\$ 659.12	764	\$ 545.66
Exercised	(124)	\$ 315.87	(716)	\$ 297.25	(315)	\$ 310.32
Forfeited or cancelled	(113)	\$ 559.25	(56)	\$ 554.73	(52)	\$ 419.74
Outstanding, end of year	1,917	\$ 490.06	1,694	\$ 490.70	2,087	\$ 395.46

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	Shares	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Years of Contractual Life	Aggregate Intrinsic Value
Outstanding as of December 31, 2016	1,917	\$ 490.06	4.4	\$ 22,040
Vested and expected to vest as of December 31, 2016	1,851	\$ 489.18	4.3	\$ 22,040
Exercisable as of December 31, 2016	846	\$ 422.32	3.3	\$ 22,040

During the year ended December 31, 2014 the Company granted 220 SOSARs that include performance conditions. No SOSARs that include performance conditions were granted during 2015 or 2016. As of December 31, 2016, 388 SOSARs that include performance conditions were outstanding, of which 278 awards had met the performance conditions. In addition to time vesting described above, the shares vest upon achieving a targeted cumulative cash flow from operations. The total intrinsic value of options and SOSARs exercised during the years ended December 31, 2016, 2015 and 2014 was \$15,946, \$260,466 and \$88,245. Unearned compensation as of December 31, 2016 was \$34,862 for SOSAR awards, and is expected to be recognized over a weighted average period of 1.5 years.

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

	2016	2015	2014
Risk-free interest rate	1.0 %	1.1 %	0.8 %
Expected life (years)	3.5	3.4	3.4
Expected dividend yield	0.0 %	0.0 %	0.0 %
Volatility	32.2 %	30.8 %	33.3 %
Weighted-average Black-Scholes fair value per share at date of grant	\$ 117.48	\$ 156.32	\$ 136.18

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

A summary of non-vested stock award activity under the stock incentive plans is as follows (in thousands, except per share data):

	2016		2015		2014	
	Shares	Grant Date Fair Value Per Share	Shares	Grant Date Fair Value Per Share	Shares	Grant Date Fair Value Per Share
Outstanding, beginning of year	116	\$ 511.88	70	\$ 525.60	71	\$ 520.27
Granted	90	\$ 509.05	47	\$ 785.32	2	\$ 495.92
Vested	(7)	\$ 605.83	(1)	\$ 413.07	(2)	\$ 284.11
Forfeited or cancelled	(74)	\$ 529.54	-	\$ 534.55	(1)	\$ 410.55
Outstanding, end of year	125	\$ 606.24	116	\$ 511.88	70	\$ 525.60

At December 31, 2016, 116 of the outstanding non-vested stock awards were subject to performance and/or market conditions, in addition to service vesting conditions. During the first quarter of 2016, the Company awarded 73 shares, net of cancellations, that are subject to both service and market vesting conditions. The quantity of shares that will vest may range from 0% to 400% of a targeted number of shares, and will be determined based on the price of the Company's common stock reaching certain targets for a consecutive number of days during the three year period starting on the grant date. If the minimum defined stock price target is not met, then no shares will vest.

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

During the year ended December 31, 2013, the Company granted 66 stock awards that were subject to both service and performance vesting conditions ("the 2013 stock awards"). The performance conditions for the grant required achievement of specific targets for cumulative cash flow from operations during a three year period. Targets were not met and none of the stock awards vested.

During the year ended December 31, 2016, the Company adjusted its estimate of 2015 stock awards expected to vest as well as reduced its expense for the 2013 stock awards that did not vest. The impact of these changes resulted in a cumulative reduction to expense of \$6,031 (\$3,332 net of tax as well as \$0.11 to basic and diluted earnings per share) in the year ended December 31, 2016.

The Company's measurement of the grant date fair value of the 2015 and 2016 stock awards included using a Monte Carlo simulation model, which incorporates into the fair-value determination the possibility that the market condition may not be satisfied, using the following assumptions:

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

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

Unearned compensation as of December 31, 2016 was \$39,758 for non-vested stock awards the Company has determined are probable of vesting, and is expected to be recognized over a weighted average period of 1.7 years. The fair value of shares earned as of the vesting date during the year ended December 31, 2016, 2015, and 2014 was \$2,787, \$634, and \$783, respectively.

7. Employee Benefit Plans

The Company maintains the Chipotle Mexican Grill 401(k) Plan (the "401(k) Plan"). The Company matches 100% of the first 3% of pay contributed by each eligible employee and 50% on the next 2% of pay contributed. Employees become eligible to receive matching contributions after one year of service with the Company. For the years ended December 31, 2016, 2015, and 2014, Company matching contributions totaled approximately \$5,939, \$4,995 and \$3,881, respectively. In addition to the traditional pre-tax deferral options, during 2016 the 401(k) Plan began offering a Roth after-tax deferral option.

The Company also maintains the Chipotle Mexican Grill, Inc. Supplemental Deferred Investment Plan (the "Deferred Plan") which covers eligible employees of the Company. The Deferred Plan is a non-qualified plan that allows participants to make tax-deferred contributions that cannot be made under the 401(k) Plan because of Internal Revenue Service limitations. Participants' earnings on contributions made to the Deferred Plan fluctuate with the actual earnings and losses of a variety of available investment choices selected by the participant. Total liabilities under the Deferred Plan as of December 31, 2016 and 2015 were \$17,843 and \$18,331, respectively, and are included in other long-term liabilities in the consolidated balance sheet. The Company matches 100% of the first 3% of pay contributed by each eligible employee and 50% on the next 2% of pay contributed once the 401(k) contribution limits are reached. For the years ended December 31, 2016, 2015, and 2014, the Company made deferred compensation matches of \$225, \$617, and \$536 respectively, to the Deferred Plan.

The Company has elected to fund its deferred compensation obligations through a rabbi trust. The rabbi trust is subject to creditor claims in the event of insolvency, but the assets held in the rabbi trust are not available for general corporate purposes. Amounts in the rabbi trust are invested in mutual funds, consistent with the investment choices selected by participants in their Deferred Plan accounts, which are designated as trading securities and carried at fair value, and are

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included in other assets in the consolidated balance sheet. Fair value of mutual funds is measured using Level 1 inputs (quoted prices for identical assets in active markets), and the fair values of the investments in the rabbi trust were \$17,843 and \$18,331 as of December 31, 2016 and 2015, respectively. The Company records trading gains and losses in general and administrative expenses in the consolidated statement of

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income and comprehensive income, along with the offsetting amount related to the increase or decrease in deferred compensation to reflect its exposure of the Deferred Plan liability.

The following table sets forth unrealized gains and losses on investments held in the rabbi trust:

	Year ended December 31,		
	2016	2015	2014
Unrealized gains (losses) on investments held in rabbi trust	\$ 586	\$ (571)	\$ 184

The Company offers an employee stock purchase plan ("ESPP"). Employees become eligible to participate after one year of service with the Company and may contribute up to 15% of their base earnings, subject to an annual maximum dollar amount, toward the monthly purchase of the Company's common stock. Under the ESPP, 250 shares of common stock have been authorized and reserved for issuances to eligible employees, of which 247 represent shares that were authorized for issuance but not issued at December 31, 2016. For each of the years ended December 31, 2016, 2015, and 2014, the number of shares issued under the ESPP were less than 1.

8. Leases

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

Contractually required future minimum cash lease payments under existing operating leases as of December 31, 2016 are as follows:

	\$ 264,911
2017	268,862
2018	269,133
2019	263,732
2020	257,400
2021	2,358,941
Thereafter	\$ 3,682,979
Total minimum lease payments	

Minimum lease payments have not been reduced by minimum sublease rentals of \$5,342 due in the future under non-cancelable subleases.

Rental expense consists of the following:

	Year ended December 31,		
	2016	2015	2014
Minimum rentals	\$ 255,955	\$ 227,602	\$ 200,575
Contingent rentals	\$ 1,811	\$ 4,542	\$ 4,616
Sublease rental income	\$ (2,074)	\$ (1,879)	\$ (1,838)

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The Company has six sales and leaseback transactions. These transactions do not qualify for sale leaseback accounting because of the Company's deemed continuing involvement with the buyer-lessor due to fixed price renewal options, which results in the transaction being recorded under the financing method. Under the financing method, the assets remain on the consolidated balance sheet and the proceeds from the transactions are recorded as a financing liability. A portion of lease payments are applied as payments of deemed principal and imputed interest. The deemed landlord financing liability was \$2,854 and \$3,060 as of December 31, 2016, and 2015, respectively, with the current portion of the liability included in accrued liabilities, and the remaining portion included in other liabilities in the consolidated balance sheet.

9. Earnings Per Share

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

	Year ended December 31,		
	2016	2015	2014
Stock awards subject to performance conditions	263	266	385
Stock awards that were antidilutive	1,316	289	232
Total stock awards excluded from diluted earnings per share	1,579	555	617

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

	Year ended December 31,		
	2016	2015	2014
Net income	\$ 22,938	\$ 475,602	\$ 445,374
Shares:			
Weighted average number of common shares outstanding	29,265	31,092	31,038
Dilutive stock awards	505	402	474
Diluted weighted average number of common shares outstanding	29,770	31,494	31,512
Basic earnings per share	\$ 0.78	\$ 15.30	\$ 14.35
Diluted earnings per share	\$ 0.77	\$ 15.10	\$ 14.13

10. Commitments and Contingencies**Purchase Obligations**

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

Litigation*Receipt of Grand Jury Subpoenas*

On January 28, 2016, the Company was served with a Federal Grand Jury Subpoena from the U.S. District Court for the Central District of California in connection with an official criminal investigation being conducted by the U.S. Attorney's Office for the Central District of California, in conjunction with the U.S. Food and Drug Administration's Office of Criminal Investigations. The subpoena requires the production of documents and information related to company-wide food safety matters dating back to January 1, 2013. The Company intends to continue to fully cooperate in the investigation. It is not possible at this time to determine

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whether the Company will incur, or to reasonably estimate the amount of, any fines or penalties in connection with the investigation pursuant to which the subpoena was issued.

Shareholder Class Action

On January 8, 2016, Susie Ong filed a complaint in the U.S. District Court for the Southern District of New York on behalf of a purported class of purchasers of shares of the Company's common stock between February 4, 2015 and January 5, 2016. The complaint purports to state claims against the Company, each of its co-Chief Executive Officers and its Chief Financial Officer under Sections 10(b) and 20(a) of the Exchange Act and related rules, based on the Company's alleged failure during the claimed class period to disclose material information about the Company's quality controls and safeguards in relation to consumer and employee health. The complaint asserts that those failures and related public statements were false and misleading and that, as a result, the market price of the Company's stock was artificially inflated during the claimed class period. The complaint seeks damages on behalf of the purported class in an unspecified amount, interest, and an award of reasonable attorneys' fees, expert fees and other costs. The Company intends to defend this case vigorously, but it is not possible at this time to reasonably estimate the outcome of or any potential liability from the case.

Shareholder Derivative Actions

On March 21, 2016, Jessica Oldfather filed a shareholder derivative action in the Court of Chancery of the State of Delaware alleging that the Company's Board of Directors and officers breached their fiduciary duties in connection with allegedly excessive compensation awarded from 2011 to 2015 under the Company's stock incentive plan. On December 8, 2016, the Court of Chancery dismissed the complaint, with prejudice.

On April 6, 2016, Uri Skorski filed a shareholder derivative action in Colorado state court in Denver, Colorado, making largely the same allegations as the Oldfather complaint and also alleging that the Company's Board of Directors and officers breached their fiduciary duties in connection with the Company's alleged failure to disclose material information about the Company's food safety policies and procedures. On April 14, 2016, Mark Arnold and Zachary Arata filed a shareholder derivative action in Colorado state court in Denver, Colorado, making largely the same allegations as the Skorski complaint. On May 26, 2016, the court issued an order consolidating the Skorski and Arnold/Arata actions into a single case. On August 8, 2016, Sean Gubricky filed a shareholder derivative action the U.S. District Court for the District of Colorado, alleging that the Company's Board of Directors and certain officers failed to institute proper food safety controls and policies, issued materially false and misleading statements in violation of federal securities laws, and otherwise breached their fiduciary duties to the Company. On September 1, 2016, Ross Weintraub filed a shareholder derivative action in Colorado state court in Denver, Colorado, making largely the same allegations as the Gubricky complaint. On December 27, 2016, Cyrus Lashkari filed a shareholder derivative action the U.S. District Court for the District of Colorado, making largely the same allegations as the foregoing shareholder derivative complaints. Each of these actions purports to state a claim for damages on behalf of the Company, and is based on statements in the Company's SEC filings and related public disclosures, as well as media reports and Company records. The Company intends to defend these cases vigorously, but 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 and Related Civil and Criminal Investigations

Following an inspection during 2010 by the U.S. Department of Homeland Security, or DHS, of the work authorization documents of the Company's restaurant employees in Minnesota, the Immigration and Customs Enforcement arm of DHS, or ICE, issued to the Company a Notice of Suspect Documents identifying a large number of employees who, according to ICE and notwithstanding the Company's 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. The Company 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, the Company was also requested by DHS to provide the work authorization documents of restaurant employees in the District of Columbia and Virginia, and the Company provided the requested documents in January 2011. The Company subsequently received requests from the office of the U.S. Attorney for the District of Columbia for work authorization documents covering all of the Company's employees since 2007, plus employee lists and other documents concerning work authorization. In May 2012, the U.S. Securities and Exchange Commission notified the Company that it was conducting a civil investigation of the Company's compliance with employee work authorization verification requirements and its related disclosures and statements, and the office of the U.S. Attorney for the District of Columbia advised the Company that its investigation had broadened to include a parallel criminal and civil investigation of the Company's compliance with federal securities laws. During the fourth quarter of 2016, the Company entered into an agreement with the office of the U.S. Attorney for the District of Columbia to resolve the DHS and ICE investigations.

Table of Contents*Miscellaneous*

The Company is involved in various other claims and legal actions that arise in the ordinary course of business. The Company does not believe that the ultimate resolution of these actions will have a material adverse effect on the Company's 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 the Company incurs greater liabilities than the Company currently anticipates, could materially and adversely affect the Company's business, financial condition, results of operations and cash flows.

11. Quarterly Financial Data (Unaudited)

Summarized unaudited quarterly financial data:

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

	2015			
	March 31	June 30	September 30	December 31
Revenue	\$ 1,089,043	\$ 1,197,783	\$ 1,216,890	\$ 997,507
Operating income	\$ 197,801	\$ 227,416	\$ 234,759	\$ 103,613
Net income	\$ 122,641	\$ 140,204	\$ 144,883	\$ 67,874
Basic earnings per share	\$ 3.95	\$ 4.51	\$ 4.65	\$ 2.19
Diluted earnings per share	\$ 3.88	\$ 4.45	\$ 4.59	\$ 2.17

Table of Contents**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

ITEM 9A. CONTROLS AND PROCEDURES

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

Evaluation of Disclosure Controls and Procedures

As of December 31, 2016, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this annual report.

Changes in Internal Control over Financial Reporting

There were no changes during the fiscal quarter ended December 31, 2016 in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

Management's Annual Report on Internal Control over Financial Reporting

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

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

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2016, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control—Integrated Framework (the "2013 framework"). Based on that assessment, management concluded that, as of December 31, 2016, our internal control over financial reporting was effective based on the criteria established in the 2013 framework.

Our independent registered public accounting firm, Ernst & Young LLP, has issued an attestation report on the effectiveness of our internal control over financial reporting as of December 31, 2016. This report follows.

Table of Contents**Report of Independent Registered Public Accounting Firm****The Board of Directors and Shareholders of
Chipotle Mexican Grill, Inc.**

We have audited Chipotle Mexican Grill, Inc.'s internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Chipotle Mexican Grill, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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

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

In our opinion, Chipotle Mexican Grill, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Chipotle Mexican Grill, Inc. as of December 31, 2016 and 2015, and the related consolidated statements of income and comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2016 and our report dated February 6, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Denver, Colorado
February 6, 2017

Table of Contents**ITEM 9B. OTHER INFORMATION**

On February 3, 2017, we entered into a Registration Rights Agreement with Pershing Square Capital Management, L.P., and certain affiliates thereof. Pursuant to the Registration Rights Agreement, the Pershing Square shareholders may make up to four requests that we file a registration statement to register the sale of shares of our common stock that the Pershing Square shareholders beneficially own, subject to the limitations and conditions provided in the Registration Rights Agreement.

The Registration Rights Agreement also provides that we will file and keep effective, subject to certain limitations, a shelf registration statement covering shares of our common stock beneficially owned by the Pershing Square shareholders, and also provides certain piggyback registration rights to the Pershing Square shareholders.

The registration rights provided in the agreement terminate as to any Pershing Square shareholder upon the earliest of (i) the date on which such shares are disposed of pursuant to an effective registration statement, (ii) the date on which such securities are sold pursuant to Rule 144, and (iii) such shareholder ceasing to beneficially own at least 5% of our outstanding common stock, provided such shareholder no longer has a representative serving on our Board of Directors, and is permitted to sell shares of common stock beneficially owned by such shareholder under Rule 144(b)(1) of the Securities Act.

The Registration Rights Agreement also contains customary indemnification provisions.

The foregoing description of the Registration Rights Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the Registration Rights Agreement which is filed as Exhibit 10.11 to this Annual Report on Form 10-K and is incorporated by reference herein.

PART III**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

Incorporated by reference from the definitive proxy statement for our 2017 annual meeting of shareholders, which will be filed no later than 120 days after December 31, 2016.

ITEM 11. EXECUTIVE COMPENSATION

Incorporated by reference from the definitive proxy statement for our 2017 annual meeting of shareholders, which will be filed no later than 120 days after December 31, 2016.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS***Securities Authorized for Issuance Under Equity Compensation Plans***

The following table presents information regarding options and rights outstanding under our equity compensation plans as of December 31, 2016. All options/SOSARs reflected are options to purchase common stock.

	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options and Rights ⁽¹⁾	(b) Weighted-Average Exercise Price of Outstanding Options and Rights ⁽¹⁾	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in column (a)) ⁽²⁾
Equity Compensation Plans Approved by Security Holders	2,042,317	\$490.06	2,412,105
Equity Compensation Plans Not Approved by Security Holders	None	N/A	None
Total	2,042,317	\$490.06	2,412,105

- (1) Includes shares issuable in connection with awards with performance and market conditions, which will be issued based on achievement of performance criteria associated with the awards, with the number of shares issuable

dependent on our level of performance. The weighted-average exercise price in column (b) includes the weighted-average exercise price of SOSARs only.

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- (2) Includes 2,165,105 shares remaining available under the Amended and Restated Chipotle Mexican Grill, Inc. 2011 Stock Incentive Plan, and 247,000 shares remaining available under the Chipotle Mexican Grill, Inc. Employee Stock Purchase Plan. In addition to being available for future issuance upon exercise of SOSARs or stock options that may be granted after December 31, 2016, all of the shares available for grant under the Amended and Restated Chipotle Mexican Grill, Inc. 2011 Stock Incentive Plan may instead be issued in the form of restricted stock, restricted stock units, performance shares or other equity-based awards. Each share underlying a full value award such as restricted stock, restricted stock units or performance shares counts as two shares used against the total number of securities authorized under the plan.

Additional information for this item is incorporated by reference from the definitive proxy statement for our 2017 annual meeting of shareholders, which will be filed no later than 120 days after December 31, 2016.

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

Incorporated by reference from the definitive proxy statement for our 2017 annual meeting of shareholders, which will be filed no later than 120 days after December 31, 2016.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Incorporated by reference from the definitive proxy statement for our 2017 annual meeting of shareholders, which will be filed no later than 120 days after December 31, 2016.

Table of Contents**PART IV****ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES****1. All Financial statements**

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

2. Financial statement schedules

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

3. Exhibits

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

ITEM 16. FORM 10-K SUMMARY

None.

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

CHIPOTLE MEXICAN GRILL, INC.

By: /s/ JOHN R. HARTUNG

Name: **John R. Hartung**

Title: **Chief Financial Officer**

Date: February 6, 2017

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

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

<u>Signature</u>	<u>Date</u>	<u>Title</u>
<u>/s/ STEVE ELLS</u> Steve Ells	February 6, 2017	Chief Executive Officer and Chairman of the Board of Directors (principal executive officer)
<u>/s/ JOHN R. HARTUNG</u> John R. Hartung	February 6, 2017	Chief Financial Officer (principal financial and accounting officer)
<u>/s/ ALBERT S. BALDOCCHI</u> Albert S. Baldocchi	February 6, 2017	Director
<u>/s/ JOHN S. CHARLESWORTH</u> John S. Charlesworth	February 6, 2017	Director
<u>/s/ NEIL W. FLANZRAICH</u> Neil W. Flanzraich	February 6, 2017	Director
<u>/s/ PATRICK J. FLYNN</u> Patrick J. Flynn	February 6, 2017	Director
<u>/s/ DARLENE J. FRIEDMAN</u> Darlene J. Friedman	February 6, 2017	Director
<u>/s/ STEPHEN GILLET</u> Stephen Gillett	February 6, 2017	Director
<u>/s/ ROBIN S. HICKENLOOPER</u> Robin S. Hickenlooper	February 6, 2017	Director
<u>/s/ KIMBAL MUSK</u>	February 6,	Director

1/9/2018

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Kimbal Musk

February 6,
2017

Director

/s/ MATTHEW PAULL

Matthew Paull

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Table of Contents**EXHIBIT INDEX**

Exhibit Number	Exhibit Description	Description of Exhibit Incorporated Herein by Reference			Exhibit Number	Filed Herewith
		Form	File No.	Filing Date		
3.1	Amended and Restated Certificate of Incorporation of Chipotle Mexican Grill, Inc.	10-Q	001-32731	October 26, 2016	3.1	
3.2	Chipotle Mexican Grill, Inc. Amended and Restated Bylaws	8-K	001-32731	October 6, 2016	3.1	
4.1	Form of Stock Certificate for Shares of Common Stock	10-K	001-32731	February 10, 2012	4.1	
10.1†	Amended and Restated Chipotle Mexican Grill, Inc. 2006 Stock Incentive Plan	10-K	001-32731	February 17, 2011	10.2	
10.1.1†	Form of 2009 Stock Appreciation Rights Agreement	10-K	001-32731	February 19, 2009	10.2.7	
10.1.2†	Form of 2011 Stock Appreciation Rights Agreement	10-K	001-32731	February 17, 2011	10.2.10	
10.1.3†	Form of 2011 Performance-Based Stock Appreciation Rights Agreement	10-K	001-32731	February 17, 2011	10.2.11	
10.2†	Amended and Restated Chipotle Mexican Grill, Inc. 2011 Stock Incentive Plan	10-Q	001-32731	October 26, 2016	10.1	
10.2.1†	Form of Board Restricted Stock Units Agreement	10-Q	001-32731	July 22, 2014	10.1	
10.2.2†	Form of Stock Appreciation Rights Agreement	10-Q	001-32731	April 20, 2012	10.1	
10.2.3†	Form of Performance-Based Stock Appreciation Rights Agreement	10-Q	001-32731	April 20, 2012	10.2	
10.2.4†	Form of 2014 Stock Appreciation Rights Agreement	-	-	-	-	X
10.2.5†	Form of 2014 Performance-Based Stock Appreciation Rights Agreement	-	-	-	-	X
10.2.6†	Form of 2015 Performance Share Agreement	10-Q	001-32731	April 22, 2015	10.2	
10.2.7†	Form of 2016 Stock Appreciation Rights Agreement	10-Q	001-32731	April 27, 2016	10.1	
10.2.8†	Form of 2016 Performance Share Agreement	10-Q	001-32731	April 27, 2016	10.2	
10.3	Amended and Restated Registration Rights Agreement dated January 31, 2006 among Chipotle Mexican Grill, Inc., McDonald's Corporation and certain shareholders	10-K	001-32731	March 17, 2006	10.6	
10.4†	Board Pay Policies	10-Q	001-32731	April 22, 2015	10.1	
10.5†	Chipotle Mexican Grill, Inc. Supplemental Deferred Investment Plan	10-K	001-32731	February 23, 2007	10.11	
10.5.1†	Amendment No. 1 to Chipotle Mexican Grill, Inc. Supplemental Deferred Investment Plan	10-Q	001-32731	August 1, 2007	10.1	
10.5.2†	Amendment No. 2 to Chipotle Mexican Grill, Inc. Supplemental Deferred Investment Plan	10-Q	001-32731	October 31, 2007	10.1	
10.6†	Form of Director and Officer Indemnification Agreement	8-K	001-32731	March 21, 2007	10.1	
10.7†	Chipotle Mexican Grill, Inc. Employee Stock Purchase Plan	10-K	001-32731	February 10, 2012	10.11	
10.8†	Chipotle Mexican Grill, Inc. 2014 Cash Incentive Plan	10-Q	001-32731	July 19, 2013	10.1	
10.9†	Retirement and Non-Competition Agreement dated December 9, 2016 between Chipotle Mexican Grill, Inc. and Montgomery F. Moran	8-K	001-32731	December 12, 2016	10.1	
10.10	Investor Agreement dated December 14, 2016 between Chipotle Mexican Grill, Inc. and Pershing Square Capital Management, L.P.	8-K	001-32731	December 19, 2016	10.1	
10.11	Registration Rights Agreement dated February 3, 2017, between Chipotle Mexican Grill, Inc. and Pershing Square Capital Management, L.P.	-	-	-	-	X
21.1	Subsidiaries of Chipotle Mexican Grill, Inc.	-	-	-	-	X

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23.1	Consent of Ernst & Young LLP (as the independent registered public accounting firm of Chipotle Mexican Grill, Inc.)	-	-	-	-	X
24.1	Power of Attorney (included on signature page of this report)	-	-	-	-	X
31.1	Certification of Chief Executive Officer of Chipotle Mexican Grill, Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	-	-	-	-	X
31.2	Certification of Chief Financial Officer of Chipotle Mexican Grill, Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	-	-	-	-	X
32.1	Certification of Chief Executive Officer and Chief Financial Officer of Chipotle Mexican Grill, Inc. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	-	-	-	-	X
101	The following financial statements, formatted in XBRL: (i) Consolidated Balance Sheet as of December 31, 2016 and December 31, 2015, (ii) Consolidated Statement of Income and Comprehensive Income for the years ended December 31, 2016, 2015 and 2014, (iii) Consolidated Statement of Shareholders' Equity for the years ended December 31, 2016, 2015 and 2014, (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2016, 2015 and 2014; and (v) Notes to the Consolidated Financial Statements	-	-	-	-	X

†- denotes management contract or compensatory plan or arrangement.