CHIPOTLE MEXICAN GRILL INC
Form PRE 14A
October 22, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a)

of the Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

x	Preliminary Proxy Statement	¨	**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
¨	Definitive Proxy Statement		
¨	Definitive Additional Materials		
¨	Soliciting Material Pursuant to §240.14a-12		

CHIPOTLE MEXICAN GRILL, INC.

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Chipotle Mexican Grill, Inc

1401 Wynkoop Street, Suite 500

Denver, CO 80202

November , 2009

DEAR SHAREHOLDER:

You are cordially invited to attend a special meeting of shareholders of Chipotle Mexican Grill, Inc., which will be held on December 21, 2009 at 8:00 a.m. local time at the offices of Messner & Reeves, LLC, 1430 Wynkoop Street, Suite 300, Denver, Colorado. Details of the business to be conducted at the special meeting are given in the notice of meeting and proxy statement that follow.

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

Sincerely,

/s/ Steve Ells
Chairman of the Board and Co-Chief Executive Officer

NOTICE OF SPECIAL MEETING

A special meeting of shareholders of Chipotle Mexican Grill, Inc. will be held on December 21, 2009 at 8:00 a.m. local time at Messner & Reeves, LLC, 1430 Wynkoop Street, Suite 300, Denver, Colorado. Shareholders will consider and take action on the following matters:

1. A proposal to amend Chipotle s Restated Certificate of Incorporation to (a) effect a reclassification of each outstanding share of Chipotle Class B common stock into one share of Chipotle Class A common stock and rename the Class A common stock as common stock, which we refer to as the conversion ; and (b) eliminate provisions relating to our prior dual-class common stock structure, the ownership interest formerly held in us by McDonald s Corporation and certain other historical matters; and

2. Such other business as may properly come before the meeting or any adjournments or postponements of the meeting.

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

The record date for the special meeting has been fixed by the Board of Directors as the close of business on October 30, 2009. Shareholders of record at that time are entitled to vote at the meeting.

By order of the Board of Directors

/s/ Monty Moran

Co-Chief Executive Officer, Secretary and Director

November , 2009

Please execute your vote promptly by following the instructions included on the Notice of Availability of Proxy Materials if one was provided to you, or on the proxy card or voting instruction card you received with hard copies of these materials.

CHIPOTLE MEXICAN GRILL, INC.

1401 Wynkoop Street, Suite 500

Denver, Colorado 80202

PROXY STATEMENT

SPECIAL MEETING INFORMATION

This proxy statement contains information related to a special meeting of shareholders of Chipotle Mexican Grill, Inc. to be held on Monday, December 21, 2009 at 8:00 a.m. local time at Messner & Reeves, LLC, 1430 Wynkoop Street, Suite 300, Denver, Colorado. This proxy statement was prepared under the direction of the company s Board of Directors to solicit your proxy for use at the special meeting. It will be made available to shareholders on or about November 4, 2009.

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

If you were a shareholder of record of our Class A common stock or our Class B common stock on October 30, 2009, you are entitled to vote at the special meeting, or at any postponement or adjournment of the meeting. On each matter to be voted on, you may cast one vote for each share of Class A common stock you hold and ten votes for each share of Class B common stock you hold. As of October 30, 2009 there were **[ ]** shares of Class A common stock and **[ ]** shares of Class B common stock outstanding and entitled to vote.

What am I voting on?

You will be asked to vote on a single proposal: an amendment to Chipotle s Restated Certificate of Incorporation to effect a reclassification of each outstanding share of Chipotle Class B common stock into one share of Chipotle Class A common stock and to rename the Class A common stock as common stock (which we refer to as the conversion), and to eliminate provisions relating to our prior dual-class common stock structure, the ownership interest formerly held in us by McDonald s Corporation, and certain other historical matters.

The text of the proposed Amended and Restated Certificate of Incorporation, marked to show changes to our current Restated Certificate of Incorporation, is included as Annex A to this document.

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

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

The Board of Directors recommends a vote **FOR** the proposal described above.

How do I vote?

If you hold your shares through a broker, bank, or other nominee in street name

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

If you are a shareholder of record

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

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

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

If you hold your shares through a broker, bank or other nominee, your shares must be voted by the nominee. Your voting instructions given as described above under *How do I vote If you hold your shares through a broker, bank, or other nominee in street name* will be tabulated and voted as per your instructions. If you do not provide voting instructions, under the rules of the New York Stock Exchange, or NYSE, the nominee s discretionary authority to vote your shares would be limited to routine matters. The proposed amendment and restatement of our charter to be voted on at the special meeting is not a routine matter for this purpose, so if you do not provide your proxy, your shares will not be voted at the meeting. In this case your shares will be treated as broker non-votes, which will have the same effect as votes against the proposal.

Can I Change My Vote?

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

re-submitting your vote on the Internet;

if you are a shareholder of record, sending a written notice of revocation to our corporate Secretary at our principal offices, 1401 Wynkoop Street, Suite 500, Denver, CO 80202; or

if you are a shareholder of record, attending the special meeting and voting in person.

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

What constitutes a quorum?

A quorum is necessary to conduct business at the special meeting. At any meeting of our shareholders, the holders of a majority in voting power of our outstanding shares of capital stock entitled to vote at the meeting, present in person or by proxy, constitutes a quorum for all purposes. You are part of the quorum if you have voted by proxy. Abstentions and broker non-votes count as shares present at the meeting for purposes of determining whether a quorum exists. As described above, a broker non-vote occurs when a broker, bank or other nominee who holds shares for another does not vote on a particular item because the nominee has not received instructions from the owner of the shares and does not have discretionary voting authority for that item.

What vote is required to approve the proposal?

The amendment and restatement of our Restated Certificate of Incorporation being proposed at the meeting must be approved by (i) a majority of the voting power of the outstanding shares of Class A common stock and Class B common stock, voting together as a single class, and (ii) a majority of the voting power of the outstanding shares Class B common stock. Abstentions and broker non-votes will not count as votes in favor of the proposed amendment and restatement and accordingly will have the effect of votes against the proposal.

How is this proxy statement being delivered?

We have elected to deliver our proxy materials electronically over the Internet as permitted by rules of the Securities and Exchange Commission, or SEC. Accordingly we are distributing, to our shareholders of record and beneficial owners at the close of business on October 30, 2009, a Notice of Internet Availability of Proxy Materials. On the date of distribution of the Notice of Internet Availability of Proxy Materials, all shareholders and beneficial owners will have the ability to access all of the proxy materials at the URL address included in the Notice of Internet Availability of Proxy Materials. These proxy materials are also available free of charge upon request at 1-800-579-1639, or by e-mail at sendmaterial@proxyvote.com, or by writing to Chipotle Mexican Grill, Inc., c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717. Requests by e-mail or in writing should include the 12-digit control number included on the Notice of Internet Availability of Proxy Materials you received.

If you would like to receive the Notice of Internet Availability of Proxy Materials via e-mail rather than regular mail in future years, please follow the instructions on the Notice of Internet Availability of Proxy Materials, or by enrolling on the Investors page of our web site at www.chipotle.com (click on Contact Us). Delivering future notices by e-mail will help us reduce the cost and environmental impact of our annual meetings.

Who is bearing the cost of this proxy solicitation?

We will bear the cost of preparing, assembling and mailing the Notice of Internet Availability of Proxy Materials, of making these proxy materials available on the Internet and providing hard copies of the materials to shareholders who request them, and of reimbursing brokers, nominees, fiduciaries and other custodians for the out-of-pocket and clerical expenses of transmitting copies of the Notice of Internet Availability of Proxy Materials and the proxy materials themselves to the beneficial owners of the shares. A few of our officers and employees may participate in the solicitation of proxies, without additional compensation, by telephone, e-mail or other electronic means or in person.

BENEFICIAL OWNERSHIP OF OUR COMMON STOCK

The following tables set forth information as of October 20, 2009, as to the beneficial ownership of shares of each class of our common stock by:

- each person (or group of affiliated persons) known to us to beneficially own more than 5 percent of either class of our common stock;
- each of our named executive officers as defined in SEC rules;
- each of our directors; and
- all of our current executive officers and directors as a group.

The number of shares beneficially owned by each shareholder is determined under SEC rules and generally includes voting or investment power over shares. The information does not necessarily indicate beneficial ownership for any other purpose. The percentage of beneficial ownership shown in the following tables is based on 15,091,545 outstanding shares of Class A common stock and 16,601,646 outstanding shares of Class B common stock as of October 20, 2009. For purposes of calculating each person s or group s percentage ownership, shares of Class A common stock issuable pursuant to stock options or stock appreciation rights exercisable within 60 days after October 20, 2009, are included as outstanding and beneficially owned for that person or group but are not treated as outstanding for the purpose of computing the percentage ownership of any other person or group.

Name of Shareholder	Class A Common Stock	Percentage of Class	Class B Common Stock	Percentage of Class	Total Voting Percentage Owned	Total Equity Percentage Owned
Beneficial holders of 5% or more of either class of common stock						
Barclays Global Investors, NA (1)	1,298,399	8.60%			*	4.10%
Capital World Investors (2)	960,532	6.36%	2,257,000	13.60%	12.99%	10.15%
FMR Corp. (3)	2,765,150	18.32%	285,233	1.72%	3.10%	9.62%
Hussman Econometrics Adviors, Inc. (4)	750,000	4.97%			*	2.37%
T. Rowe Price Associates, Inc. (5)			3,026,950	18.23%	16.71%	9.55%
Tremblant Capital Group (6)			1,052,735	6.34%	5.81%	3.32%
William Blair & Company, LLC (7)	1,226,674	8.13%			*	3.87%
Directors and executive officers						
Steve Ells (8)(9)	55,100	*	403,250	2.43%	2.26%	1.45%
Montgomery Moran (9)(10)	22,803	*	153,333	*	*	*
John Hartung (11)	53,712	*	229	*	*	*
Bob Wilner (12)	15,250	*	43	*	*	*
Bob Blessing Rex Jones (13)	2,480	*	4,000	*	*	*
Albert Baldocchi (9)(14)(15)	1,484	*	162,841	*	*	*

John Charlesworth (14)	16,376	*			*	*
Neil Flanzraich (14)	1,868	*			*	*
Patrick Flynn (14)	20,376	*			*	*
Darlene Friedman (9)(14)(16)	2,376	*	9,000	*	*	*
All D&O s as a group (11 people) (17)	176,575	1.17%	732,653	4.41%	4.14%	2.87%

* Less than one percent (1 percent)

(1) Based solely on a report on Schedule 13G filed on February 5, 2009. The address of Barclays Global Investors, NA is 400 Howard Street, San Francisco, California 94105.

(2) Based solely on reports on Schedule 13G/A filed on February 13, 2009 and September 11, 2009. The address of Capital World Investors is 333 South Hope Street, Los Angeles, California 90071.

(3) Based solely on reports on Schedule 13G/A filed on February 17, 2009 and July 10, 2009. The address of FMR Corp. is 82 Devonshire Street, Boston, Massachusetts 02109.

(4) Based solely on a report on Schedule 13G filed on January 14, 2009. The address of Hussman Econometrics Advisors, Inc. is c/o Ultimus Fund Solutions, LLC, 225 Pictoria Drive, Suite 450, Cincinnati, Ohio 45246.

(5) Based solely on a report on Schedule 13G/A filed on February 11, 2009. Shares of Class B common stock beneficially owned by T. Rowe Price Associates, Inc. (Price Associates) are owned by various individual and institutional investors including T. Rowe Price Mid-Cap Growth Fund, Inc. (which owns 1,900,000 shares, representing 10.97 percent of the shares of Class B common stock outstanding), which Price Associates serves as investment adviser with power to direct investments and/or sole power to vote the securities. For purposes of the reporting requirements of the Securities Exchange Act of 1934, Price Associates is deemed to be a beneficial owner of such securities; however, Price Associates expressly disclaims that it is, in fact, the beneficial owner of such securities. The address of Price Associates is 100 E. Pratt Street, Baltimore, Maryland 21202.

(6) Based solely on a report on Schedule 13G filed on February 9, 2009. The address of Tremblant Capital Group is 767 Fifth Avenue, New York, New York 10153.

(7) Based solely on a report on Schedule 13G filed on January 12, 2009. The address of William Blair & Company, LLC is 222 W. Adams, Chicago, Illinois 60606.

(8) Shares of Class A common stock beneficially owned by Mr. Ells include: 27,500 shares of restricted stock subject to forfeiture, the vesting of which is subject to Mr. Ells's continued employment through February 20, 2010, and which Mr. Ells has the right to vote.

(9) Shares of Class B common stock reflected as beneficially owned by Mr. Ells, Mr. Moran, Mr. Baldocchi and Ms. Friedman are entitled to piggyback registration rights.

(10) Shares of Class A common stock beneficially owned by Mr. Moran include: 15,000 shares of restricted stock subject to forfeiture, the vesting of which is subject to Mr. Moran's continued employment through February 20, 2010, and which Mr. Moran has the right to vote.

(11) Shares of Class A common stock beneficially owned by Mr. Hartung include: 15,600 shares jointly owned by Mr. Hartung and his spouse; 10,000 shares of restricted stock subject to forfeiture, the vesting of which is subject to Mr. Hartung's continued employment through February 20, 2010, and which Mr. Hartung has the right to vote; and 18,000 shares underlying vested stock options. Shares of Class B common stock beneficially owned by Mr. Hartung include 81 shares jointly owned by Mr. Hartung and his spouse and 148 shares beneficially owned by his minor children. Mr. Hartung disclaims beneficial ownership of the shares beneficially owned by his children.

(12) Shares of Class A common stock beneficially owned by Mr. Wilner include: 7,500 shares of restricted stock subject to forfeiture, the vesting of which is subject to Mr. Wilner's continued employment through February 20, 2010, and which Mr. Wilner has the right to vote.

(13) Shares of Class A common stock beneficially owned by Mr. Jones include 345 shares held by a revocable trust of which Mr. Jones is a co-trustee.

(14) Shares of Class A common stock beneficially owned by Mssrs. Baldocchi, Charlesworth, Flanzraich and Flynn and Ms. Friedman include 1,484 shares underlying unvested restricted stock units.

(15) Shares of Class B common stock beneficially owned by Mr. Baldocchi include 140,623 shares owned jointly by Mr. Baldocchi and his spouse. The shares beneficially owned by Mr. Baldocchi are pledged as collateral to secure a personal line of credit.

(16) Shares of Class B common stock beneficially owned by Ms. Friedman are held by a revocable trust of which Ms. Friedman is a co-trustee.

(17) See Notes (8) through (16).

PROPOSED BUSINESS FOR THE SPECIAL MEETING

AMENDMENT OF CHIPOTLE S EXISTING CERTIFICATE OF INCORPORATION TO CONVERT OUTSTANDING SHARES OF CLASS B COMMON STOCK INTO CLASS A COMMON STOCK, RENAME THE CLASS A COMMON STOCK, AND ELIMINATE OBSOLETE PROVISIONS

OF THE CERTIFICATE OF INCORPORATION

Our Board of Directors has approved an Amended and Restated Certificate of Incorporation that would, if approved at the special meeting and filed with the Secretary of State of the State of Delaware, convert all outstanding shares of Class B common stock into shares of Class A common stock, rename the Class A common stock, and eliminate certain provisions of our existing Restated Certificate of Incorporation relating to our prior dual-class common stock structure, the ownership interest formerly held in us by McDonald s Corporation, and certain other historical matters. In accordance with the Delaware General Corporation Law, our Board is submitting the proposed Amended and Restated Certificate of Incorporation for the approval of our shareholders, as described in more detail below.

The primary purpose for this proposal is the elimination of our current dual-class common stock structure by converting Class B common stock into Class A common stock, which will result in our having only a single class of common stock outstanding. We refer to this though out this proxy statement as the conversion.

The text of the proposed Amended and Restated Certificate of Incorporation, marked to show changes to our current Restated Certificate of Incorporation, is included as Annex A to this document.

Background of our Dual Class Structure

We currently have two classes of common stock outstanding Class A common stock and Class B common stock. The powers, privileges, preferences and relative participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, are identical in all respects except for voting rights. In accordance with our Restated Certificate of Incorporation, in any matter subject to a vote of our shareholders, each holder of Class A common stock is entitled to one vote per share and each holder of Class B common stock is entitled to ten votes per share, except that for purposes of approving a merger or consolidation, a sale of all or substantially all of Chipotle s property or a dissolution of Chipotle, each holder of Class B common stock has only one vote per share.

As of October 30, 2009, there were **[ ]** shares of Class A common stock outstanding held by **[ ]** holders of record and **[ ]** shares of Class B common stock outstanding held by **[ ]** holders of record. As of that date, the outstanding Class B common stock represented approximately **[ ]**% of our shares of outstanding common stock, and approximately **[ ]**% of the total voting power of the outstanding common stock.

The dual-class common stock structure was created concurrently with our initial public offering in January 2006, so that following the initial public offering our former parent, McDonald s Corporation, could maintain greater than 80% voting control of us. One benefit of this ownership structure was to enable McDonald s to complete a later disposition of its remaining shares of our common stock in a transaction free from U.S. federal income tax to McDonald s and its shareholders.

In October 2006, McDonald s completed the disposition of all of the shares of Class B common stock it held at that time. The disposition was accomplished via a tax-free exchange offer by McDonald s to its shareholders, in which McDonald s shareholders were permitted to tender shares of McDonald s common stock in exchange for shares of our Class B common stock, and our Class B common stock was concurrently listed for trading on the New York Stock Exchange. In connection with the McDonald s exchange offer and our resulting separation from McDonald s, we entered into a Separation Agreement with McDonald s which includes, among other things, a limitation on our ability to take any action to affect the relative voting rights of any separate classes of

Chipotle common stock (including, without limitation, through conversion of one class of common stock into another class) prior to the fifth anniversary of completion of the separation. However, the Separation Agreement also provides that following the second anniversary of the split-off, we may take such an action if McDonald s receives an opinion of counsel or a favorable private letter ruling from the IRS to the effect that such action will not affect the tax-free treatment of the split-off. The opinion of counsel or private letter ruling must be satisfactory to McDonald s in its sole discretion. As discussed below, we have provided McDonald s with an opinion of counsel as required by the Separation Agreement and McDonald s has confirmed that the opinion is satisfactory.

Trading History and Disadvantages of the Dual-Class Structure

Since our split-off from McDonald s the price of our Class B common stock on the NYSE has unexpectedly been below the price of our Class A common stock, despite the higher voting powers of the Class B common stock and the greater number of shares of Class B common stock outstanding. From the date of the split-off through October 20, 2009, the discount has ranged from a low of approximately 4% to a high of approximately 30%, with an average discount over the past two years of approximately 14%. This has generated considerable frustration for holders of shares of Class B common stock, and our management has fielded extensive questions from shareholders and analysts regarding why the discount exists and when and how we will address it.

In addition, the average daily trading volume of the Class B common stock since the split-off has generally been significantly lower than that of the Class A common stock, despite the greater number of outstanding shares of the Class B common stock. We believe, based in part on advice from outside financial advisors, that the resulting lower liquidity of the Class B common stock is primarily responsible for the price disparity between the two classes.

We also believe that a significant amount of confusion has arisen among shareholders, potential shareholders, the financial media and other members of the financial community with respect to our dual-class common stock structure. The use of different trading symbols for the two classes of common stock (CMG and CMG.B) has contributed to the confusion, given that these trading symbols have been reproduced, recorded or described in different ways by various sources. Some shareholders have reported an inability to use certain reporting services to find trading prices for the Class B common stock. As a result, the public may have obtained conflicting and confusing financial information from various third-party sources, and management has been required to spend time and resources correcting flawed information and educating existing and potential investors.

In summary, we believe that the collapse of the dual-class common stock structure into a single new class of common stock is in the best interests of Chipotle and the holders of both the Class A and the Class B common stock. The conversion will eliminate the disparity in trading prices between our two classes of common stock, and we expect that it will also improve the liquidity profile of our common stock overall, allow for easier analysis and valuation of the new single class of common stock, and eliminate confusion within the financial community regarding the current dual-class structure. However, we cannot guarantee that the benefits of a simplified capital structure will be accomplished to the extent and in the manner we currently expect, if at all.

Considerations Involving the Proposed Conversion

In light of the trading price disparity following the split-off and the resulting questions from current and potential shareholders, analysts and others, Chipotle s management began to actively explore the potential conversion immediately upon the second anniversary of our split-off from McDonald s (when it first became possible to take any action to alter the relative voting rights of our outstanding class of common stock under the Separation Agreement). Following discussions with outside legal and financial advisors and with the Board of Directors, management determined that it would be appropriate to engage special tax counsel and work with McDonald s to prepare the legal opinion required by the Separation Agreement.

Following preliminary discussions with McDonald s and its outside legal advisors, Chipotle retained Skadden, Arps, Slate, Meagher & Flom LLP as special tax counsel to render the tax opinion. Skadden, Arps prepared a number of draft opinion letters that were reviewed and discussed internally with Chipotle management, as well as with McDonald s and its outside tax counsel.

Concurrently with the work to deliver an opinion of counsel under the Separation Agreement, our Board of Directors also conducted a more detailed review of the potential conversion. The Board considered the fairness of the proposed conversion to each class of shareholders, including consideration of the lesser trading price of the Class B common stock as compared to the Class A common stock, the improvement in the liquidity position of the Class B common stock and all holders of both classes of common stock in the event of the conversion, and the increase in the relative voting rights of holders of the Class A common stock as a result of the collapse, via elimination of the superior voting rights of the Class B stock. The Board also considered the input of outside advisors, including materials assembled by a financial advisor regarding prior collapses of dual-class common stock structures, as well as the views of Skadden, Arps as to the tax implications of the proposed collapse and the significant indemnification obligations of Chipotle (as described further below) in the event the split-off was deemed to be taxable as a result of the conversion. Furthermore, the Board considered the expected benefits of eliminating investor confusion and the resulting management distraction regarding the dual-class structure and the trading price disparity. The Board also took into account the elimination of administrative expenses resulting from the dual-class structure.

After a review of all the factors, the Board determined, subject to receipt of McDonald s confirmation that the opinion letter of Skadden, Arps satisfies the requirements of the Separation Agreement, to propose the conversion to Chipotle s shareholders at a special shareholders meeting, and to recommend to the shareholders that the conversion be approved. McDonald s has confirmed that the opinion letter of Skadden, Arps satisfies the requirements of the Separation Agreement.

The foregoing discussion of information considered by the Board in determining to authorize and recommend approval of the conversion is not intended to be exhaustive, but includes the material factors considered by the Board in making its decision. In view of the wide variety of factors considered by the Board and the complexity of these matters, the Board did not consider it practicable to, nor did it attempt to quantify, rank or otherwise assign relative weights to the specific factors it considered in reaching its decision. In considering the factors described above, individual members of the Board may have given different weight to different factors. Although one of the potential benefits the Board considered was the elimination of administrative expenses resulting from the dual class structure, we do not expect that any cost savings resulting from conversion of the Class B common stock will be material. We cannot assure you when or if any specific potential benefits considered by the Board will be realized.

As noted above, in the Separation Agreement we entered into with McDonald s we agreed to indemnify McDonald s, under certain conditions, for taxes and related losses if the exchange offer conducted by McDonald s to dispose of its interest in us were deemed to be taxable due to (among other things) any amendment to our certificate of incorporation, whether through a shareholder vote or otherwise, that affects the relative voting rights of our Class A and Class B common stock. This indemnification obligation, which we estimate could exceed $450 million and may be much greater depending on the circumstances of any such taxes and related losses, remains in effect notwithstanding the opinion letter obtained from Skadden, Arps. Although we believe, based in part on the opinion letter, that the conversion will not have any effect on the treatment for tax purposes of our separation from McDonald s, in the event the conversion does result in the separation being treated as taxable, we could face substantial liabilities as a result of our obligations under the Separation Agreement.

Other Proposed Amendments

Our Board believes that upon completion of the conversion, our Restated Certificate of Incorporation as currently in effect may confuse shareholders and other third parties because of references to our Class A common stock and Class B common stock and to McDonald s Corporation. Amending and restating our certificate of incorporation would eliminate such references and may serve to avoid any confusion.

The provisions proposed to be eliminated include, among others:

- references to authorization of Class A common stock and Class B common stock;
- provisions defining the rights of holders of shares of Class A common stock and Class B common stock, including obsolete provisions regarding the convertibility of shares of Class B common stock into shares of Class A common stock;
- obsolete provisions restricting the transferability of shares of Class B common stock;
- obsolete provisions allocating corporate opportunities among us and McDonald s; and
- obsolete provisions pertaining to contracts between us and McDonald s.

Except as specifically provided above, we do not intend this proposal to make any substantive change to our certificate of incorporation. Adoption of the charter proposal will have no effect upon our future operations or capital structure or on the substantive rights of holders of shares of Class A common stock or Class B common stock, except for the elimination of the different voting powers of the two classes.

Certain Effects of the Amendments

If the amendments to the Restated Certificate of Incorporation become effective, each share of our outstanding Class B common stock will automatically be converted into one share of Class A common stock and the Class A common stock will be renamed, creating a single class of outstanding shares named simply common stock. Such conversion will have the following effects, among others, on the holders of our Class A common stock and our Class B common stock:

Voting Power. Holders of shares of Class B common stock are currently entitled to cast ten votes per share on any matters subject to a shareholder vote, and holders of shares of Class A common stock are entitled to cast one vote per share, except that for purposes of approving a merger or consolidation, a sale of all or substantially all of Chipotle s property or a dissolution of Chipotle, each holder of Class B common stock has only one vote per share. Following the conversion, all existing shareholders will have only one vote per share in any matters subject to a shareholder vote. On matters other than mergers, consolidations, sales of all assets or dissolutions, the holders of outstanding shares of Class A common stock are currently entitled to cast approximately [ ]% of the vote and holders of outstanding shares of Class B common stock are entitled to cast approximately [ ]%. After the conversion, the current holders of outstanding shares of Class A common stock would be entitled to cast approximately [ ]% of the vote and the current holders of Class B common stock would be entitled to cast approximately [ ]%. In addition, our current certificate of incorporation and Delaware law require a separate class voting right if an amendment to our certificate of incorporation would alter the aggregate number of authorized shares or par value of either such class or alter the powers, preferences or special rights of either such class so as to affect these rights adversely. Upon the conversion, these provisions will no longer have any effect because we would only have a single class of common stock outstanding.

Economic Equity Interests. The proposed conversion will have no impact on the economic equity interests of holders of our Class A common stock and our Class B common stock, including with regard to dividends, liquidation rights or redemption. As of October 30, 2009, the shares held by the holders of our Class A common stock represented [ ]% of the total outstanding shares of common stock and the shares held by the holders of our Class B common stock represented [ ]%. After the conversion, the shares of common stock held by current holders of our Class A common stock and our Class B common stock would represent the same proportions of the total outstanding shares.

Capitalization. The conversion will have no impact on the total issued and outstanding shares of common stock. As of September 30, 2008, there were shares of common stock issued and outstanding, consisting of shares of Class A common stock and 16,601,646 shares of Class B common stock. After the conversion, there would be shares of common stock outstanding as of such date. In addition, the conversion will not increase our total number of authorized shares of common stock. Accordingly, after the conversion, our authorized capital stock will consist of 230,000,000 shares of common stock and 600,000,000 shares of preferred stock. No shares of preferred stock are currently outstanding or will be outstanding immediately following the conversion.

NYSE Listing. Upon effectiveness of the conversion proposal, our Class B common stock, trading symbol CMG-B, will be de-listed from the NYSE and there will no longer be any trading in our Class B common stock. Our common stock will continue to trade on the NYSE under the symbol CMG.

Operations. The conversion will have no impact on our operations, except to the limited extent that we are able to realize some or all of the potential benefits from the proposed conversion which are described above.

Resale of Common Stock. Shares of common stock may be sold in the same manner as our Class A common stock and our Class B common stock may currently be sold. Our affiliates and holders of any shares that constitute restricted securities will continue to be subject to the restrictions specified in Rule 144 under the Securities Act of 1933, as amended.

Equity Incentive Plans. Upon the conversion, outstanding options, stock appreciation rights and restricted stock and performance share awards denominated in shares of Class A common stock issued under any of our equity incentive plans will remain unchanged, except that they will represent upon conversion the right to receive shares of common stock rather than Class A common stock.

Interests of our Officers and Directors in the Conversion. In considering the recommendation of our Board, you should be aware that some of our officers and directors may have interests in the conversion that are or may be different from, or in addition to, the interests of some or all of our public shareholders. For instance, our officers and directors hold shares of Class B common stock as described under Security Ownership of Certain Beneficial Owners and Management above.

Conditions Precedent to Effectiveness of the Amended and Restated Certificate of Incorporation

The effectiveness of the conversion and the related amendments to the Restated Certificate of Incorporation as described above are conditioned upon each of the following:

- Approval by holders of a majority of the voting power of the outstanding Class B common stock;
- Approval by holders of a majority of the voting power of all of the outstanding shares of Class A common stock and Class B common stock, voting together as a single class; and

If approved, the Amended and Restated Certificate of Incorporation will become effective upon filing with the Secretary of State of the State of Delaware, which we expect to occur on the day following the special meeting.

Reservation of Rights by our Board of Directors

Our Board reserves the right to abandon the adoption of the amendments being proposed at the special meeting without further action by our shareholders at any time before their effectiveness (as described above), even if the proposal has been approved by the shareholders and all other conditions to such adoption have been satisfied. Although the Board does not anticipate exercising its rights to abandon the amendments nor does it contemplate specific events that would trigger abandonment, the Board will defer or abandon the amendments if,

in its business judgment, the conversion is no longer in the best interests of Chipotle or our shareholders. By voting in favor of the amendments, you will also be expressly authorizing the Board to determine not to proceed with, and abandon, the amendments (including the conversion) if it should decide to do so.

No Appraisal Rights

Holders of our Class A common stock and Class B common stock do not have appraisal rights under Delaware law or under our certificate of incorporation in connection with the conversion.

Recommendation of the Board

Our board of directors unanimously recommends a vote for the approval of the conversion.

Certain Federal Income Tax Consequences

We have summarized below certain federal income tax consequences of the conversion based on the Internal Revenue Code (which we refer to as the Code). This summary applies only to our shareholders that hold their Class A common stock and Class B common stock as a capital asset within the meaning of section 1221 of the Code. Further, this summary does not discuss all aspects of federal income taxation that may be relevant to you in light of your individual circumstances. In addition, this summary does not address any state, local or foreign tax consequences of the proposed conversion. This summary is included for general information purposes only and is not intended to constitute advice regarding the federal income tax consequences of the proposed conversion. Since the tax consequences to you will depend on your particular facts and circumstances, you are urged to consult your own tax advisor with respect to the tax consequences of the conversion, including tax reporting requirements.

We believe that as a result of the conversion:

- no gain or loss will be recognized for federal income tax purposes by any of the holders of our Class A common stock or any of the holders of our Class B common stock upon the conversion of Class B common stock into Class A common stock and the re-naming of the Class A common stock as common stock ;
- a shareholder s aggregate basis in its shares of common stock will be the same as the shareholder s aggregate basis in the Class A common stock and Class B common stock converted pursuant to the conversion;
- a shareholder s holding period for common stock will include such shareholder s holding period for the Class A common stock and Class B common stock converted pursuant to the conversion, provided that each share of Class A common stock and Class B common stock was held by such shareholder as a capital asset as defined in Section 1221 of the Code on the effective date of the conversion; and
- no gain or loss will be recognized for federal income tax purposes by us upon the conversion of our Class B common stock into Class A common stock and the renaming of the Class A common stock as common stock .

OTHER BUSINESS AND MISCELLANEOUS

The Board and management do not know of any other matters to be presented at the special meeting. If other matters do properly come before the meeting, it is intended that the persons named in the accompanying proxy vote the proxy in accordance with their best judgment on such matters.

SHAREHOLDER PROPOSALS AND NOMINATIONS FOR 2010 ANNUAL MEETING

Inclusion of Proposals in Our Proxy Statement and Proxy Card under the SEC s Rules.

Any proposal of a shareholder intended to be included in our proxy statement and form of proxy/voting instruction card for the 2010 annual meeting of shareholders pursuant to Rule 14a-8 of the SEC's rules, must be received by us no later than December 3, 2009, unless the date of our 2010 annual meeting is more than 30 days before or after May 21, 2010, in which case the proposal must be received a reasonable time before we begin to print and send our proxy materials. All proposals should be addressed to Chipotle Mexican Grill, Inc., 1401 Wynkoop Street, Suite 500, Denver, CO 80202, Attn: Corporate Secretary.

Bylaw Requirements for Shareholder Submission of Nominations and Proposals.

A shareholder nomination of a person for election to our Board of Directors or a proposal for consideration at our 2010 annual meeting must be submitted in accordance with the advance notice procedures and other requirements set forth in Article II of our bylaws. These requirements are separate from, and in addition to, the requirements discussed above to have the shareholder nomination or other proposals included in our proxy statement and form of proxy/voting instruction card pursuant to the SEC s rules. Our bylaws require that the proposal or nomination must be received by our corporate Secretary at the above address no earlier than January 21, 2010, and no later than February 20, 2010, unless the date of the 2010 annual meeting is more than 30 days before or after May 21, 2010. If the date of the 2010 annual meeting is more than 30 days before or after May 21, 2010, we must receive the proposal or nomination no earlier than the 120th day before the meeting date and no later than the 90th day before the meeting date, or if the date of the meeting is announced less than 100 days prior to the meeting date, no later than the tenth day following the day on which public disclosure of the date of the 2010 annual meeting is made.

MISCELLANEOUS

You are respectfully urged to enter your vote instruction via the Internet as explained on the Notice of Internet Availability of Proxy Materials you received, or on the proxy card or voting instruction card you received with hard copies of these materials. We will appreciate your prompt response.

By order of the Board of Directors