

CHEESECAKE FACTORY INC
Form DEF 14A
April 17, 2014

Use these links to rapidly review the document

[Table of Contents](#)

[Table of Contents](#)

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- 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 under §240.14a-12

The Cheesecake Factory Incorporated

(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):

- 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):

Edgar Filing: CHEESECAKE FACTORY INC - Form DEF 14A

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

o 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:

Table of Contents

April 17, 2014

Dear Stockholder:

You are cordially invited to attend The Cheesecake Factory Incorporated ("Company") annual meeting of stockholders on Thursday, May 29, 2014, at 10:00 a.m., Pacific Daylight Time ("Annual Meeting"). The Annual Meeting will be held at the Janet and Ray Scherr Forum Theatre, Thousand Oaks Civic Arts Plaza, 2100 Thousand Oaks Boulevard, Thousand Oaks, California 91362. The matters to be acted upon at the Annual Meeting are described in the attached Notice of Annual Meeting of Stockholders ("Notice") and Proxy Statement.

Pursuant to rules adopted by the Securities and Exchange Commission ("SEC"), we are providing you access to our proxy materials over the Internet. This method allows us to deliver the proxy materials to you more quickly, lowers our costs and helps to conserve natural resources. Accordingly, we are sending a Notice of Internet Availability of Proxy Materials ("Notice of Availability") to our stockholders who have not asked us to provide proxy materials in printed form. All stockholders receiving the Notice of Availability can request a printed set of proxy materials. All stockholders can access the proxy materials at www.proxyvote.com, irrespective of whether they receive the Notice of Availability or a printed copy of the proxy materials. Instructions on how to access the proxy materials online or request a printed copy may be found in the Notice of Availability and in the attached Proxy Statement. In addition, stockholders may request proxy materials in printed form by mail or electronically by email on an ongoing basis.

YOUR VOTE IS VERY IMPORTANT. Whether or not you plan to attend the Annual Meeting, we urge you to vote and submit your proxy online, by telephone or by mail (see below for instructions) in order to ensure the presence of a quorum. If you attend the Annual Meeting, you will have the right to revoke your proxy and vote your shares in person. If you hold your shares through an account with a brokerage firm, bank or other nominee, please follow the instructions you receive from them to vote your shares.

Sincerely,

/s/ David Overton

David Overton

Chairman of the Board and Chief Executive Officer

**Important Notice Regarding the Availability of Proxy Materials for the
Annual Meeting of Stockholders to Be Held on May 29, 2014:
The Proxy Statement and Annual Report to Stockholders are available at www.proxyvote.com.**

Voting online or by telephone is fast and convenient, and your vote is immediately confirmed and posted. To vote online or by telephone, first read the accompanying Proxy Statement and then follow the instructions below:

VOTE ONLINE

1. Go to www.proxyvote.com.
2. Follow the step-by-step instructions provided.

VOTE BY TELEPHONE

1. Using a touch-tone telephone, call 1-800-690-6903.
 2. Follow the step-by-step instructions provided.
-

Table of Contents

THE CHEESECAKE FACTORY INCORPORATED

26901 Malibu Hills Road
Calabasas Hills, California 91301

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

on
May 29, 2014

The 2014 annual meeting of stockholders of The Cheesecake Factory Incorporated, a Delaware corporation ("Company"), will be held at the Janet and Ray Scherr Forum Theatre, Thousand Oaks Civic Arts Plaza, 2100 Thousand Oaks Boulevard, Thousand Oaks, California 91362, on Thursday, May 29, 2014, beginning at 10:00 a.m., Pacific Daylight Time ("Annual Meeting"), for the following purposes:

1. To elect seven (7) nominees to serve as directors of the Company for a term to expire at the Company's 2015 annual meeting of stockholders and until their respective successors shall be elected and qualified;
2. To approve an amendment to the 2010 Stock Incentive Plan to increase the number of shares available for issuance by 230,000 shares, from 6,550,000 shares to 6,780,000 shares;
3. To ratify the selection of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for fiscal year 2014, ending December 30, 2014;
4. To approve, on a non-binding, advisory basis, the compensation of the Company's Named Executive Officers as disclosed pursuant to the compensation disclosure rules of the SEC; and
5. To transact such other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.

The Board of Directors has fixed the close of business on April 4, 2014 as the record date for the determination of stockholders entitled to notice of and to vote at the Annual Meeting or any adjournment or postponement thereof.

By Order of the Board of Directors,

/s/ Debby R. Zurzolo

Debby R. Zurzolo
Secretary

Calabasas Hills, California
April 17, 2014

IF YOU PLAN TO ATTEND THE MEETING

Attendance will be limited to stockholders. Stockholders may be asked to present valid picture identification, such as a driver's license or passport. Stockholders holding stock in brokerage accounts ("street name" holders) will need to bring with them a legal proxy issued in their name from the bank or brokerage in whose name the shares are held in order to vote in person. Cameras, recording devices and other electronic

devices will not be permitted at the Annual Meeting.

Table of Contents

Table of Contents

1	<u>INTRODUCTION</u>
1	<u>General</u>
1	<u>Internet Availability of Proxy Materials</u>
1	<u>Voting: Quorum, Abstentions and Broker Non-Votes</u>
2	<u>Proxies</u>
2	<u>Solicitation</u>
3	<u>ITEMS TO BE VOTED ON</u>
3	<u>Proposal 1: Election of Directors</u>
4	<u>Proposal 2: Approval of an Amendment to the 2010 Stock Incentive Plan to Increase Authorized Shares</u>
15	<u>Proposal 3: Ratification of Selection of Independent Registered Public Accounting Firm</u>
17	<u>Proposal 4: Non-Binding Advisory Vote on Executive Compensation</u>
18	<u>BOARD OF DIRECTORS AND CORPORATE GOVERNANCE</u>
18	<u>Our Board of Directors and Director Nominees</u>
20	<u>Director Independence</u>
20	<u>Board Leadership Structure and Lead Director</u>
20	<u>Role of Board of Directors in Risk Oversight</u>
21	<u>Meeting Attendance</u>
21	<u>Committees of the Board of Directors</u>
23	<u>Designation of Audit Committee Financial Experts</u>
23	<u>Corporate Governance Principles and Guidelines; Corporate Governance Materials Available on Our Website</u>
24	<u>Stockholder Communications with the Board of Directors</u>
24	<u>Director Nominations Process</u>
29	<u>Compensation Committee Interlocks and Insider Participation</u>
29	<u>Board of Directors Compensation</u>
31	<u>Indemnification of Officers and Directors</u>
31	<u>Director and Executive Officer Stock Ownership Guidelines, Holding Periods and Other Requirements</u>
32	<u>Policies Regarding Review, Approval or Ratification of Transactions with Related Persons</u>
33	<u>FORWARD LOOKING STATEMENTS</u>
33	<u>EXECUTIVE COMPENSATION</u>
33	<u>Compensation Discussion and Analysis</u>
60	<u>Compensation Committee Report</u>
61	<u>Compensation of Named Executive Officers</u>
63	<u>Nonqualified Deferred Compensation</u>
64	<u>Grants of Plan-Based Awards in Fiscal 2013</u>
65	<u>Outstanding Equity Awards</u>
67	<u>Option Exercises and Stock Vested</u>
67	<u>Employment Agreements</u>
70	<u>Potential Payments upon Termination or Change of Control</u>
76	<u>REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS</u>
77	<u>OTHER INFORMATION</u>
77	<u>Beneficial Ownership of Principal Stockholders and Management</u>
79	<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>
79	<u>10b5-1 Trading Plans</u>
79	<u>Stockholder Proposals for the 2014 Annual Meeting of Stockholders</u>
80	<u>Availability of Annual Report and Form 10-K</u>
80	<u>Adjournment of the 2014 Annual Meeting of Stockholders</u>

80 Other Matters

APPENDIX A: 2010 Stock Plan as amended effective April 3, 2014

Table of Contents

THE CHEESECAKE FACTORY INCORPORATED

PROXY STATEMENT FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 29, 2014

INTRODUCTION

General

This Proxy Statement is furnished to the stockholders of The Cheesecake Factory Incorporated, a Delaware corporation ("Company" and "we," "us" or "our"), in connection with the solicitation of proxies by our Board of Directors ("Board") for use at the annual meeting of stockholders to be held at the Janet and Ray Scherr Forum Theatre, Thousand Oaks Civic Arts Plaza, 2100 Thousand Oaks Boulevard, Thousand Oaks, California 91362, on Thursday, May 29, 2014, beginning at 10:00 a.m., Pacific Daylight Time, and at any adjournment or postponement thereof ("Annual Meeting"). We intend this Proxy Statement and proxy voting materials to be available to stockholders on or about April 17, 2014.

Internet Availability of Proxy Materials

Pursuant to rules adopted by the Securities and Exchange Commission ("SEC"), we are providing you access to our proxy materials over the Internet. This method allows us to deliver the proxy materials to you more quickly, lowers our costs and helps to conserve natural resources. Accordingly, we are sending a Notice of Internet Availability of Proxy Materials ("Notice of Availability") to our stockholders who have not asked us to provide proxy materials in printed form. All stockholders receiving the Notice of Availability can request a printed set of proxy materials. All stockholders can access the proxy materials at www.proxyvote.com, irrespective of whether they receive the Notice of Availability or a printed copy of the proxy materials. Instructions on how to access the proxy materials online or request a printed copy may be found in the Notice of Availability and in this Proxy Statement.

In addition, the Notice of Availability provides instructions to stockholders regarding receiving proxy materials in printed form by mail or electronically by email on an ongoing basis in the future. Choosing to receive future proxy materials by email will save us the cost of printing and mailing documents to you and will reduce the impact of our annual meetings on the environment. If you choose to receive future proxy materials by email, you will receive an email next year with instructions containing a link to those materials and a link to the proxy voting site. Your election to receive proxy materials by email will remain in effect until you terminate it.

Voting; Quorum; Abstentions and Broker Non-Votes

On April 4, 2014, the record date fixed by the Board for the Annual Meeting ("Record Date"), 50,052,592 shares of our common stock were outstanding, and there were no outstanding shares of any other class of stock. Each holder of common stock is entitled to one vote for each share of common stock held of record. Only stockholders of record at the close of business on April 4, 2014 will be entitled to notice of and to vote at the Annual Meeting or any postponement or adjournment thereof.

The required quorum for the transaction of business at the Annual Meeting is a majority of the shares entitled to vote at the Annual Meeting, present in person or represented by proxy. Shares of common stock represented by a properly signed and returned proxy will be treated as present at the Annual Meeting for purposes of determining a quorum, regardless of whether the proxy is marked as casting a vote or abstaining (an "abstention") or constitutes a broker non-vote.

Table of Contents

For Proposal 1, our Bylaws provide that, in the election of directors, the nominees receiving the highest number of votes, up to the number of directors to be elected, shall be elected; provided, that in an uncontested election, each nominee must agree that if elected, he or she will submit an irrevocable resignation promptly following the election if he or she fails to receive a majority of votes cast. An uncontested election (such as the election held at this Annual Meeting) means that there are as many candidates standing for election as there are vacancies on the Board. A majority of votes cast means that the number of shares cast "FOR" a director's election exceeds the number of votes cast "AGAINST" that director. Abstentions and broker non-votes are not considered a vote cast and, therefore, will have no effect on the outcome of the vote other than to reduce the number of affirmative votes required to elect a director. "Broker non-votes" are shares of stock held in record name by brokers or nominees for which instructions have not been received from the beneficial owners or persons entitled to vote and the broker or nominee does not have discretionary voting power under applicable rules or the instrument under which it serves in such capacity.

Proposals 2, 3 and 4 require the approval of a majority of the shares of common stock present in person or represented by proxy at the Annual Meeting and entitled to vote on such proposal. Abstentions as to these proposals will count as shares present and entitled to vote on the proposals and, accordingly, will count as votes "AGAINST" the proposal. Broker non-votes are not considered present and entitled to vote on the proposal and will have no effect on the outcome of the vote for the proposal, other than to reduce the number of affirmative votes required to approve the proposal.

Proxies

Proxies delivered pursuant to this solicitation are revocable prior to their exercise and at the stockholder's option by (i) attending and voting at the Annual Meeting (although attending the Annual Meeting itself will not revoke a proxy), or (ii) filing a written notice with Debby R. Zurzolo, our Secretary, revoking the proxy, or (iii) submitting another duly executed proxy bearing a later date. Unless previously revoked, all proxies representing shares entitled to vote delivered pursuant to this solicitation will be voted at the Annual Meeting by the named attorneys-in-fact and agents, to the extent authorized, in accordance with the directions contained therein.

If no directions are given, the shares represented by such proxies will be voted:

FOR the election of the Board's nominees for director: David Overton; Alexander L. Cappello; Jerome I. Kransdorf; Laurence B. Mindel; David B. Pittaway; Douglas L. Schmick; and Herbert Simon;

FOR an amendment to the 2010 Stock Incentive Plan to increase the number of shares available for issuance by shares, from 6,550,000 shares to 6,780,000 shares;

FOR the ratification of the selection of PricewaterhouseCoopers LLC as our independent registered public accounting firm for the fiscal year 2014, ending December 30, 2014; and

FOR approval of, on a non-binding, advisory basis, the compensation of the Company's Named Executive Officers as disclosed pursuant to the compensation disclosure rules of the SEC.

The named proxy holders may vote in their discretion upon such other matters as may properly come before the Annual Meeting, including any motion made for adjournment or postponement (including for purposes of soliciting additional votes).

Solicitation

We pay for the cost of preparing, assembling and mailing the Notice of Internet Availability of Proxy Materials, the Notice of Annual Meeting and Proxy Statement and the cost of this solicitation. Our directors, officers and other staff members may solicit proxies, without additional remuneration, in person

Table of Contents

or by telephone, facsimile or email transmission. Banks, brokerage houses and other custodians, nominees or fiduciaries will be asked to forward soliciting material to their principals and to obtain authorization for the execution of proxies, and we will reimburse them for their reasonable out-of-pocket expenses incurred in that regard.

PROPOSAL ONE
Election of Directors

General

Our Bylaws provide for a board of directors consisting of no less than five and no more than thirteen members. The exact number within this range is determined by resolution of the Board. The Board currently has set the number of directors at seven.

Nominees

The Corporate Governance and Nominating Committee of the Board ("Governance Committee") recommended the nomination, which the Board approved, of the following individuals for re-election to the Board for a term that will expire at the 2015 annual meeting of stockholders and until their respective successors shall be elected and duly qualified: David Overton; Alexander L. Cappello; Jerome I. Kransdorf; Laurence B. Mindel; David B. Pittaway; Douglas L. Schmick; and Herbert Simon. All nominees are current directors of the Company. For biographical information regarding the director nominees, please see the section entitled *Our Board of Directors and Director Nominees* in this Proxy Statement.

Unless a stockholder specifies otherwise, the shares represented by each returned proxy will be voted **FOR** the election of David Overton; Alexander L. Cappello; Jerome I. Kransdorf; Laurence B. Mindel; David B. Pittaway; Douglas L. Schmick; and Herbert Simon.

In the event that any of the nominees becomes unable or declines to serve as a director at the time of the Annual Meeting, the proxy holders will vote the proxies for any substitute nominee designated by the Board to fill the vacancy.

Required Vote

Our Bylaws provide that, in the election of directors, the nominees receiving the highest number of votes, up to the number of directors to be elected, shall be elected; provided, that in an uncontested election, each nominee must agree that if elected, he or she will submit an irrevocable resignation promptly following the election if he or she fails to receive a majority of votes cast. An uncontested election (such as the election held at this Annual Meeting) means that there are as many candidates standing for election as there are vacancies on the Board. A majority of votes cast means that the number of shares cast "FOR" a director's election exceeds the number of votes cast "AGAINST" that director. Abstentions and broker non-votes are not considered a vote cast and, therefore, will have no effect on the outcome of the vote other than to reduce the number of affirmative votes required to elect a director. "Broker non-votes" are shares of stock held in record name by brokers or nominees for which instructions have not been received from the beneficial owners or persons entitled to vote and the broker or nominee does not have discretionary voting power under applicable rules or the instrument under which it serves in such capacity.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE ELECTION OF DAVID OVERTON, ALEXANDER L. CAPPELLO, JEROME I. KRANSDORF, LAURENCE B. MINDEL, DAVID B. PITTAWAY, DOUGLAS L. SCHMICK AND HERBERT SIMON TO THE BOARD OF DIRECTORS.

Table of Contents

PROPOSAL TWO
Approval of an Amendment to the 2010 Stock Plan
to Increase Authorized Shares

Our Board believes that a balanced approach to compensation requires both short-term and long-term incentives. We provide long-term incentives in the form of equity compensation, which we believe aligns management's interests with the interests of our stockholders and fosters an ownership mentality that drives optimal decision-making for the long-term health and profitability of our Company. Equally important, equity compensation is critical to our continuing ability to attract, retain and motivate qualified corporate executives and restaurant management, as well as other restaurant, bakery and corporate employees. Utilizing equity compensation as a part of our total compensation strategy has been important to our past success, and we expect it to be crucial to achieving our long-term growth strategy. However, the current authorization under our 2010 Stock Incentive Plan ("2010 Stock Plan") is limited, and we are concerned that it may not provide enough shares for us to grant equity compensation through the first quarter of fiscal 2015 based on the current scope and structure of our equity incentive programs. Even though we use a value based approach to granting equity, if a significant increase in our stock price occurs, we still may not have a sufficient number of shares to meet our granting requirements through the first quarter of 2015, including shares for grant to our executives for fiscal year 2015, and if our stock price were to decrease, the deficiency would be even greater.

On April 3, 2014, the Board approved an amendment to our 2010 Stock Plan to increase the number of shares of common stock available for grant under the plan by 230,000 shares, from 6,550,000 shares to 6,780,000 shares (the "Amendment"). As of April 1, 2014, the last day of our first fiscal quarter of 2014:

1,860,320 options to purchase shares of our common stock with a weighted average exercise price of \$34.34 and weighted average remaining term of 6 years, and awards with respect to 1,728,950 shares of restricted stock and restricted stock units, were outstanding under the 2010 Stock Plan.

4,840,409 options to purchase shares of our common stock with a weighted average exercise price of 25.66 and weighted average remaining term of 4.2 years, and awards with respect to 1,769,694 shares of restricted stock and restricted stock units, were outstanding under the 2010 Stock Plan and all prior plans under which equity grants were made.

894,390 unissued shares remained available for future equity grants under the 2010 Stock Plan.

The proposed Amendment is intended to provide us with a sufficient number of shares to satisfy our equity grant requirements through and until our 2015 annual meeting of Stockholders ("2015 Annual Meeting"), based on the current scope and structure of our equity incentive programs and the rate at which we expect to grant stock options, restricted stock, stock units or other forms of equity compensation. If we do not receive approval of the proposed Amendment at the this Annual Meeting, our next opportunity to request stockholder approval of additional shares without holding a special meeting will be at the 2015 Annual Meeting. By that time, we are projected to exhaust the shares available for grant under the 2010 Stock Plan and be without the ability to maintain our total compensation strategy due to the inability to fully grant equity to our executives during the first half of fiscal 2015. If we exhaust the shares available for grant under the 2010 Stock Plan, we will be required to substantially alter our historically-successful compensation program, which includes equity as well as cash compensation to not only corporate executives but also a significant number of restaurant management personnel. This uncertainty with respect to the availability of sufficient equity places our long-term equity compensation planning at risk and would result in inconsistency in our compensation programs that could be detrimental to our goals of attracting, retaining and motivating our employees and aligning their interests with the interests of our stockholders.

The proposed Amendment requires approval by the vote of a majority of the shares of stock entitled to vote thereon, whether present in person or by proxy at the Annual Meeting.

Table of Contents

Background for the Current Request

The 2010 Stock Plan was approved by our stockholders at our 2010 annual meeting of stockholders and replaced our Amended and Restated 2001 Omnibus Stock Incentive Plan ("2001 Stock Plan") with respect to grants of future equity compensation awards to certain employees and consultants (collectively, "Selected Participants"). Any remaining authorized but unissued shares available for grant under the 2001 Stock Plan were canceled upon stockholder approval of the 2010 Stock Plan. At our 2011 annual meeting of stockholders, our stockholders approved an increase of one million (1,000,000) shares in the number of shares available for grant under the 2010 Stock Plan, from 3,800,000 shares to 4,800,000 shares and at our 2013 annual meeting of stockholders, our stockholders approved an increase of one million seven hundred fifty thousand (1,750,000) shares in the number of shares available for grant under the 2010 Stock Plan, from 4,800,000 shares to 6,550,000 shares. On April 3, 2014, our Board approved an increase (subject to stockholder approval at the Annual Meeting) of 230,000 shares in the number of shares available for grant under the 2010 Stock Plan, from 6,550,000 shares to 6,780,000 shares. This increase in the number of shares available for grant constitutes approximately 0.46% of our issued and outstanding shares of common stock of the Company as of the Record Date.

The 2010 Stock Plan permits the discretionary award of incentive stock options ("ISOs"), nonstatutory stock options ("NSOs"), restricted stock, stock units and/or SARs to Selected Participants. Non-employee members of our Board may not participate in the 2010 Stock Plan. As of the Record Date, our equity compensation programs have included grants of NSOs, restricted stock and stock units.

When approving the increase of 230,000 shares in the number of shares available for grant under the 2010 Stock Plan, from 6,550,000 shares to 6,780,000 shares, the Board considered a number of factors, including those set forth below.

Alignment with our Stockholders. Achieving superior, long-term results for our stockholders remains one of our primary objectives. In order for our employees to think and act like owners, we use equity as a central component of our overall compensation strategy at multiple levels of management within our Company. We believe that stock ownership enhances the alignment of the long-term economic interests of our employees and our stockholders.

We historically grant our annual equity awards in the first quarter of each fiscal year, which is also when we determine other components of compensation. We make additional grants periodically in connection with corporate management promotions, new hires and restaurant management entry into our Managing Equity Program, the program under which we grant equity awards to our general managers, executive kitchen managers, area directors of operation and area kitchen operations managers who satisfy all applicable eligibility requirements of the program. As of April 1, 2014, the last day of our first fiscal quarter of 2014, only 894,390 unissued shares were available for future equity grants under the 2010 Stock Plan. We project that between our 2014 Annual Meeting and 2015 Annual Meeting, awards covering approximately 1.2 million shares (applying the 2010 Stock Plan's fungible share counting methodology) will be granted under the 2010 Stock Plan. If the proposed Amendment to the 2010 Stock Plan is not approved by stockholders, we are likely to lose our ability to grant equity during the first quarter of 2015. As a result, our ability to adequately plan for annual grants in fiscal 2015 will be jeopardized. If we are unable to continue our current equity compensation program, our ability to align our employees' long-term economic interests with those of our stockholders will be significantly hampered.

Attract, Motivate and Retain High Performers. We compete for corporate and restaurant management talent in a variety of geographic and talent markets and strive to maintain compensation programs that are competitive in our industry in order to attract, motivate and retain high performers. Our use of equity compensation is not limited to corporate executives, but also extends to our restaurant management personnel, specifically our General Managers and Executive Kitchen Managers the individuals responsible for the day-to-day operations in our restaurants. As

Table of Contents

of the Record Date, approximately 410 corporate executives, restaurant management, bakery management and corporate support staff members have outstanding equity awards under the 2010 Stock Plan. We believe the equity component of our total compensation package contributes to the retention of these talented employees and helps us maintain one of the lowest turnover rates in our industry for these positions. If we are unable to grant equity as part of our overall compensation strategy due to the lack of adequate share authorization under our 2010 Stock Plan, our ability to attract and retain all levels of talent we need to operate our business successfully may be significantly harmed.

Equity vs. Cash Compensation. If the proposed Amendment to the 2010 Stock Plan is not approved by stockholders in 2014, we will have to substantially alter our historically-successful compensation program which includes equity as well as cash compensation. If we adopt alternative compensation programs that are more cash-based, we believe that the level of cash compensation required to offset the lack of availability of equity grants could result in (i) an increase in our compensation costs, which would be detrimental to our future operating results, and (ii) a decrease in our cash flow, which would reduce cash available to be returned to stockholders through means such as dividends and stock repurchase plans.

Balanced Approach to Compensation. We believe that a balanced approach to compensation—using a mix of salaries, performance-based bonus incentives and long-term equity incentives—encourages management to make decisions that favor long-term stability and profitability, rather than short-term results. If the proposed Amendment to the 2010 Stock Plan is not approved by stockholders, our ability to continue to retain this balanced approach to compensation would be hampered.

Burn Rate and Dilution. When deciding if, and by how much, to increase the number of shares available for grant under the 2010 Stock Plan, the Board evaluated both our current gross burn rate based on fiscal 2013 equity grants and the dilutive impact of the proposed share increase. Burn rate is the rate at which a company is granting equity compensation share awards. Using Institutional Shareholder Services' methodology, we express our burn rate as the gross number of such shares awarded as a percentage of our weighted average shares outstanding. Grants of full-value awards (e.g. restricted stock or restricted stock units) are adjusted in this computation and are multiplied by a factor based on our stock price volatility. Canceled or forfeited equity compensation awards are excluded from this calculation. Our three year average gross burn rate for fiscal years 2013, 2012, and 2011 is 3.66% versus an industry cap of 4.16%, as set forth by Institutional Shareholder Services for 2014. Therefore, the Board determined that our current and projected rate of equity compensation usage is reasonable. In addition, the Board considered whether the potential dilutive effect to stockholders is reasonable. Dilution is calculated by adding the number of shares subject to outstanding awards plus shares available to grant plus the proposed additional shares, and expressing such sum as a percentage of the total number of fully diluted outstanding shares. The Board considered that if we were to increase the number of shares available under the 2010 Stock Plan by 230,000 (which itself represents only 0.46% of our total number of outstanding shares), from 6,550,000 shares to 6,780,000, dilution would be approximately 15.5%. This represents a decrease from 16.6% dilution in 2013 and 23.8% dilution in 2012. This decrease is attributable to a significant decrease in the number of outstanding unexercised stock options and unvested restricted shares and restricted share units as well as a reduction in our shares outstanding as a result of our share repurchase program. We seek to offset stockholder dilution resulting from our equity compensation program by our previously announced share repurchase program. On July 22, 2013, the Board increased the authorization to repurchase the Company's common stock by 7.5 million shares to 48.5 million shares. Under this and all previous authorizations, we have cumulatively repurchased 38.9 million shares at a total cost of \$1,015.5 million through December 31, 2013, including 4.5 million shares of common stock at a cost of \$183.7 million during fiscal year 2013. The

Table of Contents

Company's share repurchase authorization does not have an expiration date, does not require the Company to purchase a specific number of shares and may be modified, suspended or terminated at any time.

After carefully considering each of these points, the Board strongly believes the proposed Amendment to the 2010 Stock Plan is essential for our future success and encourages stockholders to consider these points in voting to approve the proposed Amendment.

Proposed Amendment and Text of 2010 Stock Plan

Under the proposed Amendment, Section 5(a) of the 2010 Stock Plan would be amended in full to read as follows:

"Section 5. SHARES SUBJECT TO PLAN AND PLAN LIMITS.

(a) ***Basic Limitations and Fungible Share Counting.*** The Common Stock issuable under the Plan shall be authorized but unissued Shares or treasury Shares. Subject to adjustment as provided in Section 11, the aggregate number of Shares reserved for issuance under the Plan shall not exceed 6,780,000 Shares ("Share Issuance Limit"). Subject to Section 5(b), the number of Shares available for issuance under the Plan shall be reduced: by one (1) Share for each Share issued pursuant to an exercise of an Option or an SAR and by two (2) Shares for each Share issued pursuant to a Restricted Stock Grant or settlement of Stock Units (for avoidance of doubt, two (2) Shares shall again become available for issuance for every Share of a Restricted Stock Grant that is forfeited back to the Company under Section 5(b)). In addition, the following Shares may not again be made available for issuance under the Plan and shall count on a one-for-one basis against the Share Issuance Limit: (i) Shares not issued or delivered as a result of the net settlement of an outstanding SAR or Option, (ii) Shares used to pay the Exercise Price or withholding taxes related to an outstanding Award, or (iii) Shares repurchased on the open market with the proceeds of an Option's Exercise Price. The aggregate number of Shares that may be issued in connection with ISOs under the Plan shall not exceed 3,800,000 Shares."

In addition to the increase in shares from 6,550,000 shares to 6,780,000, the Amendment included certain perfunctory revisions to the 2010 Stock Plan. Stockholders are urged to review the 2010 Stock Plan and the proposed Amendment together with the following information, which is qualified in its entirety by reference to the complete text of the 2010 Stock Plan, as amended by our Board on February 26, 2013 and on April 3, 2014, and attached as *Appendix A* hereto. If there is any inconsistency between this Proposal 2 and the 2010 Stock Plan terms, or if there is any inaccuracy in this Proposal 2, the terms of the 2010 Stock Plan shall govern. If our stockholders do not approve the Amendment, the share increase will not take effect. However, the 2010 Stock Plan will remain in full effect according to its existing terms, and we will be able to continue to make awards under the 2010 Stock Plan subject to existing authorized share limits.

Summary of the 2010 Stock Plan

Background and Purpose of the 2010 Stock Plan. The purpose of the 2010 Stock Plan is to promote our long-term success and the creation of stockholder value by:

Attracting and retaining the services of employees and certain key service providers who would be eligible to receive grants as Selected Participants,

Aligning Selected Participants' interests with the interests of our stockholders through compensation that is based upon the performance of our common stock,

Motivating Selected Participants, through the award of equity compensation grants, to achieve long-term performance goals,

Providing a vehicle to grant equity compensation awards, which allows us to provide a balanced mix of compensation to our Selected Participants, and

Table of Contents

Providing a long-term compensation program that is competitive compared to other companies.

Eligibility to Receive Awards. Our employees and consultants, and those of certain of our affiliated companies, are eligible to receive awards under the 2010 Stock Plan. The 2010 Stock Plan Committee determines, in its discretion, the Selected Participants to be granted awards under the 2010 Stock Plan. As of April 1, 2014, approximately 391 employees (including 4 executive officers plus one executive officer who is also an employee director) and 0 non-employee consultants would be eligible to participate in the 2010 Stock Plan. The total number of employees employed by us as of April 1, 2014 is approximately 35,000. Non-employee directors are not eligible to participate in the 2010 Stock Plan.

Shares Subject to the 2010 Stock Plan. If stockholders approve the proposed Amendment to the 2010 Stock Plan pursuant to this Proposal 2, the maximum number of common shares that can be issued under the 2010 Stock Plan will increase by 230,000 shares, from 6,550,000 shares to 6,780,000 shares. We recognize the greater intrinsic value of restricted stock and stock units and, accordingly, we designed the 2010 Stock Plan so that shares issued as restricted stock and stock units, and which are not forfeited, count as two shares against this limit. The shares underlying forfeited or terminated awards become available again for issuance under the 2010 Stock Plan, but shares used to pay an award's exercise price or tax withholding obligations count against the 2010 Stock Plan's share limit.

Administration of the 2010 Stock Plan. The 2010 Stock Plan is administered by the 2010 Stock Plan Committee. The members of the 2010 Stock Plan Committee must be independent "Non-Employee Directors" under Rule 16b-3 of the Securities Exchange Act of 1934, and "outside directors" under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"). The Board has designated its Compensation Committee as the 2010 Stock Plan Committee, all of whose members are independent outside directors in accordance with the Nasdaq Listing Rules. Subject to the terms of the 2010 Stock Plan, the 2010 Stock Plan Committee has the sole discretion, among other things, to:

Select the individuals who will receive awards,

Determine the terms and conditions of awards (for example, performance conditions, if any, and vesting schedule),

Correct any defect, supply any omission, or reconcile any inconsistency in the 2010 Stock Plan or any award agreement,

Accelerate the vesting, extend the post-termination exercise term or waive restrictions of any awards at any time and under such terms and conditions as it deems appropriate, subject to the limitations set forth in the 2010 Stock Plan, and

Interpret the provisions of the 2010 Stock Plan and outstanding awards.

The 2010 Stock Plan Committee also may use the 2010 Stock Plan to issue shares under other plans or subplans as may be deemed necessary or appropriate, such as to provide for participation by non-U.S. employees and those of any of our subsidiaries and affiliates. In addition, awards may be subject to any policy that the Board may implement on the recoupment of compensation (referred to as a "clawback" policy). The members of the Board, the 2010 Stock Plan Committee and their delegates are indemnified by the Company to the maximum extent permitted by applicable law for actions taken or not taken with respect to the 2010 Stock Plan.

Types of Awards

Awards issued under the 2010 Stock Plan are evidenced by a written agreement executed by and between the Company and the Selected Participant. The written agreement recites the specific terms and conditions of the award.

Table of Contents

Stock Options. A stock option is the right to acquire shares at a fixed exercise price over a fixed period of time. The 2010 Stock Plan Committee determines the number of shares covered by each stock option and the exercise price of the shares subject to each stock option, but the per share exercise price cannot be less than the fair market value of a share of our common stock on the date of grant of the stock option.

Stock options granted under the 2010 Stock Plan may be either ISOs or NSOs. As required by the Code and applicable regulations, ISOs are subject to various limitations not imposed on NSOs. For example, the exercise price for any ISO granted to any employee owning more than 10% of our common stock may not be less than 110% of the fair market value of the common stock on the date of grant, and such ISO must expire not later than five years after the grant date. The aggregate fair market value (determined at the date of grant) of common stock subject to all ISOs held by a participant that are first exercisable in any single calendar year cannot exceed \$100,000. ISOs may not be transferred other than upon death, or to a revocable trust where the participant is considered the sole beneficiary of the stock option while it is held in trust. The 2010 Stock Plan provides that no more than 3,800,000 shares may be issued pursuant to the exercise of ISOs.

A stock option granted under the 2010 Stock Plan generally cannot be exercised until it vests. The 2010 Stock Plan Committee establishes the vesting schedule of each stock option at the time of grant. The maximum term for stock options granted under the 2010 Stock Plan prior to February 2013 could not exceed ten years from the date of grant and, thereafter, may not exceed eight years from the date of grant, although the 2010 Stock Plan Committee may establish a shorter period at its discretion. The 2010 Stock Plan Committee has historically granted options with an eight-year term. As of the Record Date, no ISOs have been granted under the 2010 Stock Plan.

The exercise price of each stock option granted under the 2010 Stock Plan must be paid in full at the time of exercise, either with cash, through a broker-assisted "cashless" exercise and sale program, or through another method approved by the 2010 Stock Plan Committee. The optionee must pay any taxes that we are required to withhold at the time of exercise.

Restricted Stock. Awards of restricted stock are shares of common stock that vest in accordance with the terms and conditions established by the 2010 Stock Plan Committee. The 2010 Stock Plan Committee also determines any other terms and conditions of a restricted stock award. In determining whether a restricted stock award should be made, and/or the vesting schedule for any such award, the 2010 Stock Plan Committee may impose whatever conditions to vesting it determines to be appropriate; provided, however, that generally no vesting will be permitted until at least one year after grant.

Stock Units. Stock units are the right to receive an amount of shares or cash or any combination thereof equal to the fair market value of the shares covered by the stock unit at some future date after the grant. The 2010 Stock Plan Committee determines all of the terms and conditions of an award of stock units, including the vesting period; provided, however, that generally no vesting will be permitted until at least one year after grant. Upon each vesting date of a stock unit, a Selected Participant will be entitled to receive an amount of shares or cash, or any combination thereof, equal to the then fair market value of the shares on the settlement date. The 2010 Stock Plan Committee may determine that an award of stock units will vest only if we satisfy performance goals established by the 2010 Stock Plan Committee. Settlement of stock units generally occurs within thirty days of vesting, unless the Selected Participant has timely elected to defer such compensation.

Stock Appreciation Rights ("SARs"). An SAR is the right to receive, upon exercise, an amount equal to the difference between the fair market value of the shares covered by the SAR on the date of exercise and the fair market value of those shares on the date of grant. The 2010 Stock Plan Committee determines the terms of SARs, including the exercise price (provided that the exercise price per share cannot be less than the fair market value of a share of our common stock on the date of grant), the vesting schedule and

Table of Contents

the term of the SAR. The maximum term life for SARs granted under the 2010 Stock Plan prior to February 2013 could not exceed ten years and, thereafter, may not exceed eight years from the date of grant, subject to the 2010 Stock Plan Committee's discretion to establish a shorter period. The 2010 Stock Plan Committee may determine that an SAR will only be exercisable if we satisfy performance goals established by the 2010 Stock Plan Committee. Settlement of an SAR may be in shares of common stock or in cash, or any combination thereof, as the 2010 Stock Plan Committee may determine. As of the Record Date, no SARs have been granted under the 2010 Stock Plan.

Other Provisions of the 2010 Stock Plan

Performance Conditions and Annual Grant Limits. The 2010 Stock Plan specifies performance conditions that the 2010 Stock Plan Committee may include in awards intended to qualify as performance-based compensation under Code Section 162(m). These performance criteria are limited to one or more of the following target objectives involving us or a subsidiary or affiliate of ours: return on equity; earnings per share; net income; earnings per share growth; return on invested capital; return on assets; economic value added; earnings before interest and taxes (EBIT); revenue growth; gross margin return on inventory investment; fair market value or price of the Company's shares (including, but not limited to, growth measures and total stockholder return); operating profit; consolidated income from operations; cash flow (including, but not limited to, cash flow from operations and free cash flow); cash flow return on investments (which equals net cash flow divided by total capital); internal rate of return; net present value; costs or expenses; market share; guest satisfaction; corporate transactions including without limitation mergers, acquisitions, dispositions and/or joint ventures; product development; capital expenditures; earnings before interest, taxes, depreciation and amortization (EBITDA), and/or revenues.

The 2010 Stock Plan imposes the following individual fiscal year grant limits on awards that are intended to constitute qualified performance-based compensation under Code Section 162(m): stock options and SARs representing 200,000 shares; and 100,000 shares of restricted stock and stock units. These grant limits are doubled for awards granted in the fiscal year to a "Covered Employee" (defined under Section 162(m) of the Internal Revenue Code as our principal executive officer and each of the other three most highly compensated officers (other than the principal financial officer) upon commencement of employment, an employee who is promoted to the position of our chief executive officer, or to an employee when he or she first becomes a Covered Employee. It is impossible to be certain that all 2010 Stock Plan Awards or any other compensation paid by the Company to Covered Employees, will be tax deductible and not all awards granted under the 2010 Stock Plan to Covered Employees or other participants include qualified performance-based conditions. Further, the 2010 Stock Plan does not preclude the 2010 Stock Plan Committee from making other compensation payments outside of the 2010 Stock Plan to Covered Employees, even if such payments do not qualify for tax deductibility under Code Section 162(m). See also the section under the heading "Internal Revenue Code Section 162(m) Limits" below for further information on Code Section 162(m).

Dividend Rights. In the third quarter of fiscal 2012, our Board initiated a dividend payable on shares of our common stock, including Restricted Stock granted under the 2010 Stock Plan. Any dividends on shares of unvested Restricted Stock issued under the 2010 Stock Plan are accrued rather than paid to the holder and are subject to the same vesting conditions and restrictions as the underlying shares of Restricted Stock with respect to which the dividends are paid. Accrued dividends are paid at the time the underlying Restricted Stock grant vests or are forfeited if the grant does not vest according to its terms.

Limited Transferability of Awards. Awards granted under the 2010 Stock Plan generally are not transferrable other than upon death or pursuant to a court-approved domestic relations order. However, the 2010 Stock Plan Committee may, in its discretion, permit the transfer of awards other than ISOs. Generally, where transfers are permitted, they will be permitted only by gift to a member of the Selected Participant's immediate family or to a trust or other entity for the benefit of the member(s) of the Selected Participant and/or his or her immediate family.

Table of Contents

Termination of Employment, Death or Disability. The 2010 Stock Plan determines the effect of the termination of employment on awards, which determination may be different depending on the nature of the termination, such as terminations due to cause, resignation, death, disability or retirement, and the status of the award as vested or unvested, unless the Award agreement or a Selected Participant's employment agreement provides otherwise.

Adjustments upon Changes in Capitalization. In the event of a stock split of our outstanding shares, stock dividend, dividend payable in a form other than shares in an amount that has a material effect on the price of the shares, consolidation, combination or reclassification of the shares, recapitalization, spin-off, or other similar occurrence, then the number and class of shares issued under the 2010 Stock Plan and subject to each award, as well as the number and class of shares available for issuance under the 2010 Stock Plan and the per-participant fiscal grant limits, shall each be equitably and proportionately adjusted by the 2010 Stock Plan Committee.

Corporate Transaction. In the event that we are a party to a merger or other reorganization, outstanding 2010 Stock Plan awards will be subject to the agreement of merger or reorganization. Such agreement may provide for (i) the continuation of the outstanding awards by us if we are a surviving corporation, (ii) the assumption of the outstanding awards by the surviving corporation or its parent, (iii) full exercisability or full vesting, or (iv) cancellation of outstanding awards with or without consideration, in all cases with or without consent of the Selected Participant. The Board or 2010 Stock Plan Committee need not adopt the same rules for each award or Selected Participant.

Change in Control. The 2010 Stock Plan Committee will decide the effect of a change in control of the Company on outstanding awards. The 2010 Stock Plan Committee may, among other things, provide that awards will fully vest upon a change in control, or upon a change in control followed by an involuntary termination of employment within a certain period of time, unless a participant's employment agreement, if any, provides otherwise.

Term of the 2010 Stock Plan. The 2010 Stock Plan is effective until February 24, 2020, or until earlier terminated by the Board.

Governing Law. The 2010 Stock Plan is governed by the laws of the State of Delaware (which is the state of our incorporation), except for conflict of law provisions.

Amendment and Termination of the 2010 Stock Plan. The Board generally may amend or terminate the 2010 Stock Plan at any time and for any reason, except that it must obtain stockholder approval of material amendments, including any addition of shares or repricing of stock options or stock appreciation rights after the date of their grant as required by NASDAQ Listing Rules.

Certain Federal Income Tax Information

The following is a general summary, as of March 2014, of the federal income tax consequences to us and to U.S. participants for awards granted under the 2010 Stock Plan. The federal tax laws may change and the federal, state and local tax consequences for any participant will depend upon his or her individual circumstances. This summary is not intended to be exhaustive and does not discuss the tax consequences of a participant's death or provisions of income tax laws of any municipality, state or other country. We advise participants to consult with a tax advisor regarding the tax implications of their awards under the 2010 Stock Plan.

Incentive Stock Options. For federal income tax purposes, the holder of an ISO has no taxable income at the time of the grant or exercise of the ISO. If such person retains the common stock acquired under the ISO for a period of at least two years after the stock option is granted and one year after the stock option is exercised, any gain upon the subsequent sale of the common stock will be taxed as a long-term capital gain. A participant who disposes of shares acquired by exercise of an ISO prior to the

Table of Contents

expiration of two years after the stock option is granted or before one year after the stock option is exercised will realize ordinary income equal to the lesser of (i) the excess of the fair market value over the exercise price of the shares on the date of exercise, or (ii) the excess of the amount realized on the disposition over the exercise price for the shares. Any additional gain or loss recognized upon any later disposition of the shares would be a short- or long-term capital gain or loss, depending on whether the shares have been held by the participant for more than one year. Utilization of losses is subject to special rules and limitations. The difference between the option exercise price and the fair market value of the shares on the exercise date of an ISO is an adjustment in computing the holder's alternative minimum taxable income and may be subject to an alternative minimum tax which is paid if such tax exceeds the participant's regular income tax for the year.

Nonstatutory Stock Options. A participant who receives an NSO generally will not realize taxable income on the grant of such option, but will realize ordinary income at the time of exercise of the stock option equal to the difference between the option exercise price and the fair market value of the stock on the date of exercise. Any additional gain or loss recognized upon any later disposition of the shares would be short- or long-term capital gain or loss, depending on whether the shares had been held by the participant for more than one year, or such other period of time as may then be required to qualify for long-term capital gain or loss under applicable tax rules.

Restricted Stock. A participant will generally not have taxable income upon grant of unvested restricted shares unless he or she elects to be taxed at that time pursuant to an election under Code Section 83(b). Instead, he or she will recognize ordinary income at the time(s) of vesting equal to the fair market value (on each vesting date) of the shares or cash received minus any amount paid for the shares, if any.

Stock Units. No taxable income is generally reportable when unvested stock units are granted to a participant. Upon settlement of the vested stock units, the participant will recognize ordinary income in an amount equal to the fair market value of the shares issued or payment received in connection with the vested stock units.

Stock Appreciation Rights. No taxable income is generally reportable when a stock appreciation right is granted to a participant. Upon exercise, the participant will recognize ordinary income in an amount equal to the amount of cash received plus the fair market value of any shares received. Any additional gain or loss recognized upon any later disposition of any shares received would be a short- or long-term capital gain or loss, depending on whether the shares had been held by the participant for one year or more, or such other period of time as may then be required to qualify for long-term capital gain or loss under applicable tax rules.

Income Tax Effects for the Company. We generally will be entitled to a tax deduction in connection with an award under the 2010 Stock Plan in an amount equal to the ordinary income realized by a participant at the time the participant recognizes such income (for example, upon the exercise of an NSO).

Internal Revenue Code Section 162(m) Limits. Section 162(m) of the Code places a limit of \$1 million on the amount of compensation that we may deduct in any one fiscal year with respect to our Covered Employees. The 2010 Stock Plan is intended to enable certain awards to constitute performance-based compensation not subject to the annual deduction limitations of Section 162(m) of the Code. However, to maintain flexibility in compensating executive officers in a manner designed to promote varying corporate goals, the Board has not adopted a policy that all compensation must be tax deductible or be intended to qualify as performance-based compensation and certain grants made to Covered Employees under the 2010 Stock Plan may not be deductible by the Company, in whole or in part.

Internal Revenue Code Section 280G. For certain persons, if a change in control of the Company causes an award to vest or become newly payable, or if the award was granted within one year of a change

Table of Contents

in control and the value of such award or vesting or payment, when combined with all other payments in the nature of compensation contingent on such change in control, equals or exceeds the dollar limit provided in Section 280G of the Code (generally, this dollar limit is equal to three times the five-year historical average of the individual's annual compensation received from the Company), then the entire amount exceeding the individual's average annual compensation will be considered an excess parachute payment. The recipient of an excess parachute payment must pay a 20% excise tax on this excess amount and the Company cannot deduct the excess amount from its taxable income.

Internal Revenue Code Section 409A. Section 409A of the Code governs the federal income taxation of certain types of nonqualified deferred compensation arrangements. A violation of Section 409A of the Code generally results in an acceleration of the recognition of income of amounts intended to be deferred and the imposition of a federal excise tax of 20% on the employee over and above the income tax owed, plus possible penalties and interest. The types of arrangements covered by Section 409A of the Code are broad and may apply to certain awards available under the 2010 Stock Plan (such as stock units). The intent is for the 2010 Stock Plan, including any awards available thereunder, to comply with the requirements of Section 409A of the Code to the extent applicable. As required by Code Section 409A, certain nonqualified deferred compensation payments to specified employees may be delayed to the seventh month after such employee's separation from service.

New Plan Benefits. All 2010 Stock Plan awards are granted at the 2010 Stock Plan Committee's discretion, subject to the limitations contained in the 2010 Stock Plan. Therefore, future benefits and amounts that will be received or allocated under the 2010 Stock Plan are not presently determinable. For information with respect to equity grants made to our "Named Executive Officers" (i.e, our Chief Executive Officer, President, Chief Financial Officer, General Counsel and President-The Cheesecake Factory Bakery Incorporated) in fiscal 2013 under the 2010 Stock Plan, please see the sections entitled *Grant of Plan Based-Awards in Fiscal 2013, Equity Grants in 2014 and Outstanding Equity Awards* in this Proxy Statement. As of April 1, 2014 the fair market value of a share of our common stock (as determined by the closing price quoted by the NASDAQ Global Select Market on that date) was \$48.80.

Existing Plan Benefits The following table sets forth the number of shares subject to all stock options granted through April 1, 2014 under the 2010 Stock Plan. These share numbers do not take into account the effect of options that have been exercised or were cancelled or that expired unexercised and do not reflect shares subject to other types of awards that have been granted to participants under the 2010 Stock Plan.

Name and Position	Number of Option Shares
David Overton, Chairman of the Board and Chief Executive Officer	590,000
David M. Gordon, President*	83,500
Michael E. Jannini, former President*	40,000
W. Douglas Benn, Executive Vice President and Chief Financial Officer	66,500
Debby R. Zurzolo, Executive Vice President and General Counsel, and Secretary	60,000
Max S. Byfuglin, President, The Cheesecake Factory Incorporated Bakery	57,500
All current executive officers as a group*	857,500
All non-employee directors as a group**	0
All employees as a group (excluding executive officers)	1,230,750

*

Mr. Jannini's employment with the Company terminated on February 16, 2013. David M. Gordon was appointed President of the Company effective February 18, 2013.

**

Non-employee directors are not eligible to participate in the 2010 Stock Plan.

Table of Contents**Equity Compensation Plan Information**

The following table sets forth information concerning the shares of common stock that may be issued upon exercise of options under all of our equity compensation plans as of December 31, 2013, the last day of fiscal 2013. Please see page 4 of this Proxy Statement for information regarding the number of shares available for future issuance as of April 1, 2014, the last day of our first fiscal quarter of 2014.

	Number of Securities to be Issued Upon Exercise of Outstanding Options	Weighted Average Exercise Price of Outstanding Options (\$)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans(1)
Equity compensation plans approved by stockholders(2)	4,827,905	23.70	1,742,590
Equity compensation plans not approved by stockholders			
Total	4,827,905	23.70	1,742,590

(1) Shares may be issued upon exercise of options or stock appreciation rights, as awards of restricted shares, awards of deferred shares or as payment for performance shares or performance units.

(2) Our 2010 Stock Plan was approved by our stockholders on June 2, 2010, and amended by our Board on February 26, 2013 and April 3, 2014. The 2010 Stock Plan replaced the 2001 Stock Plan with respect to equity grants made on or after June 2, 2010. Any remaining shares available for grant under the 2001 Stock Plan were canceled upon stockholder approval of the 2010 Stock Plan. Our 2001 Stock Plan and Non-Employee Director Stock Plan each were approved by the stockholders in 2001 and 1997, respectively, and amendments thereto were subsequently approved by our stockholders at our 2004 annual meeting. The Non-Employee Director Stock Plan expired on May 13, 2007, and we currently do not have a stock plan from which we grant shares to non-employee directors. In 2000, our Board adopted the Year 2000 Omnibus Performance Stock Plan ("2000 Plan") which was subsequently amended by the Board and approved by our stockholders at the 2004 annual meeting of stockholders. Of the total number of shares to be issued upon exercise of options outstanding at January 1, 2014, 12,500 shares were outstanding under the 2000 Plan pursuant to options granted prior to approval of the 2000 Plan by our stockholders. Named Executive Officers were not eligible to participate in the 2000 Plan, which expired on May 18, 2009.

Required Vote

We are asking you to approve the Amendment to the 2010 Stock Plan to increase the share authorization by 230,000 shares, from 6,550,000 shares to 6,780,000 shares. This approval requires the affirmative vote of a majority of the shares of our common stock present in person or represented by proxy at the Annual Meeting and entitled to be voted on Proposal 2. Abstentions will be included in the number of shares present and entitled to vote on this Proposal 2 and will have the effect of a vote "AGAINST" this Proposal 2. Broker non-votes will not be considered as present and entitled to vote on this Proposal 2. Therefore, a broker non-vote will not be counted and will have no effect on this Proposal 2 other than to reduce the number of affirmative votes required to approve this proposal.

**THE BOARD UNANIMOUSLY RECOMMENDS A VOTE FOR APPROVAL OF
THE AMENDMENT TO THE 2010 STOCK PLAN
TO INCREASE THE SHARE AUTHORIZATION**

Table of Contents

PROPOSAL THREE
Ratification of Selection of Independent Registered Public Accounting Firm

The Audit Committee of our Board has selected PricewaterhouseCoopers LLP ("PwC") as our independent registered public accounting firm to conduct the audit of our books and records for fiscal 2014. PwC has served as our independent registered public accounting firm since our initial public offering in 1992. Representatives of PwC are expected to be present at the Annual Meeting to respond to appropriate questions and to make a statement should they so desire.

Although our governing documents do not require us to submit this matter to stockholders, the Board believes that asking stockholders to ratify the appointment is consistent with best practices in corporate governance. If stockholders do not ratify the selection of PwC, the Audit Committee will regard such vote as a direction to consider the selection of a different independent registered public accounting firm. Even if the selection of PwC is ratified by the stockholders, the Audit Committee has the discretion to select a different independent registered public accounting firm at any time if it determines that a change would be in our and our stockholders' best interests.

Independent Registered Public Accounting Firm Fees and Services

The following table sets forth the aggregate fees billed by PwC to us during the last two fiscal years:

	Fiscal 2013	Fiscal 2012
Audit Fees	\$ 579,388	\$ 559,629
Audit-Related Fees		
Tax Fees	32,294	29,419
All Other Fees	1,800	1,800
Total Fees	\$ 613,482	\$ 590,847

Audit Fees represent the aggregate fees billed by PwC for the audit of our annual financial statements included in the Annual Report on Form 10-K, review of financial statements included in the Quarterly Reports on Form 10-Q, the audit of our internal control over financial reporting with the objective of obtaining reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects, and services normally provided by our independent registered public accounting firm in connection with statutory and regulatory filings or engagements.

Tax Fees represent the aggregate fees billed by PwC for tax compliance services, tax advice and tax planning services.

All Other Fees represent the aggregate fees billed by PwC for access to their accounting literature research tool.

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Our Independent Registered Public Accounting Firm

The Audit Committee is responsible for appointing, setting compensation for and overseeing the work of our independent registered public accounting firm. The Audit Committee established a policy requiring that it pre-approve all audit and permissible non-audit services provided by the independent auditor. The Audit Committee considers whether such services are consistent with SEC rules on auditor independence as well as whether the independent auditor can provide the most effective and efficient service, for reasons such as familiarity with our business, staff members, culture, accounting systems, risk profile and other factors, and input from our management. The Audit Committee's charter authorizes the Audit Committee to delegate to one or more of its members the authority to pre-approve audit and permissible non-audit services, provided that those members report any pre-approvals to the full Audit Committee. The Audit

Table of Contents

Committee delegated the authority to address any requests for pre-approval of services between Audit Committee meetings to its Chair, provided that the amount of fees for any particular services requested does not exceed \$10,000 and the Chair reports any pre-approval decisions to the Audit Committee at its next scheduled meeting. The policy prohibits the Audit Committee from delegating to management the Audit Committee's responsibility to pre-approve permitted services of the independent registered public accounting firm. In addition, the policy prohibits our auditors from providing internal control-related services to us unless such engagement has been specifically pre-approved by the Audit Committee. None of the services related to the *Tax Fees* described above was approved by the Audit Committee pursuant to the waiver of pre-approval provisions set forth in applicable rules of the SEC.

Required Vote

The ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal 2014 requires the affirmative vote of a majority of the shares of common stock present in person or by proxy and entitled to vote on the proposal at the Annual Meeting. Abstentions will be included in the number of shares present and entitled to vote on this Proposal 3 and will have the effect of a vote "AGAINST" Proposal 3. Broker non-votes will not be considered as present and entitled to vote on this Proposal 3. Therefore, a broker non-vote will not be counted and will have no effect on this Proposal 3 other than to reduce the number of affirmative votes required to approve this proposal.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE RATIFICATION OF THE SELECTION OF PRICEWATERHOUSECOOPERS LLC AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL 2014.

Table of Contents

PROPOSAL FOUR
Non-Binding Advisory Vote on Executive Compensation

In accordance with Section 14A of the Securities Exchange Act of 1934, as amended ("Exchange Act"), and as a matter of good corporate governance practices, we are asking our stockholders to approve, on a non-binding, advisory basis, the compensation of our Named Executive Officers as disclosed pursuant to the compensation disclosure rules of the SEC (commonly referred to as a "say-on-pay vote"). We intend to present this non-binding, advisory vote on executive compensation to our stockholders on an annual basis. Accordingly, you may vote on the following resolution at the 2014 Annual Meeting:

"RESOLVED, that the compensation paid to the Company's Named Executive Officers as disclosed pursuant to the compensation disclosure rules of the SEC, including the Compensation Discussion and Analysis, the accompanying compensation tables, and the related narrative disclosure contained in this Proxy Statement, is hereby APPROVED."

As described in detail in the *Compensation Discussion and Analysis* section of this Proxy Statement, our compensation programs are designed to motivate our executives to drive the success of our Company. We believe that our compensation programs play a material role in our ability to achieve strong financial results, even during difficult economic times, and attract, retain and motivate a highly experienced and successful team to manage our Company. Our compensation programs, with a balance of short-term incentives (including performance-based cash bonus awards), long-term incentives (including stock options and restricted stock awards that generally vest over five years) and executive stock ownership guidelines, reward sustained performance that is aligned with long-term stockholder interests. Stockholders are encouraged to read the *Compensation Discussion and Analysis*, the accompanying compensation tables, and the related narrative disclosure contained in this Proxy Statement for a full description of our executive compensation programs.

This vote is advisory only and non-binding. The Board and the Compensation Committee, which is comprised solely of independent directors, will consider the outcome of this vote when making future executive compensation decisions to the extent appropriate.

Required Vote

The approval of the resolution set forth above requires the affirmative vote of a majority of the shares of common stock present in person or by proxy and entitled to vote on the proposal at the Annual Meeting. Abstentions will be included in the number of shares present and entitled to vote on this Proposal 4 and will count as a vote "AGAINST" Proposal 4. Broker non-votes will not be considered as present and entitled to vote on this Proposal 4. Therefore, a broker non-vote will not be counted and will have no effect on this Proposal 4 other than to reduce the number of affirmative votes required to approve this proposal.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE APPROVAL, ON A NON-BINDING, ADVISORY BASIS, OF THE RESOLUTION SET FORTH ABOVE.

Table of Contents**BOARD OF DIRECTORS AND CORPORATE GOVERNANCE****Our Board of Directors and Director Nominees**

The Board nominated all seven of the Company's current directors for re-election at the Annual Meeting to serve a one-year term expiring at the next annual meeting of shareholders and until their respective successors are elected and duly qualified. At the Annual Meeting, proxies cannot be voted for a greater number of individuals than the seven nominees named in this Proxy Statement.

Name	Age	Position	Director Since	Current Term Expiration
David Overton	68	Chairman of the Board, Chief Executive Officer	1992	2014
Alexander L. Cappello	58	Director	2008	2014
Jerome I. Kransdorf	75	Lead Director	1997	2014
Laurence B. Mindel	76	Director	2012	2014
David B. Pittaway	62	Director	2009	2014
Douglas L. Schmick	66	Director	2012	2014
Herbert Simon	79	Director	2011	2014

David Overton has served as our Chairman of the Board and Chief Executive Officer since our incorporation in February 1992. He co-founded the Company with his parents, Evelyn and Oscar Overton. Mr. Overton created the Company's namesake restaurant and opened the first The Cheesecake Factory restaurant in 1978 in Beverly Hills, California. He grew The Cheesecake Factory® into an international chain and created two other concepts, Grand Lux Cafe® and RockSugar Pan Asian Kitchen®. Under Mr. Overton's leadership, the Company's revenues reached \$1.87 billion in 2013, with The Cheesecake Factory leading the casual dining industry in average annual sales per restaurant of \$10.4 million in fiscal 2013. Mr. Overton's professional honors include the International Foodservice Manufacturers Association "Silver Plate Award," recognizing the most outstanding and innovative talent in foodservice operations; the "Executive of the Year Award" from Restaurants & Institutions Magazine; the "MenuMasters Hall of Fame Award" from Nation's Restaurant News, for his outstanding contributions to menu design and foodservice research and development, and the "Entrepreneur of the Year" in the Food Services category for the Los Angeles region by Ernst & Young, for his demonstrated excellence and extraordinary success in innovation, performance and personal commitment to The Cheesecake Factory and the communities our restaurants serve. In 2013, Mr. Overton was honored with the Leadership Roundtable-Industry Leadership Award. Mr. Overton is also one of the founding members and directors of The Cheesecake Factory Oscar and Evelyn Overton Charitable Foundation ("Foundation"), a 501(c)(3) qualified, non-profit charitable organization which raises funds for a variety of worthy causes and provides a means for the Company's staff members to perform charitable work in their communities.

Alexander L. Cappello is Chairman and Chief Executive Officer of Cappello Global LLC, a global merchant banking firm. He formerly served as Chairman and Chief Executive Officer of Cappello Capital Corp, which conducted business in over 50 countries. Mr. Cappello has 40 years of global experience in corporate management, corporate finance, investment banking and merchant banking. He currently serves as a director of a number of private companies, as well as an advisory board member of the RAND Corporation Center for Middle East Public Policy. In addition, he served as a director for a number of public companies prior to their acquisition or privatization, including Koo Koo Roo, Inc., Cytrx Corp. and Genius Products, Inc.

Table of Contents

Jerome I. Kransdorf has more than 45 years of investment management experience. He currently serves as President of JaK Direct, a division of Muriel Siebert & Co., Inc. From 1997 to 2001, Mr. Kransdorf served as Senior Vice President of J. & W. Seligman & Co. Incorporated, an investment advisory firm. From 1959 to 1997, he was employed in investment and senior management positions at Wertheim & Co. and its successor companies.

Laurence B. Mindel has 44 years of experience as a restaurant creator, developer and operator and is currently a Managing Partner of Poggio Trattoria, an award-winning Italian restaurant and Copita Tequileria Y Comida, a "modern" Mexican restaurant, both located in Sausalito, California. In 1970, he co-founded Spectrum Foods whose restaurant portfolio included, among others, California-based restaurants Ciao, Prego, MacArthur Park, Guaymas and Harry's Bar. Following the acquisition of Spectrum Foods by Saga Corp. (NYSE) in 1984, Mr. Mindel served as President of Saga's restaurant group where he directed the operations of more than 200 restaurants with combined revenue of over \$375 million. When Saga was acquired in 1986, Mr. Mindel founded Il Fornaio, a restaurant and bakery company which became public in 1997 (NASDAQ) and was subsequently taken private in 2001. His professional honors include Nation's Restaurant News "Golden Chain" award, International Foodservice Manufacturers Association "Gold Plate" award, and Food Arts Magazine "Silver Spoon" award and in 1998, he was inducted into the California Restaurant Association's Hall of Fame. In 1985, Mr. Mindel became the first American and the first person of non-Italian descent to be awarded the Caterina de Medici Medal from the Italian government, recognizing excellence in the preservation of Italian heritage outside of Italy.

David B. Pittaway is Senior Managing Director, Senior Vice President and Secretary of Castle Harlan, Inc., a private equity firm. He has been with Castle Harlan since 1987. Mr. Pittaway also has served as Vice President and Secretary of Branford Castle, Inc., an investment company, since October 1986. From 1987 to 1998, Mr. Pittaway was Vice President, Chief Financial Officer and a director of Branford Chain, Inc., a marine wholesale company, where he is now a director and Vice Chairman. Previously, Mr. Pittaway was Vice President of Strategic Planning and Assistant to the President of Donaldson, Lufkin & Jenrette, Inc., an investment banking firm. Mr. Pittaway is a member of the boards of directors of Bravo Brio Restaurant Group (BRIO) and the Dystrophic Epidermolysis Bullosa Research Association of America. He was formerly a director of Morton's Restaurant Group and McCormick & Schmick's Seafood Restaurants. In addition, he is a director and co-founder of the Armed Forces Reserve Family Assistance Fund.

Douglas L. Schmick began his restaurant career over 40 years ago and developed several brands, most notably McCormick & Schmick's Fresh Seafood Restaurants. Beginning with Jake's Famous Crawfish restaurant in Portland, Oregon, Mr. Schmick and his partner became leaders and innovators in the affordable, upscale seafood segment and grew the McCormick & Schmick's organization to 96 restaurants nationwide. Mr. Schmick served as Chief Executive Officer and Chairman of the Board for that company from 1974 through 1999 and again from 2007 through 2008. During those years, he guided McCormick & Schmick's through several iterations of ownership, including becoming a publicly-traded company in 2004. He then served as Chairman of the Board until the company's sale in 2012. In 2013, Mr. Schmick joined the Board of Directors of Chuy's Inc., a public company, and Anthony's Coal Fired Pizza, a private group. Mr. Schmick has received many accolades for his work in the restaurant industry, including being named the Ernst & Young Regional Entrepreneur of the Year in 2008.

Herbert Simon is the Chairman Emeritus of the board of Indianapolis-based Simon Property Group, Inc., a member of the S&P 500 and the largest U.S. publicly-traded real estate company, and has served on its board since 1993. Throughout his career, Mr. Simon has maintained a leadership position within the retail property industry by developing high profile retail facilities, including, but not limited to, The Forum Shops at Caesars, Roosevelt Field, and The Fashion Centre at Pentagon City. Additional diversified business interests beyond real estate include ownership of a National Basketball Association's franchise, the Indiana Pacers. Mr. Simon also served as the former Chairman of the National Basketball

Table of Contents

Association's Board of Governors and continues to serve as a member of such board. He is also active in numerous community and civic organizations

Except as set forth above, each nominee has been engaged in his principal occupation described above during the past five years. There are no family relationships between any of our directors or executive officers as defined under SEC and NASDAQ rules.

Director Independence

The Board has determined each of the following directors to be an "independent director" as defined under SEC and NASDAQ rules and under the Company's *Policies and Procedures Regarding Board of Director Candidates* discussed below in the *Director Nominations Process* section of this Proxy Statement: Alexander L. Cappello; Jerome I. Kransdorf; Laurence B. Mindel; David B. Pittaway; Douglas L. Schmick; and Herbert Simon. In this Proxy Statement, these six directors are referred to individually as an "Independent Director" and collectively as the "Independent Directors."

Board Leadership Structure and Lead Director

Our Chief Executive Officer, David Overton, also serves as Chairman of our Board. Mr. Overton, who founded the Company along with his parents, Oscar and Evelyn Overton, was the driving force behind the creation and opening of The Cheesecake Factory restaurant concept and has served in a combined role as Chief Executive Officer and Chairman since 1992. We believe this leadership structure enables Mr. Overton to function as the critical link between the Board and the operating organization. It also streamlines communications with and among the Board on key topics such as our strategic objectives and long-term planning.

In addition to Mr. Overton's leadership on the Board, we determined that the appointment of an independent, lead director ("Lead Director") would be appropriate in order to establish another layer of Board oversight, share certain responsibilities with, and facilitate communication between, our Chairman and our Independent Directors, and continue to follow best practices in corporate governance. To this end, in June 2008, the Board adopted a policy regarding the appointment of a Lead Director one Independent Director who is selected annually by the Independent Directors. Mr. Kransdorf currently serves as Lead Director.

The Lead Director presides at executive sessions of the Independent Directors, serves as principal liaison between the Independent Directors and the Chairman of the Board, coordinates the agenda and materials for meetings of the Board, advises the Chairman of the Board concerning scheduling of meetings, makes recommendations to the Chairman of the Board regarding the retention of advisors and consultants who report directly to the Board, makes recommendations to the Board regarding significant corporate governance issues, oversees the Governance Committee's review of our compliance with corporate governance policies adopted by the Board, chairs quarterly meetings of the Independent Directors, and oversees the annual evaluation of the Board and its committees. Our policy regarding the responsibilities of our Lead Director is available on our website. For information on where to access this document, please see the section below entitled *Corporate Governance Principles and Guidelines; Corporate Governance Materials Available on Our Website*.

Role of Board of Directors in Risk Oversight

While the Audit Committee of the Board monitors risks related to our financial statements, the Board has determined that oversight of Company-wide risk should remain with the full Board due to the strategic nature of enterprise risk management and the Board's desire to receive feedback from a broad spectrum of disciplines regarding management's plans with respect thereto. The Board meets regularly with our management to review the effectiveness of processes for identifying and managing significant risks. The

Table of Contents

Board also reviews with management the strategic objectives that may be affected by identified risks, the level of appropriate risk tolerance, our plans for monitoring, mitigating and controlling risk, the effectiveness of such plans and our disclosure of risk.

The Board receives information regarding risk management from members of our executive management. Previously, we maintained an Enterprise Risk Management Committee ("ERM") that provided periodic reports to the Board. On August 1, 2013, in order to more efficiently review the Company's risk management programs, the Board disbanded the ERM, and the full Board retained oversight over enterprise risk management matters, including the Company's implementation of a risk oversight framework, and review of the effectiveness of such framework.

Meeting Attendance

During fiscal 2013, the Board held fourteen meetings and the Independent Directors held three executive sessions. Meetings include both in-person and telephonic meetings. For information regarding committee composition and number of committee meetings held during fiscal 2013, please see the section below entitled *Committees of the Board of Directors*. Each of our directors attended at least 75% of the aggregate number of meetings of the Board and the committees on which he served.

Our policy regarding Board members' attendance at our annual meeting of stockholders and our procedure for annual committee membership and chair assignments are both available on our website in our Corporate Governance Guidelines. For information on where to access this document, please see the section below entitled *Corporate Governance Principles and Guidelines; Corporate Governance Materials Available on Our Website*. The following Directors were present at the 2013 annual meeting; Alexander Cappello, Jerome Kransdorf, Laurence Mindel, David Pittaway and Douglas Schmick. Mr. Overton and Mr. Simon were not present at the meeting.

Committees of the Board of Directors

The Board has three standing committees: the Audit Committee, the Compensation Committee, and the Corporate Governance and Nominating Committee. Committee membership since our 2013 annual meeting of stockholders was as follows:

Board Member	Audit Committee	Compensation Committee	Corporate Governance and Nominating Committee
David Overton, <i>Chairman of the Board</i>	-	-	-
Alexander L. Cappello	Member*	Chair	-
Jerome I. Kransdorf, <i>Lead Director</i>	-	Member	Chair
Laurence B. Mindel	-	Member	Member
David B. Pittaway	Chair*	-	-
Douglas L. Schmick	Member*	-	-
Herbert Simon	-	Member	Member
<i>Number of Meetings in 2013</i>	<i>12</i>	<i>14</i>	<i>3</i>

*

Designated by the Board as an "audit committee financial expert"

The Board determined that each member of the committees of the Board in service for all of fiscal 2013 met the independence requirements applicable to those committees under SEC and NASDAQ rules. The Governance Committee recommends committee membership and chair assignments to the Board, which the Board considers when making committee membership and committee chair assignments at its

Table of Contents

meeting immediately following each annual meeting of stockholders. Changes to committee assignments are also made from time to time during the course of the year, as deemed appropriate by the Board. The role of each committee is described below.

Audit Committee. The Audit Committee operates pursuant to a written charter and is primarily responsible for monitoring the quality and integrity of our financial statements and related disclosure, and systems of internal controls regarding risk management, finance and accounting; our compliance with legal and regulatory requirements; our independent auditor's qualifications and independence; and the performance of our internal audit function and independent auditors. The Audit Committee provides an avenue of communication among the independent auditors, management and the Board and issues the report of the Audit Committee required by the SEC to be included in our proxy statement.

The Audit Committee conducts an annual performance evaluation of its charter, composition, complaint procedures, financial oversight responsibilities and other matters. The Audit Committee is directly responsible for the appointment, compensation, retention and oversight of the work of our public accounting firm engaged to issue an audit report or perform other audit, review or attest services. The Audit Committee pre-approves the audit work, as well as all non-audit work, to be performed by our external auditors after considering its permissibility under SEC rules and its impact on our auditor's independence. The Audit Committee also reviews material written communications the external auditors may provide to management and discusses any concerns with the auditors and management.

We adopted a written Code of Ethics for our directors, executive officers and senior financial officers, a copy of which is available on our website. Our Code of Ethics requires prompt reporting of potential conflicts to the Audit Committee.

Pursuant to its charter, the Audit Committee reviews our policies and procedures relating to conflicts of interest and approves any proposed "related person transaction." For this purpose, "related person transaction" means a transaction required to be disclosed pursuant to Item 404 of Regulation S-K adopted by the SEC. For a discussion of our policies with respect thereto, see *Policies Regarding Review, Approval or Ratification of Transaction with Related Persons* in this Proxy Statement.

Our Vice President of Internal Audit reports directly to the Audit Committee and is responsible for conducting comprehensive audits of our internal financial controls and the operational effectiveness of related activities and systems.

Compensation Committee. The Compensation Committee operates pursuant to a written charter. The Compensation Committee is responsible for determining the compensation of our Chief Executive Officer and all other executive officers. The Compensation Committee reviews and approves all employment, retention and severance agreements for executive officers and prepares, or causes to be prepared, the Compensation Committee Report in our proxy statement. The Compensation Committee is directly responsible for the appointment, compensation and oversight of the work of any compensation advisor retained by the Committee. The Compensation Committee also makes recommendations to the Board concerning non-employee director compensation.

The Compensation Committee approves and administers our incentive compensation programs, including our equity and bonus incentive plans. The Compensation Committee makes recommendations to the Board with respect to incentive and equity compensation plan structure and periodically reviews and makes recommendations concerning existing or new executive compensation, performance incentives, employee benefits, stock plans or management perquisites. The Compensation Committee authorizes and approves all grants of equity compensation to our employees under our equity compensation plans. The Compensation Committee conducts an annual evaluation of its charter.

Table of Contents

Corporate Governance and Nominating Committee. The Corporate Governance and Nominating Committee ("Governance Committee") operates pursuant to a written charter. The Governance Committee is responsible for evaluating issues and developments related to corporate governance and making recommendations to the Board with respect to corporate governance standards, corporate governance proposals from stockholders, the establishment and composition of committees of the Board and potential candidates for nomination as Board members. The Governance Committee is responsible for overseeing and recommending programs and activities for the continuing education of directors. The Governance Committee also identifies potential candidates for nomination or appointment as directors and makes recommendations to the Board concerning nominees to be presented for stockholder approval and to fill any vacancies. The Governance Committee conducts an annual evaluation of its charter.

Other Committees. The Board of Directors has the discretion to establish other committees and subcommittees from time to time. No additional committees or subcommittees have been established at this time.

Committee Charters. All of our committee charters are available on our website. For information on where to access these documents, please see the section entitled *Corporate Governance Principles and Guidelines; Corporate Governance Materials Available on Our Website*.

Designation of Audit Committee Financial Experts

With the assistance of our outside legal counsel, the Board reviewed the applicable legal standards for independence and criteria for determination as to each individual who may be deemed an "audit committee financial expert," as well as responses to annual questionnaires completed by the directors, and has determined that each of David B. Pittaway, Chairman of the Audit Committee, and Audit Committee members Alexander L. Cappello and Douglas L. Schmick is an "audit committee financial expert" as such term is defined in Item 407(d)(5)(ii) of Regulation S-K adopted by the SEC.

Corporate Governance Principles and Guidelines; Corporate Governance Materials Available on Our Website

Our Board is committed to ethical business practices and believes that good corporate governance is important to ensure that the Company is managed for the long-term benefit of our stockholders. In the spirit of this commitment, the Board has adopted a Summary of Corporate Governance Principles and Guidelines ("Corporate Governance Guidelines") which includes, among other topics, the size and operations of our Board and its committees, independence of directors, selection and responsibilities of our Lead Director, Board membership criteria, service by our Board members on boards of other publicly traded companies, director and executive officer stock ownership guidelines and holding periods, our Board member retirement policy, and our policy on communicating concerns to our Board. In addition, the Corporate Governance Guidelines address certain requirements for continuing education of our directors.

Our Corporate Governance Guidelines, as well as other corporate governance information listed below, are available on our website at www.thecheesecakefactory.com, by clicking on the link for "Investors" and "Corporate Governance":

Bylaws

Code of Ethics for Executive Officers, Senior Financial Officers and Directors

Code of Ethics and Code of Business Conduct

Policy on Lead Director

Committee Charters (Audit, Compensation and Corporate Governance and Nominating)

Table of Contents

Equity Grant Procedures

Policy on Reimbursement of Incentive Payments

Policies Regarding Board of Director Candidates

Succession Planning Policy Statement

Director and Executive Officer Stock Ownership Guidelines

Director Education Policy

The contents posted on our website are not incorporated by reference into this Proxy Statement or any of our filings with the Securities and Exchange Commission and may be revised by us (in whole or in part) at any time and from time to time.

Stockholder Communications with the Board of Directors

Our Corporate Governance Guidelines described above include the policy our Board has adopted for stockholders and employees who wish to communicate any concern directly to the Board. Please refer to Section VI of our Corporate Governance Guidelines for a description of this process.

Director Nominations Process

The Board adopted a policy and procedure regarding Board candidates ("Nominations Policy"). The purpose of the Nominations Policy is to describe the process by which candidates are selected for possible inclusion in the Board's recommended slate of director nominees. The Governance Committee of the Board administers the Nominations Policy and is responsible for identifying candidates for nomination or appointment to the Board. To fulfill this function, the Governance Committee at least annually reviews the size and composition of the Board and its committees, including the number of directors eligible for election at the annual meeting of stockholders, in accordance with our Certificate of Incorporation and Bylaws. The Governance Committee may solicit recommendations for nominees from other directors, members of management or others. In addition, the Governance Committee will consider recommendations of a stockholder of record who timely complies with these policies and procedures.

We implemented a majority vote policy which is set forth in our Bylaws such that in order to be considered for nomination by the Board, an individual must agree that, if elected, he or she will submit an irrevocable resignation effective upon (i) the director's failure to receive a majority vote in an uncontested election at which he or she is subject to reelection, and (ii) acceptance of the resignation by the Board.

Minimum Qualifications. The Governance Committee established the following minimum qualifications for candidates for nomination to the Board:

Each candidate must consent in writing to be named in our proxy statement as a nominee and to serve as a director of the Company if nominated, elected or appointed, and qualified.

Each candidate must agree that if elected he or she will submit an irrevocable resignation to our corporate Secretary promptly following his or her election or reelection that will be effective upon (i) such director's failure to receive a "majority vote" for reelection in any "uncontested election" (as those terms are defined in our Bylaws) at which he or she is subject to reelection; and (ii) acceptance of that resignation by the Board in accordance with the Bylaws and any policies and

procedures adopted by the Board for such purposes.

Each candidate's service as a director must not cause us or any of our subsidiaries to lose, or to be threatened with the loss of, any application for, right to the use of, or entitlement to, any material governmental license, authorization or permit.

Table of Contents

Each candidate shall be an individual who has demonstrated integrity and ethics in his or her personal and professional life and has established a record of professional accomplishment in his or her chosen field.

Each candidate shall be prepared to represent the best interests of all of our stockholders and not just one particular constituency.

No candidate or family member (as defined under NASDAQ rules) of a candidate may have any current material personal, financial or professional interest in any company which is determined by the Committee to be a significant competitor of ours.

Each candidate must be prepared to participate fully in Board activities, including active membership on at least one Board committee, and not have other personal or professional commitments that would, in the Governance Committee's sole judgment, interfere with or limit his or her ability to do so.

Each candidate shall be prepared not to serve as a member of the board of directors of more than two publicly traded companies in addition to ours without prior approval of the majority of the Independent Directors.

Each candidate shall not have attained the age of 79 as of the date of appointment or election to the Board(1).

(1)

The Board waived this policy with respect to Herbert Simon when it determined that, because of the unique skill set that Mr. Simon continues to provide to the Board, it is in the best interests of the Company and its stockholders to allow Mr. Simon, who had attained the age of 79 in October 2013, to be considered for election to the Board at the Annual Meeting.

Criteria for Evaluating Candidates; Diversity. In evaluating nominations, the Governance Committee will seek to achieve a balance of different capabilities and overall diversity in the areas of personal and professional experiences and backgrounds, financial, managerial and operational knowledge; variety of opinions and perspectives; and other differentiating characteristics with the goal of seeking and selecting candidates who will enhance the Board's ability to adequately perform its responsibilities, increase stockholder value and adhere to good corporate governance practices.

The Governance Committee will consider the following criteria in evaluating candidates for nomination in light of the size and composition of the Board and its committees:

Satisfaction of the minimum qualifications established by the Governance Committee.

Education and other training.

Relevant personal and professional background, including financial, managerial and operational skills and knowledge and experience in both corporate and non-traditional environments, such as government, academia and non-profit organizations.

Whether the candidate is a party to any action or arbitration adverse to us or any of our subsidiaries.

Whether the candidate would qualify as an "independent" director as defined by NASDAQ's listing standards.

Edgar Filing: CHEESECAKE FACTORY INC - Form DEF 14A

Whether the nomination and election of the candidate would result in less than two-thirds of the Board being "independent directors" as defined by NASDAQ's listing standards.

Whether the candidate would qualify as an "audit committee financial expert."

Table of Contents

Whether the candidate has been involved in any legal proceeding that would be required to be disclosed by us pursuant to Item 401(f) ("Involvement in Certain Legal Proceedings") of Regulation S-K.

Whether any business relationships exist, or have existed, that would be required to be disclosed pursuant to Item 404 ("Transactions with Related Persons, Promoters and Certain Control Persons") of Regulation S-K.

The candidate's reputation for judgment and honesty.

Whether we would be required to disclose any of the relationships described in Item 407(e) of Regulation S-K.

The number and identity of any other boards of directors of which the candidate is a member.

Other professional and personal commitments that could affect the candidate's ability to serve.

Whether the candidate has provided accurate and complete responses to any requests for additional information by the Governance Committee.

Other relevant characteristics that would enhance the Board's ability to adequately perform its responsibilities, increase stockholder value, and adhere to good corporate governance practices.

Any history of criminal convictions.

Whether the candidate has agreed to be interviewed by the Governance Committee, if requested.

Qualifications of Current Directors and Director Nominees. As described above, the Governance Committee of the Board evaluates the qualifications of our director nominees prior to each annual meeting of stockholders. As part of this evaluation process, the Governance Committee reviews the current composition of the Board and assesses whether the qualifications of each director continue to meet the Committee's requirements for Board service. The following is a description of the particular experience, qualifications, attributes and skills that led the Governance Committee to recommend, and the Board to nominate, each person listed below as a director of the Company.

David Overton has served as our Chief Executive Officer and Chairman of the Board since our incorporation in February 1992. When evaluating Mr. Overton's qualifications for continuation of his Board service, the Governance Committee and Board considered Mr. Overton's essential leadership role with us, his unique perspective and understanding of our mission, vision and values, the extent and depth of his knowledge and experience related to us and our concepts, and the importance of Mr. Overton's strategic vision.

Alexander L. Cappello has served on the Board since 2008. When evaluating Mr. Cappello's qualifications for continuation of his Board service, the Governance Committee and the Board considered Mr. Cappello's extensive executive management and financial background, international business experience, international management and marketing experience, prior service as Lead Director of our Company, service as the Chair of our Compensation Committee and member of our Audit Committee, current status as an "independent director" for purposes of NASDAQ and SEC rules, designation by our Board as an "audit committee financial expert," former service on the boards of other public companies, including another restaurant company, and corporate governance expertise.

Jerome I. Kransdorf has served on the Board since 1997. When evaluating Mr. Kransdorf's qualifications for continuation of his Board service, the Governance Committee and the Board considered Mr. Kransdorf's more than 45 years of investment management experience, his depth of knowledge and experience specific to us, his current service as Chair of the Governance Committee and member of the Compensation Committee, his prior service on the Audit Committee, and his current status as an "independent director" under NASDAQ and SEC rules.

Table of Contents

Laurence B. Mindel has served on the Board since March 2012. When evaluating Mr. Mindel's qualifications for continuation of his Board service, the Governance Committee and the Board considered Mr. Mindel's 44 years' experience in the restaurant industry, both as a concept creator and an operator, his experience guiding a publicly-traded restaurant company, his current status as an "independent director" under NASDAQ and SEC rules, and his prior service as a member of the Compensation Committee.

David B. Pittaway has served on the Board since 2009. When evaluating Mr. Pittaway's qualifications for continuation of his Board service, the Governance Committee and the Board considered his extensive financial and industry experience, including his service on audit committees of other public restaurant companies, his legal background and familiarity with SEC rules and regulations related to public companies, his current status as an "independent director" for purposes of NASDAQ and SEC rules, and his service as a member (and now Chairman) of our Audit Committee and his designation by our Board as an "audit committee financial expert."

Douglas L. Schmick has served on the Board since August 2012. When evaluating Mr. Schmick's qualifications for continuation of his Board service, the Governance Committee and the Board considered Mr. Schmick's nearly 40 years in the restaurant industry, both as a concept co-creator and operator, his experience guiding a publicly-traded restaurant company, his current status as an "independent director" under NASDAQ and SEC rules, his prior service as a member of the Audit Committee and his designation by our Board as an "audit committee financial expert".

Herbert Simon has served on the Board since June 2011. When evaluating Mr. Simon's qualifications for continuation of his Board service, the Governance Committee and the Board considered Mr. Simon's considerable domestic and international commercial real estate experience, including his tenure with Simon Property Group, a publicly-held real estate investment trust of which he is Chairman Emeritus and a member of the board of directors, his service as a member of the Compensation Committee, and his current status as an "independent director" under NASDAQ and SEC rules.

General Nomination Right of All Stockholders. Stockholders may nominate one or more persons for election as a director of the Company at an annual meeting of stockholders if the stockholder complies with the advance notice, information and consent provisions contained in our Bylaws. Stockholder nominations for the election of directors may only be made by a stockholder of record on both the date of giving notice and on the record date for such meeting by giving timely written notice to our Secretary at our principal offices. Such notice must be received no less than 90 days or more than 120 days prior to the anniversary date of the immediately preceding annual meeting of stockholders. If notice or prior public disclosure of the date of the annual meeting is given or made to the stockholders for a meeting date that is not within 30 days before or after the anniversary of the immediately preceding annual meeting of stockholders, notice by the stockholder will be timely if received not later than the close of business on the tenth day following the day on which such notice was mailed or such public disclosure was made, whichever is first, or no less than 90 days or more than 120 days prior to the annual meeting.

In the event that we increase the number of directors to be elected and we make no public announcement, at least 100 days prior to the first anniversary of the preceding year's annual meeting, in which we name all of the nominees for director or specify the size of the increased Board of Directors, a stockholder's notice will be considered timely, but only with respect to nominees for any new positions created by the increase, if the notice is delivered to, or mailed and received at, our principal executive offices (addressed to our Secretary) no less than 10 calendar days following the day on which we make the public announcement. In the case of a special meeting of stockholders called for the purpose of electing directors, notice will be timely if the stockholder provides written notice to our Secretary not later than the close of business on the tenth day following the day on which notice of the date of the special meeting was mailed or public disclosure of the meeting date was made, whichever first occurs, or no less than 90 or more than 120 days prior to the meeting. The stockholder's notice must include all of the information required by our Bylaws. If the stockholder provides a statement that the stockholder intends to deliver a

Table of Contents

proxy statement and form of proxy, the nomination may not be brought before the meeting unless the stockholder has delivered a proxy statement and form of proxy to holders of a percentage of our voting shares reasonably believed by the stockholder to be sufficient to elect the nominee or nominees proposed by the stockholder.

The foregoing summary is not a complete description of the provisions of our Bylaws pertaining to stockholder nominations and proxies. Stockholders may obtain, without charge, a copy of our Bylaws upon written request to our Secretary at our principal executive offices. Our Bylaws are also available on our website. For information on where to access this document, please see the section above entitled *Corporate Governance Principles and Guidelines; Corporate Governance Materials Available on Our Website*.

Stockholder Recommendations to the Governance Committee for Nomination of Directors. Our Bylaws provide that a stockholder of record may also recommend a candidate for consideration by the Governance Committee. Pursuant to our Bylaws, and in order to give the Governance Committee sufficient time to evaluate a recommended candidate, the recommendation must be delivered to, or mailed and received at, our principal executive offices (addressed to the attention of the Secretary) no earlier than one hundred twenty (120) days and not less than ninety (90) days prior to the anniversary date of the immediately preceding annual meeting of stockholders. With respect to the 2015 annual meeting of stockholders, recommendations must be received no earlier than January 29, 2015 and no later than February 28, 2015. The stockholder's recommendation must include all of the following:

The stockholder's name, address and telephone number.

The recommended candidate's name, address and telephone number.

The written consent of the recommended candidate to be named in our proxy statement and to serve as a director if nominated, elected or appointed, and qualified to serve.

A description of all arrangements or understandings in connection with such recommendation between the stockholder and the recommended candidate or between the stockholder and any other person or persons (including their names).

A description of any business, familial or other financial or personal relationship between the stockholder and the recommended candidate.

Information regarding the recommended candidate as to each of the criteria identified above for evaluating recommendations.

Evaluation of Candidates. The Governance Committee will consider all candidates identified through the process outlined above and will evaluate each of them, including incumbents, based on the same criteria. If, based on the Governance Committee's initial evaluation a candidate continues to be of interest to the Governance Committee, the Chair of the Governance Committee will interview the candidate and communicate his or her evaluation to the other committee members and the Chairman of the Board. Other members of the Governance Committee and senior management will conduct subsequent interviews. Ultimately, background and reference checks will be conducted and the Governance Committee will meet to finalize its list of recommended candidates for consideration by the full Board. If an incumbent is nominated, the interview process may be abbreviated at the discretion of the Chair of the Governance Committee. If the Chair of the Governance Committee is being considered for re-nomination, the other Governance Committee members shall appoint another member of the Governance Committee to head the review process for the Chair's reconsideration.

Future Revisions to the Nominations Policy. The Governance Committee's Nominations Policy is intended to provide a flexible set of guidelines for the effective functioning of the director nomination process. The Governance Committee intends to review this policy and procedure at least annually and anticipates that modifications will be necessary from time to time as our needs and circumstances evolve, and to conform with changes in applicable legal or listing standards.

Table of Contents**Compensation Committee Interlocks and Insider Participation**

During fiscal 2013, Messrs. Cappello, Kransdorf, Mindel and Simon served on the Compensation Committee, with Mr. Cappello serving as Chairman. During fiscal 2013, no member of the Compensation Committee was an officer or employee of ours, a former officer of ours or of our subsidiaries or had a relationship requiring disclosure by us under Item 407(e) of Regulation S-K. None of our executive officers served on the board of directors or compensation committee of any other entity that has or has had one or more executive officers who served as a member of our Board or the Compensation Committee during fiscal 2013.

Board of Directors Compensation

The following table sets forth information regarding the cash compensation arrangements for Independent Directors who served on our Board in fiscal 2013. Any members of the Board who is not an Independent Director does not receive fees for service on the Board or its committees.

Board of Directors Fees	Fiscal 2013
Annual retainer	\$ 50,000
Cash payment in lieu of equity grant in 2013(1)	\$ 85,000
Lead Director annual fee	\$ 15,000
Audit Committee Chair annual fee	\$ 15,000
Compensation Committee Chair annual fee	\$ 10,000
Governance Committee Chair annual fee	\$ 7,500
Enterprise Risk Management Advisory Committee Chair annual fee(2)	\$ 7,500
Attendance at each in-person or telephonic meeting of the Board of Directors	\$ 1,500
Attendance at in-person or telephonic committee meetings other than regularly scheduled telephonic meetings of the Compensation Committee(3)	\$ 1,500
Attendance at regularly scheduled telephonic meetings of the Compensation Committee(3)	\$ 1,000

- (1) The Board authorized a cash payment of \$85,000 (payable in quarterly installments of \$21,250 for each fiscal quarter or portion thereof) to each director in lieu of a stock option grant. Rather than offering equity awards to non-employee directors under an equity plan, we have adopted stock ownership guidelines for our directors in order to better align their interests with those of our stockholders.
- (2) Mr. Overton served as Chair of the Enterprise Risk Management Advisory Committee until such Committee's responsibilities were assumed by the full Board in August 2013. He received no fees for acting in such capacity since he is not an Independent Director.
- (3) If more than one meeting (in person or telephonic) occurs on any one day, only one attendance fee is paid for all meetings attended on that day.

The annual fee, Lead Director fee, committee Chair fees and cash payments in lieu of equity grants are paid quarterly as earned, following the end of each quarter, unless otherwise noted. Board or committee meeting attendance fees are paid monthly, following the end of each month. No fees are paid to Independent Directors with respect to attendance at executive sessions of the Board.

In order to continue to assure that the interests of our Independent Directors are aligned with the long-term interests of our stockholders, in 2009 we adopted a Non-Employee Director Stock Ownership

Table of Contents

Policy which requires our non-employee directors to acquire and thereafter maintain ownership of shares of our Company's common stock equal in fair market value to three times their annual cash retainer. For a full description of our stock ownership policy, please see *Director and Executive Stock Ownership Guidelines, Holding Periods and Other Requirements* below.

The following table sets forth certain information regarding the compensation earned by each Independent Director who served on our Board in fiscal 2013. Mr. Overton, as an employee of the Company, is not an Independent Director and is not compensated for his services on the Board.

DIRECTOR COMPENSATION FOR FISCAL 2013

Name	Total Fees Earned or Paid in Cash(1)
Alexander L. Cappello	\$ 180,500
Jerome I. Kransdorf(2)	\$ 189,750
Laurence B. Mindel	\$ 166,500
David B. Pittaway	\$ 177,000
Douglas L. Schmick	\$ 161,750
Herbert Simon	\$ 159,250

(1) Includes \$85,000 cash payment in lieu of an equity grant (\$21,250 per quarter or portion thereof of Board service in fiscal 2013). See description of Board compensation arrangements for fiscal 2013 set forth above.

(2) Fees were earned and paid into a nonqualified deferred compensation plan account administered under The Cheesecake Factory Incorporated Executive Savings Plan. See *Director Eligibility for Participation in the Executive Savings Plan* below.

As of December 31, 2013, the end of our 2013 fiscal year, the following directors held options exercisable for the number of shares of our common stock shown opposite their names in the table below under our Non-Employee Director Stock Plan, which expired in May, 2007. All outstanding options are fully vested.

Name	Number of Stock Options
Jerome I. Kransdorf	35,014

Messrs. Cappello, Mindel, Pittaway, Schmick and Simon have not been granted equity in connection with their Board service.

Director Eligibility for Participation in the Executive Savings Plan. Members of the Board are eligible to participate in our Executive Savings Plan, a nonqualified deferred contribution plan, by contributing all or a portion of their director fees to this plan. We do not match contributions made by non-employee members of the Board to the Executive Savings Plan. Additional information regarding the Executive Savings Plan appears in the section of this Proxy Statement entitled *Nonqualified Deferred Compensation*.

Reimbursement of Expenses and Other Perquisites. Each Independent Director is entitled to reimbursement for reasonable out-of-pocket expenses incurred in connection with travel to and from, and attendance at, meetings of the Board or its committees and related activities, including director education courses and materials. Independent Directors also receive dining privileges at our restaurants.

Table of Contents

Indemnification of Officers and Directors

As permitted by the Delaware General Corporation Law, our Certificate of Incorporation limits the personal liability of our directors for monetary damages for breach of fiduciary duty of care as a director. Liability is not eliminated for (a) any breach of the director's duty of loyalty to us or our stockholders, (b) acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (c) unlawful payment of dividends or stock purchases or redemptions pursuant to Section 174 of the Delaware General Corporation Law, and/or (d) any transaction from which the director derived an improper personal benefit. Our Certificate of Incorporation also provides that we shall indemnify and advance indemnification expenses on behalf of all directors and officers of ours to the fullest extent permitted by Delaware law. Article VIII of our Bylaws also requires us, subject to certain limitations, to indemnify directors and officers and advance expenses. The indemnification and advancement of expenses provisions of Article VIII are not exclusive of any other rights of indemnification or advancement of expenses.

We also entered into indemnification agreements with all of our directors and Named Executive Officers. Each indemnification agreement requires us to indemnify and hold harmless the director or Named Executive Officer to the fullest extent authorized by the laws of the State of Delaware. Each indemnification agreement also requires us, subject to specific terms and conditions, to advance expenses to the director or officer. Each indemnification agreement also sets forth various procedures and definitions with respect to indemnification and advancement of expenses. We also are obligated to maintain directors' and officers' liability insurance. With specified exceptions, we are not obligated to provide indemnification or advance expenses with respect to actions initiated by the director or officer or to indemnify the director or officer in connection with proceedings by us to enforce non-compete or non-disclosure agreements. To the extent the provisions of the indemnification agreements exceed the indemnification permitted by applicable law, such provisions may be unenforceable or may be limited to the extent they are found by a court of competent jurisdiction to be contrary to public policy.

Director and Executive Officer Stock Ownership Guidelines, Holding Periods and Other Requirements

Stock Ownership Guidelines for Directors. The Board adopted stock ownership guidelines for non-employee directors in fiscal 2009 in order to further align the interests of our directors with the long-term interests of our stockholders. The guidelines, as amended, currently provide that, on or before December 31, 2013, all non-employee directors who were members of the Board at the time of adoption of the guidelines (currently, Messrs. Cappello, Kransdorf and Pittaway) are required to acquire (and thereafter maintain ownership of) a minimum number of shares of our common stock with a fair market value equal to three times the annual base cash retainer for non-employee directors (\$50,000 as of December 31, 2013). In addition, within three years of their respective appointments, all newly appointed non-employee directors (currently, Messrs. Mindel, Schmick and Simon) are required to acquire (and thereafter maintain ownership of) a minimum number of shares of our common stock with a value equal to three times the annual base cash retainer payable to the non-employee directors. For purposes of this policy, stock ownership includes any shares owned by a director or his or her immediate family members or held by him or her as part of a tax or estate plan in which the director retains beneficial ownership. The value of shares held is calculated once per year, on the first day of the fiscal year. For purposes of determining compliance with the policy, "value" means an assumed per-share value based on the average of the closing price of our common stock on the last day of each of the previous four fiscal quarters. A director is not required to acquire shares of our common stock in accordance with the stock ownership guidelines if the purchase would result in a violation of our Special Trading Policy and Procedures and the addendum thereto. In such a scenario, the director is required to comply with the stock ownership guidelines as soon as reasonably feasible thereafter.

Table of Contents

All of our Board members are in compliance with our stock ownership policy as of the first day of our current fiscal year.

Members of the Board, our officers and staff members are prohibited from trading in any interest or position relating to the future price of our securities, such as a put, call or short sale, or using our stock as collateral for margin loans.

Stock Ownership Guidelines for Executive Officers. In fiscal 2010, the Board adopted stock ownership guidelines for certain of our executive officers, including all current Named Executive Officers, in order to align the interests of our key executives with the long-term interests of our stockholders. The ownership guidelines provide that, on or before December 31, 2015, all individuals currently holding the positions with the Company listed below are required to acquire (and thereafter maintain ownership of) a minimum number of shares of the Company's common stock with a value equal to the multiple of such executive's annual base salary (excluding bonus), as follows:

Position with Company	Multiple of Salary
Chief Executive Officer of the Company	6 times annual base salary
President of the Company or of our wholly owned subsidiaries, The Cheesecake Factory Restaurants, Inc. or The Cheesecake Factory Bakery Incorporated	2 times annual base salary
Executive Vice President of the Company	2 times annual base salary

In addition, within five years of the appointment of any newly appointed officer in the positions designated above (other than a newly-appointed Chief Executive Officer, who has seven years to comply), the newly appointed executive is required to acquire (and thereafter maintain ownership of) shares of our common stock with the value set forth above. For purposes of this policy, stock ownership includes (i) any shares owned by an executive or his or her immediate family members or held by him or her as part of a tax or estate plan in which the executive retains beneficial ownership, and (ii) unvested restricted stock or restricted stock units. The value of shares held is calculated once per year, on the first day of the fiscal year. For purposes of determining compliance with the policy, "value" means an assumed per-share value based on the average of the closing price of our common stock on the last day of each of the previous four fiscal quarters. An executive subject to this policy is not required to acquire shares of our common stock in accordance with the stock ownership guidelines if acquisition at such time would result in a violation of our Special Trading Policy and Procedures and the addendum thereto, in which event the executive is required to comply with the guidelines as soon as reasonably feasible thereafter. Certain hardship exceptions are available at the discretion of the Compensation Committee, but no exceptions have been solicited or granted to date.

All of our Named Executive Officers subject to our stock ownership policy are in compliance therewith as of the first day of our current fiscal year, in advance of the December 31, 2015 compliance date.

Members of our Board, our officers and staff members are prohibited from trading in any interest or position relating to the future price of our securities, such as a put, call or short sale, or using our stock as collateral for margin loans.

Policies Regarding Review, Approval or Ratification of Transactions with Related Persons

In accordance with its charter, our Audit Committee reviews and approves any proposed transactions with a "related person." Any related person transaction will be disclosed in the applicable SEC filing as required by SEC rules. For purposes of these procedures, "related person" and "transaction" have the meanings as defined in Item 404 of Regulation S-K. We had no reportable transactions with related persons required to be disclosed under Item 404 of Regulation S-K since the beginning of fiscal 2013.

Table of Contents

FORWARD LOOKING STATEMENTS

This Proxy Statement, including the section entitled *Compensation Discussion and Analysis* set forth below, contains "forward looking statements" within the meaning of Section 27A of the Securities Act of 1933 (as amended) and Section 21E of the Securities Exchange Act of 1934 (as amended) (the "Acts"). Words or phrases such as "believe," "plan," "will likely result," "expect," "intend," "will continue," "is anticipated," "estimate," "project," "may," "could," "would," "should," and similar expressions are intended to identify forward-looking statements. These statements, and any other statements that are not historical facts, are forward-looking statements and are based on our current expectations and involve risks and uncertainties which may cause results to differ materially from those set forth in the statements. The forward-looking statements may include statements regarding actions to be taken in the future. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise. Forward-looking statements should be evaluated together with the many uncertainties that affect our business, particularly those set forth in the section on forward-looking statements and in the risk factors in Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2013, and in our quarterly reports on Form 10-Q and current reports on Form 8-K, as filed with the SEC.

Although we believe that the assumptions underlying forward-looking statements are reasonable, any of the assumptions could be incorrect, and there can be no assurance that forward-looking statements will prove to be accurate. Forward-looking statements speak only as of the date on which they are made. Except as may be required by law, we do not undertake any obligation to modify or revise any forward-looking statement to take into account or otherwise reflect subsequent events or circumstances arising after the date that the forward-looking statement was made.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This Compensation Discussion and Analysis explains our strategy, design of, and decision-making related to our compensation programs and practices for our principal executive officer, our principal financial officer and our three other most highly compensated executive officers (collectively, "Named Executive Officers"). This Compensation Discussion and Analysis also explains how the compensation of our Named Executive Officers aligns with the interests of our stockholders, and is intended to provide perspective on the compensation information contained in the tables that follow this discussion.

For fiscal 2013, our Named Executive Officers were:

David Overton, Chairman of the Board and Chief Executive Officer;

David Gordon, President, The Cheesecake Factory Incorporated(1);

Michael E. Jannini, former President, The Cheesecake Factory Incorporated(1);

W. Douglas Benn, Executive Vice President and Chief Financial Officer;

Debby R. Zurzolo, Executive Vice President, General Counsel and Secretary; and

Max S. Byfuglin, President, The Cheesecake Factory Bakery Incorporated.

(1)

Mr. Jannini's employment with the Company terminated on February 16, 2013. David M. Gordon was appointed President of the Company effective February 18, 2013.

While the principal purpose of this Compensation Discussion and Analysis is to review Named Executive Officer compensation, many of the programs discussed apply to other members of senior management who, combined with the Named Executive Officers, are collectively referred to herein as "executives."

Table of Contents

Business Summary

As of the Record Date we own and operate 169 The Cheesecake Factory® restaurants, 11 Grand Lux Cafe® restaurants, one RockSugar Pan Asian Kitchen® restaurant and two bakery production facilities. We have the flexibility in our restaurant designs to penetrate a wide variety of markets across varying population densities in both existing and new markets, and we intend to continue developing The Cheesecake Factory restaurants in high-quality, high-profile locations that meet our site standards. In addition to expanding The Cheesecake Factory concept, we seek to selectively pursue other opportunities to leverage the competitive strengths of our restaurant operations, which may include the expansion of our Grand Lux Cafe concept, the potential to expand RockSugar Pan Asian Kitchen and our development or acquisition of new restaurant concepts.

We also intend to seek opportunities to expand both our restaurant operations and bakery sales internationally. In fiscal 2011, we announced our initial plans for international development through an exclusive licensing agreement with a restaurant and retail operator based in Kuwait to develop The Cheesecake Factory restaurants in the Middle East. As of April 1, 2014, this licensee operated four locations, two in the United Arab Emirates, and one each in Kuwait and the Kingdom of Saudi Arabia and has plans to open additional restaurants in these countries as well as in Lebanon, Qatar and Bahrain. In February 2013, we entered into an exclusive licensing agreement with a restaurant operator based in Mexico to develop The Cheesecake Factory restaurants in Mexico and Chile. This licensee's first restaurant is scheduled to open in fiscal 2014. In August 2013, we opened our first Company-owned and operated restaurant outside of the fifty United States in San Juan, Puerto Rico.

Fiscal 2013 Accomplishments

We believe that our compensation philosophy and strategies have motivated our executives to achieve strategic and operational objectives that contributed to our strong results for fiscal 2013. A brief summary of some of our fiscal 2013 accomplishments follows:

Increased adjusted diluted net income per share by 11.7% from fiscal 2013;

Increased our operating income to approximately \$160.4 million in fiscal 2013 from approximately \$148.2 million in fiscal 2012;

Achieved an operating margin of approximately 8.5%, outperforming our selected peer group(1) by approximately 5.7 percentage points (or 570 basis points), and improved our operating margin for fiscal 2013, as compared to fiscal 2012, by approximately 35 basis points;

Achieved 16 consecutive quarters of improved comparable restaurant sales through the end of fiscal 2013, including in each quarter of fiscal 2013;

Increased our quarterly cash dividend by 17% only one year after initiating it, from \$0.12 per share to \$0.14 per share beginning in the third quarter of 2013;

Met our new restaurant development target with the opening of nine The Cheesecake Factory restaurants in fiscal 2013, including three relocations and our first owned and operated location outside of the 50 United States in San Juan, Puerto;

Supported the opening of the fourth The Cheesecake Factory restaurant in the Middle East and approved our first location to open under a licensing agreement in Mexico; and,

Continued our high level of guest satisfaction.

(1)

Edgar Filing: CHEESECAKE FACTORY INC - Form DEF 14A

See page 49 of this Proxy Statement, under footnotes (3) in *Targets for Participants Other than Bakery Division* for a discussion as to the peers that comprise this peer group and why they were selected.

Edgar Filing: CHEESECAKE FACTORY INC - Form DEF 14A

Table of Contents

The following table provides additional information related to our fiscal 2013 performance as compared to fiscal 2012.

	Fiscal 2013		Fiscal 2012		
	(in thousands, except percentage and per share amounts)			Change %	
Revenues	\$	1,877,910	\$	1,809,017	3.8
Comparable restaurant sales(1)		1.0%		1.9%	47
Income from operations	\$	160,954	\$	138,699	16.0
Diluted net income per share	\$	2.10	\$	1.78	18.0
Adjusted income from operations(2)	\$	160,393	\$	148,235	8.2
Adjusted diluted net income per share(2)	\$	2.10	\$	1.88	11.7
Stock price per share as of fiscal year-end	\$	48.27	\$	32.71	47.6
Adjusted operating margin(2)		8.6%		8.2%	4.9

(1) Comparable restaurant sales includes The Cheesecake Factory and Grand Lux Cafe restaurants but does not include RockSugar Pan Asian Kitchen.

(2) We calculate the adjusted measures presented above by eliminating the impact of items we do not consider indicative of our ongoing operations from income from operations, net income and diluted net income per share. We believe these non-GAAP measures provide additional information to facilitate the comparison of our past and present financial results. We utilize results that both include and exclude the identified items in evaluating business performance. However, our inclusion of these adjusted measures should not be construed as an indication that our future results will be unaffected by unusual or infrequent items. In the future, we may incur expenses or generate income similar to the adjusted items.

Following is a comparison between fiscal 2013 and fiscal 2012 with respect to a reconciliation of income from operations, net income and diluted net income per share to the corresponding adjusted measures (in thousands, except per share data):

	2013		2012
Net income	\$	114,356	\$ 98,423
After-tax impact from:			
Impairment of assets and lease terminations(1)		(337)	5,722
Proceeds from variable life insurance contract(2)			(419)
Adjusted net income	\$	114,019	\$ 103,726
Diluted net income per share	\$	2.10	\$ 1.78
After-tax impact from:			
Impairment of assets and lease terminations		0.01	0.11
Proceeds from variable life insurance contract			(0.01)
Adjusted diluted net income per share(3)	\$	2.10	\$ 1.88

(1) Represents impairment and lease termination expenses and income related to seven The Cheesecake Factory and four Grand Lux Cafe restaurants. The pre-tax amounts associated with these items were (\$561) and \$9,536 in fiscal years 2013 and 2012, respectively. These amounts were recorded in impairment of assets and lease terminations.

(2) Represents proceeds realized from a variable life insurance contract used to support our Executive Savings Plan, a non-qualified deferred compensation plan. This item is non-taxable and was recorded in interest and other expense, net.

(3)

Diluted net income per share may not add due to rounding.

35

Table of Contents

Overview of Compensation Program

Compensation Philosophy. In order to maintain our leadership position in the industry and to continue growing our concepts, both domestically and internationally, we need to attract and retain highly motivated executives who bring experience, innovation and operational excellence to our Company. With this in mind, our compensation philosophy centers on:

Attracting and retaining industry-leading executives by paying competitive compensation relative to other companies within the restaurant industry and other industries from which we acquire talent;

Driving high performance by connecting compensation to our financial, operating, and strategic goals and results and by appropriately rewarding high performance;

Rewarding individual performance and contribution to our success; and

Enhancing stock price performance and aligning the interests of our executives with those of our stockholders by tying a substantial portion of our executive compensation to equity incentives and requiring stock ownership for our executive officers and non-employee directors.

Edgar Filing: CHEESECAKE FACTORY INC - Form DEF 14A

Table of Contents

Elements of Compensation Program. During fiscal 2013, our executive compensation and benefits consisted of the components listed in the table below, which provides a brief description of the principal types of compensation, how performance is factored into each type of compensation and the objectives served by each element.

Fiscal 2013 Principal Elements of Executive Compensation

Element	Description	Performance Considerations	Primary Objectives
Base Salary	Fixed cash payment	Based on level of responsibility, experience, individual performance, and expected future value / contribution	Attract and retain talent Provide competitive compensation Recognize career experience and individual performance
Performance Incentive Plan	Performance-based annual cash incentive	Amount of award tied to level of achievement of objectives and management position, measured as a percentage of Base Salary	Promote and reward high performance and achievement of Company and divisional annual financial and strategic objectives
Long-Term Stock Incentive Plan ("Stock Plan")	Stock options	Value of pay directly linked with long-term stock price performance	Align executive interests with stockholder interests
	Restricted shares	In fiscal 2013, restricted shares granted to our CEO included a stockholder approved performance criteria as a condition for vesting. Beginning in fiscal 2014, a stockholder approved performance criteria as a condition for vesting was added to all Named Executive Officer restricted share grants.	Attract and retain talent Reward individual performance through amount of awards granted and Company performance through stock price growth.
Retirement and Welfare Benefits		Not applicable	Attract and retain talent

Edgar Filing: CHEESECAKE FACTORY INC - Form DEF 14A

Medical, dental, vision, life insurance and long-term disability insurance

Provide competitive compensation

Non-qualified deferred compensation plan

Provide reasonable security to allow executives to perform at their best level

Defined benefit retirement agreement (for Chief Executive Officer only)

Executive Perquisites

Company-leased vehicle or car allowance Not applicable

Attract and retain talent

Executive physical for Senior Vice Presidents and above only

Provide competitive compensation

Relocation benefits on a case-by-case basis

Promote health and wellbeing of senior executives (executive physical perquisite, Vacation and Sabbatical Leave Program only)

Vacation and Sabbatical Leave Program

Table of Contents

Factors Considered in Making Compensation Decisions. Our compensation strategy with respect to individual executives is flexible and enables us to appropriately differentiate and reward individuals with different experience and contributions, while taking into account:

Company financial and operational performance,

The executive's individual performance, experience and qualifications,

The scope of the executive's role,

The level of total compensation for our other senior executives, and

Competitive market data, which helps us evaluate how our executive pay levels compare to others in our industry and within the market in which we compete for talent.

All of the factors set forth above are considered by the Compensation Committee in a subjective manner, without any specific formula.

Pay for Performance

We believe in driving high performance by tying compensation to our financial, operating, and strategic goals and results, and by providing appropriate rewards. The Compensation Committee considers our competitive environment and historical financial performance when establishing performance targets for the next fiscal year. The Compensation Committee adjusts base salary and performance incentive compensation to reward executives when our financial and strategic objectives are accomplished and to withhold or limit salary increases and disapprove or reduce performance incentive compensation when we fail to fully accomplish our goals and drive results.

Consistent with our belief in pay for performance, we design our executive compensation program, and particularly the compensation of our Chief Executive Officer, to reflect Company performance and our stock performance over time. Based on our performance in fiscal year 2013 as outlined above, Mr. Overton received 81.25% of his target bonus. (See *Fiscal 2013 Performance Objective Achievement*, below.) In fiscal 2012, we exceeded the performance criteria, and Mr. Overton received 110% of his target bonus. In fiscal year 2011 similar to fiscal 2013, we did not meet all of the performance criteria and, as a result, Mr. Overton received 80% of his target bonus. With respect to long-term incentives (now targeted for fiscal 2014 at approximately 65% for our Chief Executive Officer's total target compensation), the potential gains that could be realized from option exercises and restricted share vesting are directly impacted by our continued ability to drive even better financial performance in the future resulting in increased share price.

In fiscal 2013, restricted shares granted to our Chief Executive Officer included stockholder approved performance criteria as a condition for vesting. Beginning in fiscal 2014, a stockholder approved performance criteria was added to all Named Executive Officer restricted share grants as a condition for vesting restricted shares.

The Compensation Committee seeks to establish compensation packages that reward high performance. We look at different analytical assessments, including an alignment methodology performed by Farient Advisors, LLC, the Compensation Committee's independent compensation consultant ("Farient Advisors"). The Compensation Committee requested that Farient Advisors assess the relationship between our executive compensation and long-term performance. In addition to conducting quantitative analyses commonly relied upon by independent proxy governance organizations to test the alignment of our Chief Executive Officer's pay and performance, Farient used its pay for performance alignment model to test the alignment of our Chief Executive Officer's average annualized Performance-Adjusted Compensation ("PAC") (including salary, actual bonus, and the performance-adjusted value of long-term incentives) and performance, as indicated by Total Stockholder Return ("TSR"), defined as stock price appreciation plus dividends, as if those dividends had been reinvested in the Company's stock, over time. In doing so, Farient

Table of Contents

Advisors compared our Chief Executive Officer's average annualized PAC over successive three-year rolling periods (beginning with the three-year period from January 1, 2002 to December 31, 2004 and ending with the three-year period from January 1, 2011 to December 31, 2013) to our compound annual TSR for the same 3-year rolling periods and tested the results against the companies in our peer group identified in upcoming section "Market Positioning, Comparison Group for Fiscal 2013" (modified to exclude Bloomin' Brands as there was limited public history and Chipotle Mexican Grill due to being an outlier in pay).

As indicated by the chart below, Fariet Advisors' analysis of the Company's pay for performance shows that our Chief Executive Officer pay has historically been and continues to be strongly aligned with the Company's performance and stockholders' interests. This is indicated by the fact that our Chief Executive Officer's annualized PAC has trended with the Company's performance. Specifically, when our TSR is higher, our Chief Executive Officer's PAC is higher, and conversely, when our TSR is lower, our Chief Executive Officer's PAC is lower. In addition, Fariet's analysis indicated that our Chief Executive Officer's average annual PAC, considering the Company's size and the performance we delivered, has been and continues to be reasonable. Fariet Advisors considers PAC to be reasonable for companies that generally pay Chief Executive Officers, on a performance-adjusted basis, below the upper boundary of a competitive pay range that Fariet Advisors deems to be acceptable based on a company's size, peer group pay practices, and performance.

Additionally, Fariet Advisors concluded that we achieved aligned CEO compensation through:

Our consistent use of equity;

Our goal-setting in a competitive performance context;

Our longer vesting on options and restricted stock;

Clawback policy; and

Our Chief Executive Officer's significant stock ownership (8.3%) (as reported in April 19, 2013 proxy)

Edgar Filing: CHEESECAKE FACTORY INC - Form DEF 14A

Peer group excludes data for Bloomin' Brands Inc. (limited public history) and Chipotle Mexican Grill Inc. (outlier)

Table of Contents

Pay Mix. Our Compensation Committee seeks to maintain an emphasis on performance-based pay. A significant portion of our executives' compensation is at risk through short- and long-term incentive programs. We do not use specific percentages to allocate between cash and non-cash compensation and short-term versus long-term compensation; however, we believe a significant portion of our executives' pay should be performance-based. Mr. Overton has a proportionately greater percentage of performance-based compensation as compared to other Named Executive Officers because we believe he has a greater ability to influence the long-term performance of the Company.

The following charts show each element of our compensation as a percentage of the target total compensation for our Chief Executive Officer and other Named Executive Officers, for fiscal years 2013, 2012 and 2011.

CEO Target Pay

Other NEO Target Pay

The percentage of our performance-based pay remains a significant portion of total compensation for our Chief Executive Officer and our other named executives, which aligns our executive compensation programs with the interests of our stockholders. This alignment is strengthened further by:

Longer equity vesting periods than comparable companies in our industry (i.e., generally five years for stock options and restricted stock, versus three to four years for comparable companies);

Stock ownership policies for our Chief Executive Officer and other Named Executive Officers who, along with the members of our Board, as of the Record Date own (or have rights to acquire within 60 days of the Record Date for this Annual Meeting), in the aggregate, approximately 9.3% of our common stock; and

Table of Contents

A "clawback" policy requiring executives to pay back any bonus deemed appropriate by the Audit Committee if we are required by law or applicable accounting or auditing standards to restate our financial statements to correct an accounting error as a result of material noncompliance with financial reporting requirements, and the bonus was directly based on results disclosed in those financial statements (see *Clawback Policy* in the *Other Considerations* section of this *Compensation Discussion and Analysis*).

2013 "Say on Pay" Advisory Vote on Executive Compensation

The Company provided stockholders a "say on pay" advisory vote on its executive compensation at the Company's 2013 annual meeting of stockholders. The stockholders approved, by a vote of approximately 98% of shares represented in person or by proxy (not counting broker non-votes), the compensation program and policies and the compensation paid to the Company's Named Executive Officers as presented in the proxy statement for the 2013 annual meeting of stockholders. In light of the favorable "say on pay" vote, the Compensation Committee did not materially adjust the Company's compensation programs and strategies, other than to adopt a value-based equity grant approach. The Company intends to provide stockholders with a "say on pay" advisory vote on an annual basis.

Oversight of Executive Compensation

Compensation Committee. The Compensation Committee of our Board determines our Named Executive Officers' base salary, performance incentive awards, equity compensation plans, and other compensation related matters, and is supported in that process by an independent compensation consultant (see below) and members of senior management, including our Senior Vice President of Human Resources and Vice President of Compensation and Benefits. The Compensation Committee regularly evaluates our compensation programs to ensure they support our business objectives, which include (i) continued quality restaurant growth that generates acceptable returns, (ii) sustainability of our brands and brand expansion as appropriate, (iii) profitability, (iv) operational excellence, and (v) the creation of long-term value for our stockholders. The Compensation Committee operates according to a written charter that is available on our website at www.thecheesecakefactory.com, by clicking on "Investors" and "Corporate Governance."

Role of Outside Consultants. Since fiscal 2008, the Compensation Committee has engaged Farient Advisors to provide detailed evaluation and recommendations regarding our executive and Board compensation programs and to advise the Compensation Committee with respect to structuring our compensation plans to achieve our business objectives. Farient Advisors conducts research as directed by the Compensation Committee, and supports the Compensation Committee in the design of executive and Board compensation. Although Farient Advisors works with management, including our Chief Executive Officer, to develop programs that support our business objectives while carrying out its duties for the Compensation Committee, Farient Advisors is retained by and reports directly to the Compensation Committee and does not provide any other services to the Company other than those for which it has been retained by the Compensation Committee.

Role of Chief Executive Officer in Compensation Decisions. Our Chief Executive Officer provides the Compensation Committee with his assessment of the performance of each Named Executive Officer (other than himself) and his perspective on the factors described above under *Factors Considered in Making Compensation Decisions* when developing his recommendations for each Named Executive Officer's compensation (again, other than his own), including salary adjustments, long and short-term incentive compensation, discretionary bonuses, and compensation adjustments in conjunction with promotions. The Compensation Committee discusses our Chief Executive Officer's recommendations, consults with Farient Advisors, and then approves or modifies the recommendations in collaboration with the Chief Executive Officer.

Table of Contents

Compensation of our Chief Executive Officer. Our Chief Executive Officer's compensation is determined solely by the Compensation Committee, which approves the terms of his employment agreement and subsequently adjusts his base salary, long and short-term performance incentive compensation and other benefits from year to year. Please see the section entitled *Employment Agreements* in this Proxy Statement for a summary of the material terms of Mr. Overton's employment agreement. The Compensation Committee solicits our Chief Executive Officer's perspective on his own compensation, but makes determinations regarding his compensation independently and without him or other Named Executive Officers present. The Compensation Committee reviews Mr. Overton's annual cash and long and short-term performance incentive compensation at approximately the same time and following the same process as compensation levels are reviewed for all other Named Executive Officers, as further described in this Compensation Discussion and Analysis.

Market Positioning

Our Compensation Committee, in collaboration with our Chief Executive Officer and Senior Vice President of Human Resources, reviews market data related to pay practices among comparable companies, but does not target specific market positioning of pay when determining compensation for individual Named Executive Officers. Rather, the Compensation Committee uses comparative market data as one of several factors when making individual compensation decisions.

As part of its compensation review process for fiscal 2013, the Compensation Committee reviewed an analysis prepared by Farient Advisors of market pay practices for positions similar to the positions of our Named Executive Officers and other key executives, adjusted to take into account differences, if any, between the scope of our Named Executives Officers' responsibilities compared to their counterparts in positions with similar titles in comparable companies. This analysis used pay comparisons from (i) comparable companies in the restaurant and hotel industry (see below) as compiled from their proxy disclosures and other SEC filings, and (ii) two recognized market survey sources, the Mercer Executive Survey and the Chain Restaurant Compensation Association (CRCA) Survey. For the Chief Executive Officer and the Chief Financial Officer, size-adjusted data from the comparable companies listed below was weighted at 50% and the surveys were weighted at 25% each for purposes of determining market pay positions in such analysis. For the other Named Executive Officers, there was not enough representation for other positions in the proxy data, so the surveys were weighted at 50% each in such analysis.

Comparison Group for Fiscal 2013. The Compensation Committee reviewed the composition of our executive compensation peer group to ascertain whether the group of companies we use as part of our compensation analyses adequately represented those companies that are similar to us in size and complexity of operations and with whom we compete for executive talent. The companies against which we compared ourselves for Named Executive Officers' and other key executives' compensation decisions made for fiscal 2013 were comprised of the following companies that (i) had revenue between \$500 million and \$4 billion (approximately 0.3 times to 2.5 times our revenue, with the exception of Darden

Edgar Filing: CHEESECAKE FACTORY INC - Form DEF 14A

Table of Contents

Restaurants), and (ii) in the aggregate, had an overall median revenue of \$1.3 billion, which was below our revenue of \$1.8 billion:

BJ's Restaurants	Chipotle Mexican Grill	Red Robin Gourmet Burgers
Bloomin' Brands Inc.	Darden Restaurants*	Ruby Tuesday
Bob Evans Farms	Denny's	Texas Roadhouse
Brinker International	DineEquity	Wyndham Worldwide Corp.
Buffalo Wild Wings	Hyatt Hotels Corp.	
Cracker Barrel Group	Panera Bread Company	

*

Included in our comparison group because of its importance as an industry leader in casual dining, even though its revenues are greater than the \$4 billion upper range limit.

Due to the size differences among these companies and us, Farient Advisors used regression analyses to size-adjust the results and corroborated the findings with data from our survey sources.

While this comparison group provides the Compensation Committee with an important general frame of reference, the Compensation Committee does not target our Named Executive Officers' compensation at any specific percentile or within a specific range of the comparison group's pay levels. Based upon its review of the size-adjusted competitive market data for the companies set forth above and the Company's stock price assumptions applicable during the period in which compensation levels were being reviewed, the Compensation Committee determined that the appropriate total direct compensation (which includes base salary, short-term incentive bonus, and long-term incentives) for fiscal 2013 for our Chief Executive Officer would be positioned at approximately the 60th percentile and that of our other Named Executive Officers as a group would be positioned at approximately the 50th percentile compared to our comparable executive compensation peer group companies.

Comparison Group for Fiscal 2014. In the last quarter of fiscal 2013, the Compensation Committee again reviewed the composition of our executive compensation peer group for compensation decisions to be made for fiscal 2014, and added Ignite Restaurant Group. The resulting group of companies similar to us in size and complexity of operations and against which we compete for executive talent is comprised of the following companies that (i) have annual revenue between \$500 million and \$4.5 billion (approximately 0.3 times to 2.3 times our revenue, with the exception of Darden Restaurants), and (ii) in the aggregate, have an overall median revenue of \$1.7 billion, which is slightly below our revenue of \$1.9 billion:

BJ's Restaurants	Chipotle Mexican Grill	Panera Bread Company
Bloomin' Brands Inc.	Darden Restaurants**	Red Robin Gourmet Burgers
Bob Evans Farms	Denny's	Ruby Tuesday
Brinker International	DineEquity	Texas Roadhouse
Buffalo Wild Wings	Hyatt Hotels Corp.	Wyndham Worldwide Corp.
Cracker Barrel Group	Ignite Restaurant Group*	

*

New to our comparison group for fiscal 2014. Added because they met the criteria set out above and are expected to meet revenue requirements this fiscal year.

**

Included in our comparison group because of its importance as an industry leader in casual dining, even though its revenues are greater than the \$4 billion upper range limit.

The Committee reviewed the competitive pay data presented by Farient Advisors and agreed that an increase in compensation would be appropriate, considering each executive's individual performance and the favorable performance of the Company overall. These increases (described in greater detail below)

Table of Contents

position Named Executive Officers' total direct compensation at between the 50th and 75th percentile of the market. For the Chief Executive Officer in particular, the Committee determined that an approximate 4% increase in total target direct compensation (based on an assumed stock price of \$47.00) would be appropriate in consideration of his highly effective leadership of the Company, Company performance overall in fiscal 2013, and his current pay positioning at approximately the 75th percentile of the market.

Principal Elements of Compensation

Base Salary

In accordance with our compensation objectives, salaries for our Named Executive Officers are determined by the Compensation Committee and administered to reflect the individual officer's career experience, contribution and performance, as well as the value of the position relative to the marketplace. During its annual review of base salaries, the Compensation Committee has historically considered each Named Executive Officer's performance during the prior year and the recommendations of our Chief Executive Officer (except with respect to his own compensation), as well as market data provided by Farient Advisors, as discussed above.

Without using any particular formula or assigning a specific weight to any factor, the Compensation Committee also considers:

Our overall performance, including our performance as compared to certain performance objectives established under our short-term performance incentive plan for the applicable fiscal year,

The share value of our common stock at the end of the applicable fiscal year compared to the end of the prior fiscal year,

The role each Named Executive Officer played and his or her contributions in driving our overall performance, and

As a general point of reference, market position of our Named Executive Officers' compensation as discussed above (see *Market Positioning*).

Table of Contents

The following chart shows the annualized base salaries for our Named Executive Officers for fiscal years 2012 through 2014 and their respective increases, which the Compensation Committee determined were reasonable and appropriate based on individual and Company performance.

FISCAL 2012-2014 ANNUALIZED BASE SALARIES*

Name and Principal Position	Fiscal 2014		Fiscal 2013		Fiscal 2012
	\$	% Increase	\$	% Increase	\$
David Overton <i>Chairman of the Board and Chief Executive Officer</i>	\$ 995,000	0.5%	\$ 990,000	3.1%	\$ 960,000
David Gordon** <i>President</i>	\$ 525,000	5.0%	\$ 500,000	17.6%	\$ 425,000
W. Douglas Benn <i>Executive Vice President and Chief Financial Officer</i>	\$ 485,000	4.0%	\$ 466,000	4.0%	\$ 448,000
Debby R. Zurzolo <i>Executive Vice President, General Counsel and Secretary</i>	\$ 452,500	4.0%	\$ 435,000	4.1%	\$ 418,000
Max S. Byfuglin <i>President, The Cheesecake Factory Bakery Incorporated</i>	\$ 400,000	3.0%	\$ 388,000	4.0%	\$ 373,000

*

Salaries for fiscal 2014 and 2013 were effective in March of each year. Salaries for fiscal 2012 were effective in January 2012.

**

Mr. David Gordon was appointed President of the Company effective February 18, 2013.

Annual Cash Incentive Compensation

Annual cash incentive compensation for our executive officers is based on our performance against specific objectives, such as earnings per share, sales growth, consolidated income from operations, guest satisfaction, product development, net operating profit, cash flow, and/or market share and revenues, among others.

Each executive is assigned a minimum threshold target and maximum bonus opportunity as a percentage of base salary, and he or she may earn a bonus based on the level of achievement of performance objectives within that range. At the beginning of each fiscal year, the Compensation Committee establishes both the performance objectives and the formula for computing the performance bonus if the performance objectives are achieved at each range. Performance bonuses are payable in the first quarter of the following fiscal year, after the Compensation Committee verifies performance relative to the pre-established objectives and certifies to what extent, if any, bonuses were earned within the range between and including the minimum and the maximum bonus opportunity.

The Compensation Committee retains negative discretion with respect to payment of performance bonuses under the Company's Incentive Plan and may not award performance-based bonuses under our Incentive Plan that are higher than the ranges established under the Incentive Plan for the applicable fiscal year. In addition, under the terms of our Incentive Plan, the amount of any individual performance bonus in any fiscal year may not exceed \$2.5 million.

Fiscal 2013 Performance Incentive Plan Design: For fiscal 2013, the Compensation Committee established the following minimum, threshold, target and maximum bonus opportunities by position for

Table of Contents

executives under our Incentive Plan. Actual payouts depend upon performance results with ranges as follows:

Name	Incentive Bonus as % of Salary			
	Minimum	Threshold(1)	Target(2)	Maximum(3)
Chief Executive Officer	0%	18.75%	100%	175%
President	0%	14.1%	75%	131.3%
Executive Vice President	0%	12.2%	65%	113.8%
Subsidiary President	0%	12.2%	65%	113.8%

- (1) The threshold award assumes the achievement of 85% of the Company-wide operating income target.
- (2) The target award assumes the achievement of 100% of the Company-wide operating income target and 100% of certain strategic objectives.
- (3) The maximum award assumes achievement of 115% or more of the Company-wide operating income target and 100% of certain strategic objectives. The bonus may not exceed \$2.5 million for any individual in any fiscal year.

Under the Incentive Plan for 2013, the Compensation Committee established (1) a Company-wide operating income objective with respect to 75% of the potential award (except for our bakery executives, whose plan is described below) and (2) a threshold operating income objective plus certain strategic objectives with respect to 25% of the potential award, in order to better balance the rewards for near-term financial performance with the rewards for long-term strategic growth. The minimum threshold at which awards may be payable requires achievement of 85% of the financial performance incentive target.

The Compensation Committee also established a similar structure for the Incentive Plan for 2013 for our bakery division, which plan included additional operating income and strategic objectives applicable to the bakery division, as follows:

50% of the potential award based solely upon bakery division operating income objectives (up to 200% of target),

25% based on Company-wide operating income objective (up to 200% of target), and

25% based on bakery division strategic objectives (up to 100% of target) once a minimum Company-wide operating income threshold has been met

Table of Contents

For fiscal 2013, the Compensation Committee approved the following potential payout schedules for both the Company as a whole and our bakery division:

Fiscal 2013 Company Bonus Schedule (excludes Bakery):

Company Operating Income Achievement (75% weight)	Award Payout %	Company Strategic Initiative Achievement (25% weight)	Award Payout %
115%	200% (max)	100%	100% (max)
101%-114%	+ approx. 6.7% of award for 1% additional achievement(1)	50%	50%
100%	100% (target)	0%	0%
86%-99%	+5% of award for 1% Additional achievement(2)		
85%	25% (threshold)		
<85%	0%		

(1) For example, 101% achievement would pay out at approximately 107%; 102% achievement would pay out at approximately 113%, up to a maximum of 200% at 115% achievement.

(2) For example, 86% achievement would pay out at 30%; 87% achievement would pay out at 35%, etc.

Fiscal 2013 Bakery Bonus Schedule:

Bakery Operating Income Achievement (50% weight)	Award Payout %	Company Operating Income Achievement (25% weight)	Award Payout %	Bakery Strategic Initiatives Achievement (25%)	Award Payout %
115%	200% (max)	115%	200% (max)	100%	100% (max)
101%-114%	+ approx. 6.7% of award for 1% additional achievement(1)	101%-114%	+ approx. 6.7% of award for 1% additional achievement(1)	50%	50%
100%	100% (target)	100%	100% (target)	0%	0%
86%-99%	+5% of award for 1% additional	86%-99%	+5% of award for 1% additional		

Edgar Filing: CHEESECAKE FACTORY INC - Form DEF 14A

achievement(2)		achievement(2)	
85%	25% (threshold)	85%	25% (threshold)
<85%	0%	<85%	0%

(1) For example, 101% achievement would pay out at approximately 107%; 102% achievement would pay out at approximately 113%, up to a maximum of 200% at 115% achievement.

(2) For example, 86% achievement would pay out at 30%; 87% achievement would pay out at 35%, etc.

Fiscal 2013 Performance Objectives. At the time the Compensation Committee was considering financial and strategic performance objectives for fiscal 2013, industry experts, such as Technomic, Nation's Restaurant News and the National Restaurant Association, forecast low growth in guest traffic given

Table of Contents

ongoing macroeconomic conditions, including high unemployment levels and low consumer confidence levels. In addition, industry experts predicted that the environment for casual dining operators would be impacted by cost inflation (i.e., commodity costs, payroll costs and costs to comply with government regulations), upcoming health care reform regulations and general economic uncertainty. Additional factors considered by the Compensation Committee included:

The appropriate rate of growth of our operating income;

The role of operating margin as a primary driver of value creation within the restaurant industry, due in part to the low overall sales growth, and use of a peer group relative measure to appropriately account for commodity cost movements, macro or industry-wide cycles;

The importance of continuing international expansion and operational excellence with our licensed partner in the Middle East and expanding international growth to other regions; and

The need to enhance staff engagement scores which would have a direct correlation to guest satisfaction.

Additionally, the Compensation Committee considered factors that were important to the continued growth and success of our bakery division, including:

Appropriate growth of our bakery division's operating income;

Improving profitability of external business which showcases and leverages our brands;

Revitalizing our distributor sales approach and generating intended improvement in the performance of our Dream Factory business within this segment; and

Achieving international growth plans.

Taking all of these factors into account, the Compensation Committee set the following performance objectives under the Incentive Plan for fiscal 2013, which the Compensation Committee believed were appropriate, reasonably difficult to achieve and, if achieved, would be likely to deliver significant value to the Company and our stockholders:

Targets for Participants Other than Bakery Division:

Weight	Financial Performance Target
---------------	-------------------------------------

75%	Consolidated operating income of \$167.1 million(1)
-----	---

25%	Additional strategic objectives, including:
-----	---

Minimum consolidated operating income threshold of \$130 million for any strategic objectives to pay out(2)

Fiscal 2013 operating margin greater than average of a peer group selected by our Compensation Committee(3)

Continue international expansion and improve operational excellence with our licensed partner in the Middle East, measured against milestones

Enhance restaurant staff engagement scores by a specific percentage and achieve additional operational milestones

- (1) If achieved, would equal a 12% increase over fiscal 2012 consolidated operating income of \$149 million.
- (2) Approximately 87% of fiscal 2012 actual consolidated operating income and approximately 78% of 2013 consolidated operating income target.

Table of Contents

- (3) The peer group against which the Compensation Committee compared us for fiscal 2013 was comprised of the following restaurant companies: Bloomin' Brands (BLMN); Darden Restaurants (DRI); Bravo Brio Restaurant Group (BBRG); BJ's Restaurants (BJRI); Ruby Tuesday (RT); and Ignite Restaurant Group (IRG) . In order to remain in the peer group for fiscal 2013, each company had to remain publicly traded with units that are at least 75% company-operated. The potential peer group is evaluated by the Compensation Committee on an annual basis. First, all publicly traded, full service restaurants are reviewed as the potential candidates; Next, the group was further segmented into casual dining (including bar and grill) and upscale casual dining, but excluding companies with revenue of less than \$250 million; Finally, the Compensation Committee focused on company owned concepts (in which less than 25% of the store units are franchised). The Compensation Committee believes the peer group identified above was the most representative competitive set for which data is regularly available and is a sufficiently large sample. For fiscal 2013 the Compensation Committee added Bloomin' Brands and Ignite Restaurant Group and eliminated O'Charley's, P.F. Chang's China Bistro and McCormick & Schmick's, all of which went private in 2012 and for which publicly available financial information was not available for the entire 2013 fiscal year.

Targets for Bakery Division Participants (including Mr. Byfuglin):

Weight	Performance Target
50%	Bakery division operating income of \$11.3 million(1)
25%	Company consolidated operating income target of \$167.1 million
25%	Additional strategic objectives, including:
	Minimum Company consolidated operating income threshold of \$130 million for any bakery strategic objectives to pay out
	Improve profitability of external business by a specific percentage
	Revitalize distributor sales approach, measured against milestones, and
	Achieve international growth plan, measured against milestones

- (1) If achieved equals a 5% increase over fiscal 2012 bakery operating income of \$10.5 million.

The performance measures for fiscal 2013 were similar in nature to those for fiscal 2012 in that they included an operating income target and additional strategic initiatives as qualified by a minimum operating income target, both Company-wide and for our bakery division. The operating income target was selected from a stockholder-approved list of performance incentive targets under our Incentive Plan intended to qualify for deductibility by us under Section 162(m) of the Internal Revenue Code. However, due to the complexities of Section 162(m) and technical requirements related thereto that may change from time to time, we can provide no assurance regarding deductibility under Section 162(m).

Table of Contents

Fiscal 2013 Performance Objective Achievement: In February 2014, the Compensation Committee reviewed our performance against the Company's performance objectives for fiscal 2013 and certified that we achieved the following results:

	Target	Actual	Performance vs. target
<i>Operating Income Target (75% of award)(1):</i>			
Fiscal 2013 consolidated operating income	\$167.1 million	\$160.4 million	95%
<i>Strategic Initiatives (25% of award)(2):</i>			
Threshold operating income	\$130 million	\$160.4 million	100%(2)
Fiscal 2013 operating margin greater than an average of a peer group selected by our Compensation Committee(3)	>2.8%	>5.7%(4)	Achieved
Continue our international expansion and improve our operational excellence with our licensed partner in the Middle East, measured against milestones	Achieve milestones	Measured against milestones	Achieved
Enhance restaurant staff engagement scores by a specific percentage and achieve additional operational milestones	Achieve milestones	Measured against milestones	Achieved

- (1) Achievement of the consolidated operating income objective is measured only after accruals for performance achievement awards have been made.
- (2) Payable only if consolidated operating income is at least \$130 million. Maximum payout for strategic objectives is 100% of target.
- (3) *Operating Margin Compared to Average for Defined Peer Group:* The peer group against which we compared ourselves for fiscal 2013 was comprised of the following restaurant companies: Bloomin' Brands; Darden Restaurants; Bravo Brio Restaurant Group; BJ's Restaurants; Ruby Tuesday; and Ignite Restaurant Group. In order to remain in the peer group for fiscal 2013, each company must be publicly traded with units that are at least 75% company-operated. See page 49 of this Proxy Statement, under footnotes (3) in *Targets for Participants Other than Bakery Division* for a discussion as to which peers comprise this peer group and why they were selected.
- (4) Achieved fiscal 2013 operating margin 5.7% greater than defined peer group.

Edgar Filing: CHEESECAKE FACTORY INC - Form DEF 14A

Table of Contents

The Committee then reviewed our bakery division's performance against its performance incentive objectives established for fiscal 2013 under the Incentive Plan and determined that the following results were achieved:

	Target	Actual	Performance vs. target
Bakery Operating Income Target (50% of award):			
Fiscal 2013 bakery division operating income	\$11.3 million	\$9.7 million	86%
Company's Consolidated Operating Income (25% of award)(1):			
Fiscal 2013 consolidated operating income	\$167.1 million	\$160.4 million	95%
Additional strategic objectives (25% of award)(2):			
Threshold consolidated operating income	\$130 million	\$160.4 million	100%(2)
Improve profitability of external business by a specific percentage	+0.6%	(5.2%)	Not Achieved
Revitalize distributor sales approach, measured against milestones	Against Milestones	Measured against milestones	Partially Achieved
Achieve international growth plan, measured against milestones	Against milestones	Measured against milestones	Partially Achieved

- (1) Achievement of the operating income objective is measured only after accruals for performance achievement awards have been made.
- (2) Payable only if operating income is at least \$130 million. Maximum payout for strategic objectives is at 100% of target. The Compensation Committee determined that our bakery division achieved 25% of its strategic objectives for fiscal 2013 (see table below for calculation).

The following payout percentages as a percentage of target opportunity were then calculated based on the payout schedules approved by the Compensation Committee as set forth above:

Company:

Component	% Attained	% Payout	Weighted	Actual Payout as % of Target
Consolidated Operating Income	95%	75%	75%	56.2%
Strategic Objectives	100%	100%	25%	25.0%
Total Award				81.2%

Bakery Division:

Component	% Attained	% Payout	Weighted	Actual Payout as % of Target
Bakery Operating Income	86%	30%	50%	15.0%
Consolidated Operating Income	95%	75%	25%	18.7%
Strategic Objectives	25%	25%	25%	6.3%
Total Award				40.0%

Table of Contents

As a result of the Company's fiscal 2013 performance, our Named Executive Officers received Performance Incentive Awards under our fiscal 2013 performance incentive program, as follows:

Name	Target Performance Incentive as % of Salary	Actual Payout as % of Target	Actual Payout as % of Salary*	2013 Performance Incentive Award
David Overton	100%	81.2%	81.2%	\$ 800,157
David Gordon	73.7%	81.2%	59.9%	\$ 293,607
W. Douglas Benn				