

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES

☒ EXCHANGE ACT OF 1934

For the quarterly period ended March 30, 2016

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES

☐ EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 001-36823

SHAKE  SHACK^{*}
SHAKE SHACK INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

24 Union Square East, 5th Floor
New York, New York

(Address of principal executive offices)

47-1941186

(IRS Employer
Identification No.)

10003

(Zip Code)

(646) 747-7200

(Registrant's telephone number, including area code)

Not applicable

(Former name or former address, if changed since last report)

Indicate by check mark if the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule-405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ Yes ☐ No

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

Large accelerated filer ☐

Non-accelerated filer ☒ (Do not check if a smaller reporting company)

Accelerated filer ☐

Smaller reporting company ☐

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

As of May 4, 2016, there were 22,313,896 shares of Class A common stock outstanding and 13,969,794 shares of Class B common stock outstanding.

SHAKE SHACK INC.

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Cautionary Note Regarding Forward-Looking Information

This Quarterly Report on Form 10-Q ("Form 10-Q") contains forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, which are subject to risks and uncertainties. All statements other than statements of historical fact are forward-looking statements. Many of the forward-looking statements are located in Part I, Item 2 of this Form 10-Q under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations." Forward-looking statements discuss our current expectations and projections relating to our financial position, results of operations, plans, objectives, future performance and business. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. These statements may include words such as "aim," "anticipate," "believe," "estimate," "expect," "forecast," "outlook," "potential," "project," "projection," "plan," "intend," "seek," "may," "could," "would," "will," "should," "can," "can have," "likely," the negatives thereof and other similar expressions. All forward-looking statements are subject to known and unknown risks, uncertainties and other important factors that may cause actual results to be materially different.

While we believe that our assumptions are reasonable, it is very difficult to predict the impact of known factors, and it is impossible to anticipate all factors that could affect our actual results. All forward-looking statements are expressly qualified in their entirety by these cautionary statements. You should evaluate all forward-looking statements made in this Form 10-Q in the context of the risks and uncertainties disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 30, 2015 filed with the U.S. Securities and Exchange Commission (the "SEC") under the heading "Risk Factors."

The forward-looking statements included in this Form 10-Q are made only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited).

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SHAKE SHACK INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

(in thousands, except share and per share amounts)

	March 30 2016	December 30 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 65,855	\$ 70,849
Accounts receivable	3,337	4,217
Inventories	621	543
Prepaid expenses and other current assets	3,600	3,325
Total current assets	73,413	78,934
Property and equipment, net	102,279	93,041
Deferred income taxes, net	241,466	201,957
Other assets	5,352	5,615
TOTAL ASSETS	\$ 422,510	\$ 379,547
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 6,035	\$ 6,786
Accrued expenses	5,442	6,801
Accrued wages and related liabilities	3,718	5,804
Other current liabilities	5,026	4,614
Total current liabilities	20,221	24,005
Note payable	313	313
Deferred rent	24,381	22,927
Liabilities under tax receivable agreement, net of current portion	205,851	170,933
Other long-term liabilities	4,326	4,350
Total liabilities	255,092	222,528
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, no par value—10,000,000 shares authorized; none issued and outstanding as of March 30, 2016 and December 30, 2015.	—	—
Class A common stock, \$0.001 par value—200,000,000 shares authorized; 21,700,184 and 19,789,259 shares issued and outstanding as of March 30, 2016 and December 30, 2015, respectively.	22	20
Class B common stock, \$0.001 par value—35,000,000 shares authorized; 14,582,886 and 16,460,741 shares issued and outstanding as of March 30, 2016 and December 30, 2015, respectively.	14	16
Additional paid-in capital	107,590	96,311
Retained earnings	5,735	4,273
Accumulated other comprehensive loss	(6)	(5)
Total stockholders' equity attributable to Shake Shack Inc.	113,355	100,615
Non-controlling interests	54,063	56,404
Total equity	167,418	157,019
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 422,510	\$ 379,547

See accompanying Notes to Condensed Consolidated Financial Statements.

SHAKE SHACK INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS)
(UNAUDITED)

(in thousands, except per share amounts)

	Thirteen Weeks Ended			
	March 30 2016		April 1 2015	
Shack sales	\$	52,153	\$	36,047
Licensing revenue		2,012		1,761
TOTAL REVENUE		54,165		37,808
Shack-level operating expenses:				
Food and paper costs		15,032		11,004
Labor and related expenses		13,162		9,101
Other operating expenses		4,919		3,480
Occupancy and related expenses		4,323		3,183
General and administrative expenses		6,884		18,385
Depreciation expense		3,106		2,191
Pre-opening costs		2,025		1,413
TOTAL EXPENSES		49,451		48,757
OPERATING INCOME (LOSS)		4,714		(10,949)
Interest expense, net		64		78
INCOME (LOSS) BEFORE INCOME TAXES		4,650		(11,027)
Income tax expense		1,299		233
NET INCOME (LOSS)		3,351		(11,260)
Less: net income attributable to non-controlling interests		1,889		1,408
NET INCOME (LOSS) ATTRIBUTABLE TO SHAKE SHACK INC.	\$	1,462	\$	(12,668)
Earnings (loss) per share of Class A common stock:				
Basic	\$	0.07	\$	(1.06)
Diluted	\$	0.07	\$	(1.06)
Weighted-average shares of Class A common stock outstanding:				
Basic		20,353		11,953
Diluted		20,812		11,953

See accompanying Notes to Condensed Consolidated Financial Statements.

SHAKE SHACK INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(UNAUDITED)
(in thousands)

	Thirteen Weeks Ended	
	March 30 2016	April 1 2015
Net income (loss)	\$ 3,351	\$ (11,260)
Other comprehensive loss:		
Unrealized holding losses on available-for-sale securities	(2)	—
Income tax benefit	—	—
OTHER COMPREHENSIVE LOSS, NET OF TAX	(2)	—
COMPREHENSIVE INCOME (LOSS)	3,349	(11,260)
Less: comprehensive income attributable to non-controlling interests	1,888	1,408
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO SHAKE SHACK INC.	\$ 1,461	\$ (12,668)

See accompanying Notes to Condensed Consolidated Financial Statements.

SHAKE SHACK INC.

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(UNAUDITED)

(in thousands, except share amounts)

	Class A Common Stock		Class B Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Non- Controlling Interest	Total Equity
	Shares	Amount	Shares	Amount					
BALANCE, DECEMBER 30, 2015	19,789,259	\$ 20	16,460,741	\$ 16	\$ 96,311	\$ 4,273	\$ (5)	\$ 56,404	\$157,019
Net income						1,462		1,889	3,351
Other comprehensive loss:									
Unrealized holding losses on available-for-sale securities							(1)	(1)	(2)
Equity-based compensation					1,060				1,060
Stock option exercises	33,070	—			216			412	628
Income tax effect of stock compensation plans					27			1	28
Redemption of LLC Interests	1,877,855	2	(1,877,855)	(2)	4,642			(4,642)	—
Establishment of liabilities under tax receivable agreement and related changes to deferred tax assets associated with increases in tax basis					5,334				5,334
BALANCE, MARCH 30, 2016	21,700,184	\$ 22	14,582,886	\$ 14	\$ 107,590	\$ 5,735	\$ (6)	\$ 54,063	\$167,418

See accompanying Notes to Condensed Consolidated Financial Statements.

SHAKE SHACK INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(in thousands)

	Thirteen Weeks Ended	
	March 30 2016	April 1 2015
OPERATING ACTIVITIES		
Net income (loss) (including amounts attributable to non-controlling interests)	\$ 3,351	\$ (11,260)
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation expense	3,106	2,191
Equity-based compensation	1,030	13,159
Deferred income taxes	3	—
Non-cash interest expense	70	66
Excess tax benefits on equity-based compensation	(28)	—
Changes in operating assets and liabilities:		
Accounts receivable	1,019	436
Inventories	(78)	125
Prepaid expenses and other current assets	345	(599)
Other assets	(234)	1,954
Accounts payable	561	(255)
Accrued expenses	(89)	(2,350)
Accrued wages and related liabilities	(2,086)	173
Other current liabilities	202	341
Deferred rent	1,354	1,397
Other long-term liabilities	(48)	(202)
NET CASH PROVIDED BY OPERATING ACTIVITIES	8,478	5,176
INVESTING ACTIVITIES		
Purchases of property and equipment	(14,128)	(8,558)
NET CASH USED IN INVESTING ACTIVITIES	(14,128)	(8,558)
FINANCING ACTIVITIES		
Proceeds from revolving credit facility	—	4,000
Payments on revolving credit facility	—	(36,000)
Deferred financing costs	—	(92)
Proceeds from issuance of Class A common stock sold in initial public offering, net of underwriting discounts, commissions and offering costs	—	109,362
Proceeds from issuance of Class B common stock	—	30
Member distributions	—	(11,125)
Proceeds from stock option exercises	628	—
Employee withholding taxes related to net settled equity awards	—	(4,636)
Excess tax benefits from equity-based compensation	28	—
NET CASH PROVIDED BY FINANCING ACTIVITIES	656	61,539
INCREASE (DECREASE) IN CASH	(4,994)	58,157
CASH AT BEGINNING OF PERIOD	70,849	2,677
CASH AT END OF PERIOD	\$ 65,855	\$ 60,834

See accompanying Notes to Condensed Consolidated Financial Statements.

SHAKE SHACK INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except share and per share amounts)

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NOTE 1: NATURE OF OPERATIONS

Shake Shack Inc. ("we," "us," "our," "Shake Shack" and the "Company") was formed on September 23, 2014 as a Delaware corporation for the purpose of facilitating an initial public offering and other related transactions in order to carry on the business of SSE Holdings, LLC and its subsidiaries ("SSE Holdings"). On February 4, 2015, we completed an initial public offering ("IPO") of 5,750,000 shares of our Class A common stock at a public offering price of \$21.00 per share. We used the net proceeds from the IPO to purchase newly-issued membership interests from SSE Holdings ("LLC Interests"). Following the organizational transactions completed in connection with the IPO, we became the sole managing member of SSE Holdings. As sole managing member, we operate and control all of the business and affairs of SSE Holdings and, as a result, consolidate the financial results of SSE Holdings. We report a non-controlling interest representing the economic interest in SSE Holdings held by the other members of SSE Holdings. As of March 30, 2016 we owned 59.8% of SSE Holdings. Unless the context otherwise requires, "we," "us," "our," "Shake Shack," the "Company," and other similar references, refer to Shake Shack Inc. and, unless otherwise stated, all of its subsidiaries, including SSE Holdings, LLC, which we refer to as "SSE Holdings."

We operate and license Shake Shack restaurants ("Shacks"), which serve hamburgers, hot dogs, crinkle-cut fries, shakes, frozen custard, beer, wine and more. As of March 30, 2016, there were 88 Shacks in operation, system-wide, of which 47 were domestic company-operated Shacks, five were domestic licensed Shacks and 36 were international licensed Shacks.

NOTE 2 : SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of Shake Shack Inc. and its subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. These interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and on a basis consistent in all material respects with the accounting policies described in our Annual Report on Form 10-K for the fiscal year ended December 30, 2015 ("2015 Form 10-K"). In our opinion, all adjustments, which are normal and recurring in nature, necessary for a fair presentation of our financial position and results of operation have been included. Certain reclassifications have been made to prior period amounts to conform to the current year presentation. Operating results for interim periods are not necessarily indicative of the results that may be expected for a full fiscal year.

The accompanying Condensed Consolidated Balance Sheet as of December 30, 2015 has been derived from the audited financial statements at that date but does not include all of the disclosures required by GAAP. These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes thereto included in our 2015 Form 10-K.

In February 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2015-02, *Amendments to the Consolidation Analysis* ("ASU 2015-02"). ASU 2015-02 amended the existing guidance to, among other things, modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities (VIEs) or voting interest entities, and eliminate the presumption that a general partner should consolidate a limited partnership. We adopted ASU 2015-02 on December 31, 2015. Prior to the adoption of ASU 2015-02, we consolidated SSE Holdings as a voting interest entity. Pursuant to the provisions of ASU 2015-02, SSE Holdings is now considered a VIE. Shake Shack Inc. is the primary beneficiary as we have the majority economic interest in SSE Holdings and, as the sole managing member, have decision making authority that significantly affects the economic performance of the entity, while the limited partners have no substantive kick-out or participating rights. As a result, we will continue to consolidate SSE Holdings. The assets and liabilities of SSE Holdings represent substantially all of our consolidated assets and liabilities with the exception of certain deferred taxes and liabilities under the Tax Receivable Agreement. As of March 30, 2016 and December 30, 2015, the net assets of SSE Holdings were \$134,524 and \$124,214, respectively. The assets of SSE Holdings are subject to certain restrictions in SSE Holdings' revolving credit agreements. See Note 7 for more information.

Fiscal Year

We operate on a 52/53 week fiscal year ending on the last Wednesday in December. Fiscal 2016 contains 52 weeks and ends on December 28, 2016. Fiscal 2015 contained 52 weeks and ended on December 30, 2015. Unless otherwise stated, references to years in this report relate to fiscal years.

Use of Estimates

The preparation of these condensed consolidated financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of sales and expenses during the reporting period. Actual results could differ from those estimates.

Recently Adopted Accounting Pronouncements

In April 2015, the FASB issued Accounting Standards Update No. 2015-05, *Customers' Accounting for Fees Paid in a Cloud Computing Arrangement* ("ASU 2015-05"). ASU 2015-05 provides guidance in evaluating whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the software license element of the arrangement should be accounted for as an acquisition of a software license. If the arrangement does not contain a software license, it should be accounted for as a service contract. We adopted ASU 2015-05 on December 31, 2015 and elected to adopt the standard on a prospective basis. The adoption of ASU 2015-05 did not have a material impact on our consolidated financial statements.

In August 2015, the FASB issued Accounting Standards Update No. 2015-15, *Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements* ("ASU 2015-15"), which clarifies the guidance set forth in Accounting Standards Update No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs* ("ASU 2015-03"), issued in April 2015. ASU 2015-03 requires that debt issuance costs related to a recognized liability be presented on the balance sheet as a direct reduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected. ASU 2015-15 provides additional guidance regarding debt issuance costs associated with line-of-credit arrangements, stating that the SEC staff would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred issuance costs ratably over the term of the line-of-credit arrangement. We adopted ASU 2015-03 and ASU 2015-15 on December 31, 2015 and the adoption did not have a material effect on our consolidated financial statements.

In February 2015, the FASB issued ASU 2015-02, *Amendments to the Consolidation Analysis*. ASU 2015-02 amends the existing guidance to: (i) modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities (VIEs) or voting interest entities; (ii) eliminate the presumption that a general partner should consolidate a limited partnership; (iii) affect the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships and (iv) provide a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds. We adopted ASU 2015-02 on December 31, 2015. The adoption did not have an impact on our consolidated financial statements as the adoption did not change our existing conclusion regarding the consolidation of SSE Holdings. See "—Basis of Presentation" for more information.

Recently Issued Accounting Pronouncements

In March 2016, the FASB issued Accounting Standards Update No. 2016-09, *Improvements to Employee Share-Based Payment Accounting* ("ASU 2016-09"). ASU 2016-09 simplifies certain aspects of accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, an option to recognize gross stock compensation expense with actual forfeitures recognized as they occur, as well as certain classifications on the statement of cash flows. ASU 2016-09 is effective for reporting periods beginning after December 15, 2016. Early adoption is permitted. We are currently evaluating the impact ASU 2016-09 will have on our consolidated financial statements.

In March 2016, the FASB issued Accounting Standards Update No. 2016-04, *Recognition of Breakage for Certain Prepaid Stored-Value Products* ("ASU 2016-04"). ASU 2016-04 entitles a company to derecognize amounts related to expected breakage in proportion to the pattern of rights expected to be exercised by the product holder to the extent that it is probable a significant reversal of the recognized breakage amount will not subsequently occur. ASU 2016-04 is effective for reporting periods beginning after

December 15, 2017 and is to be applied retrospectively. Early adoption is permitted. We are currently evaluating the impact ASU 2016-04 will have on our consolidated financial statements.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, *Leases* ("ASU 2016-02"). ASU 2016-02 establishes a new lease accounting model, that, for many companies, eliminates the concept of operating leases and requires entities to record assets and liabilities related to leases on the balance sheet for certain types of leases. ASU 2016-02 is effective for reporting periods beginning after December 15, 2018. Early adoption will be permitted for all entities. We are currently evaluating the impact ASU 2016-02 will have on our consolidated financial statements.

In January 2016, the FASB issued Accounting Standards Update No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities* ("ASU 2016-01"). ASU 2016-01 requires: (i) equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income; (ii) simplification of the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment; (iii) elimination of the requirement for public entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet; (iv) public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes; (v) an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments; (vi) separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (that is, securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements; and (vii) clarification that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity's other deferred tax assets. ASU 2016-01 is effective for reporting periods beginning after December 15, 2017 and amendments should be applied by means of a cumulative-effect adjustment to the balance sheet at the beginning of the fiscal year of adoption. Early adoption is permitted, subject to certain conditions. We are currently evaluating the impact ASU 2016-01 will have on our consolidated financial statements.

In July 2015, the FASB issued Accounting Standards Update No. 2015-11, *Simplifying the Measurement of Inventory* ("ASU 2015-11"). Under ASU 2015-11 entities should measure inventory that is not measured using last-in, first-out (LIFO) or the retail inventory method, including inventory that is measured using first-in, first-out (FIFO) or average cost, at the lower of cost or net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. ASU 2015-11 is effective for reporting periods beginning after December 15, 2016 and is to be applied prospectively. The adoption of ASU 2015-11 is not expected to have a material effect on our consolidated financial statements.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"). ASU 2014-09 supersedes the existing revenue recognition guidance and clarifies the principles for recognizing revenue. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. In March 2016, the FASB issued an amendment to ASU 2014-09 clarifying the implementation guidance on principal versus agent considerations. In April 2016, the FASB issued an amendment to ASU 2014-09 clarifying the considerations for identifying performance obligations and the implementation guidance for revenue recognized from licensing arrangements. In August 2015, the FASB issued an update to ASU 2014-09 deferring the effective date for public entities, on a retrospective basis, to annual reporting periods beginning after December 15, 2017. Early adoption is permitted, subject to certain conditions. We are currently evaluating the impact ASU 2014-09 will have on our consolidated financial statements, as well as the expected timing and method of adoption.

NOTE 3 : FAIR VALUE MEASUREMENTS

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following tables present information about our financial assets and liabilities measured at fair value on a recurring basis as of March 30, 2016 and December 30, 2015 , and indicate the classification within the fair value hierarchy.

Cash, Cash Equivalents and Marketable Securities

The following tables summarize our cash, cash equivalents and marketable securities by significant investment categories as of March 30, 2016 and December 30, 2015:

	March 30, 2016						
	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Cash and Cash Equivalents	Marketable Securities	
Cash	\$ 65,800	\$ —	\$ —	\$ 65,800	\$ 65,800	\$ —	
Level 1:							
Money market funds	55	—	—	55	55	—	
Level 2:							
Corporate debt securities ⁽¹⁾	2,397	4	(17)	2,384	—	2,384	
Total	\$ 68,252	\$ 4	\$ (17)	\$ 68,239	\$ 65,855	\$ 2,384	

	December 30, 2015						
	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Cash and Cash Equivalents	Marketable Securities	
Cash	\$ 70,816	\$ —	\$ —	\$ 70,816	\$ 70,816	\$ —	
Level 1:							
Money market funds	33	—	—	33	33	—	
Level 2:							
Corporate debt securities ⁽¹⁾	2,397	1	(12)	2,386	—	2,386	
Total	\$ 73,246	\$ 1	\$ (12)	\$ 73,235	\$ 70,849	\$ 2,386	

(1) Corporate debt securities were measured at fair value using a market approach utilizing observable prices for identical securities or securities with similar characteristics and inputs that are observable or can be corroborated by observable market data.

All investments that were in an unrealized loss position as of March 30, 2016 have been in a continuous loss position for less than 12 months. Interest income related to our available-for-sale securities of \$23 was included in interest expense, net on the Condensed Consolidated Statement of Income (Loss) for the thirteen weeks ended March 30, 2016 . No interest income related to our available-for-sale securities was recognized for the thirteen weeks ended April 1, 2015 . There were no realized gains or losses on available-for-sale securities for the thirteen weeks ended March 30, 2016 and April 1, 2015 . Net unrealized losses on available-for-sale securities totaling \$2 for the thirteen weeks ended March 30, 2016 were included in other comprehensive loss on the Condensed Consolidated Statement of Comprehensive Income (Loss). There were no unrealized gains or losses on available-for-sale securities for the thirteen weeks ended April 1, 2015 .

The following table summarizes, by contractual maturity date, the estimated fair value of our investments in marketable debt securities that are accounted for as available-for-sale securities:

		March 30 2016
Due within one year	\$	724
Due after one year through 5 years		1,660
Due after 5 years through 10 years		—
Due after 10 years		—
Total	\$	2,384

We periodically review our marketable debt securities for other-than-temporary impairment. We consider factors such as the duration, severity and the reason for the decline in value, the potential recovery period and our intent to sell. We also consider whether (i) it is more likely than not that we will be required to sell the debt securities before recovery of their amortized cost basis, and (ii) the amortized cost basis cannot be recovered as a result of credit losses. As of March 30, 2016 and December 30, 2015, the declines in the market value of our marketable securities investment portfolio were considered to be temporary in nature.

Other Financial Instruments

The carrying value of our other financial instruments, including accounts receivable, accounts payable, and accrued expenses as of March 30, 2016 and December 30, 2015 approximated their fair value due to the short-term nature of these financial instruments.

Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

Assets and liabilities that are measured at fair value on a non-recurring basis include our long-lived assets and indefinite-lived intangible assets. There were no impairments recognized during the thirteen weeks ended March 30, 2016 and April 1, 2015 .

NOTE 4 : INVENTORIES

Inventories as of March 30, 2016 and December 30, 2015 consisted of the following:

		March 30 2016		December 30 2015
Food	\$	407	\$	328
Wine		33		30
Beer		39		46
Beverages		64		57
Retail merchandise		78		82
Inventories	\$	621	\$	543

NOTE 5 : PROPERTY AND EQUIPMENT

Property and equipment as of March 30, 2016 and December 30, 2015 consisted of the following:

	March 30 2016	December 30 2015
Leasehold improvements	\$ 89,151	\$ 82,904
Equipment	18,029	16,903
Furniture and fixtures	5,492	4,965
Computer equipment and software	5,599	5,197
Construction in progress	10,633	6,591
Property and equipment, gross	128,904	116,560
Less: accumulated depreciation	26,625	23,519
Property and equipment, net	\$ 102,279	\$ 93,041

NOTE 6 : SUPPLEMENTAL BALANCE SHEET INFORMATION

The components of other current liabilities as of March 30, 2016 and December 30, 2015 are as follows:

	March 30 2016	December 30 2015
Sales tax payable	\$ 1,368	\$ 1,073
Current portion of liabilities under tax receivable agreement	2,159	2,157
Gift card liability	768	833
Other	731	551
Other current liabilities	\$ 5,026	\$ 4,614

NOTE 7 : DEBT

In January 2015, we executed a Third Amended and Restated Credit Agreement, which became effective on February 4, 2015 (together with the prior agreements and amendments, and as further amended, the "Revolving Credit Facility"), which provides for a revolving total commitment amount of \$50,000, of which \$20,000 is available immediately. The Revolving Credit Facility will mature and all amounts outstanding will be due and payable five years from the effective date. The Revolving Credit Facility permits the issuance of letters of credit upon our request of up to \$10,000. Borrowings under the Revolving Credit Facility bear interest at either: (i) LIBOR plus a percentage ranging from 2.5% to 3.5% or (ii) the prime rate plus a percentage ranging from 0.0% to 1.0%, depending on the type of borrowing made under the Revolving Credit Facility. As of March 30, 2016 and December 30, 2015, there were no amounts outstanding under the Revolving Credit Facility. As of March 30, 2016, we had \$19,920 of availability under the Revolving Credit Facility, after giving effect to \$80 in outstanding letters of credit.

The Revolving Credit Facility is secured by a first-priority security interest in substantially all of the assets of SSE Holdings and the guarantors. The obligations under the Revolving Credit Facility are guaranteed by each of SSE Holdings' wholly-owned domestic subsidiaries (with certain exceptions).

The Revolving Credit Facility contains a number of covenants that, among other things, limit our ability to, subject to specified exceptions, incur additional debt; incur additional liens and contingent liabilities; sell or dispose of assets; merge with or acquire

other companies; liquidate or dissolve ourselves; pay dividends or make distributions; engage in businesses that are not in a related line of business; make loans, advances or guarantees; engage in transactions with affiliates; and make investments. In addition, the Revolving Credit Facility contains certain cross-default provisions. We are required to maintain a specified consolidated fixed-charge coverage ratio and a specified funded net debt to adjusted EBITDA ratio, both as defined under the Revolving Credit Facility. As of March 30, 2016, we were in compliance with all covenants.

Subsequent to the quarter, we failed to furnish audited financial statements of SSE Holdings, as required under the Revolving Credit Facility if certain financial tests are not met. As a result, we were considered to be in default. In May 2016, we obtained a waiver for the covenant violation and entered into an amendment to the Revolving Credit Facility. As no amounts were outstanding at the time, the default and subsequent waiver had no impact to our consolidated financial statements. See Note 15 for further details.

In March 2013, we entered into a promissory note in the amount of \$313 in connection with the purchase of a liquor license. Interest on the outstanding principal balance of this note is due and payable on a monthly basis from the effective date at a rate of 5.0% per year. The entire principal balance and interest is due and payable on the earlier of the maturity date, which is the expiration of the lease in June 2023, or the date of the sale of the license. As of March 30, 2016 and December 30, 2015, the outstanding balance of the promissory note was \$313. Subsequent to the quarter, we repaid the entire outstanding balance of the promissory note. See Note 15 for further details.

Total interest costs incurred were \$87 and \$186 for the thirteen weeks ended March 30, 2016 and April 1, 2015, respectively. Total amounts capitalized into property and equipment were \$108 for the thirteen weeks ended April 1, 2015. No amounts were capitalized for the thirteen weeks ended March 30, 2016.

NOTE 8 : NON-CONTROLLING INTERESTS

We are the sole managing member of SSE Holdings and, as a result, consolidate the financial results of SSE Holdings. We report a non-controlling interest representing the economic interest in SSE Holdings held by the other members of SSE Holdings. The Third Amended and Restated Limited Liability Company Agreement of SSE Holdings provides that holders of LLC Interests may, from time to time, require SSE Holdings to redeem all or a portion of their LLC Interests for newly-issued shares of Class A common stock on a one-for-one basis. In connection with any redemption or exchange, we will receive a corresponding number of LLC Interests, increasing our total ownership interest in SSE Holdings. Changes in our ownership interest in SSE Holdings while we retain our controlling interest in SSE Holdings will be accounted for as equity transactions. As such, future redemptions or direct exchanges of LLC Interests in SSE Holdings by the other members of SSE Holdings will result in a change in ownership and reduce the amount recorded as non-controlling interest and increase additional paid-in capital.

The following table summarizes the ownership interest in SSE Holdings as of March 30, 2016 and December 30, 2015.

	March 30, 2016		December 30, 2015	
	LLC Interests	Ownership %	LLC Interests	Ownership %
Number of LLC Interests held by Shake Shack Inc.	21,700,184	59.8%	19,789,259	54.6%
Number of LLC Interests held by non-controlling interest holders	14,582,886	40.2%	16,460,741	45.4%
Total LLC Interests outstanding	36,283,070	100.0%	36,250,000	100.0%

The weighted average ownership percentages for the applicable reporting periods are used to attribute net income and other comprehensive income to Shake Shack Inc. and the non-controlling interest holders. The non-controlling interest holders' weighted average ownership percentage for the thirteen weeks ended March 30, 2016 was 43.9%. For the thirteen weeks ended April 1, 2015, net income was attributed to non-controlling interest holders only for the period subsequent to the IPO and the organizational transactions completed in connection with our IPO, based on a weighted-average ownership percentage of 66.7%.

The following table summarizes the effects of changes in ownership in SSE Holdings on our equity during the thirteen weeks ended March 30, 2016 and April 1, 2015 .

	Thirteen Weeks Ended	
	March 30 2016	April 1 2015
Comprehensive income (loss) attributable to Shake Shack Inc.	\$ 1,461	\$ (12,668)
Transfers (to) from non-controlling interests:		
Increase in additional paid-in capital as a result of the settlement of unit appreciation rights	—	987
Decrease in additional paid-in as a result of the organizational transactions completed in connection with our IPO	—	(75,182)
Increase in additional paid-in capital as a result of the redemption of LLC Interests	4,642	—
Decrease in additional paid-in capital as a result of contributions made related to equity-based compensation	1,060	—
Increase in additional paid-in capital as a result of stock option exercises	216	—
Total effect of changes in ownership interest on equity attributable to Shake Shack Inc.	\$ 7,379	\$ (86,863)

In February 2015, we used the net proceeds from our IPO to purchase 5,750,000 newly-issued LLC Interests. Additionally, in connection with our IPO, we acquired 5,968,841 LLC Interests through the acquisition, by merger, of two entities there were owned by former indirect members of SSE Holdings. Pursuant to the LLC Agreement, we received 339,306 LLC Interests as a result of the issuance of 339,306 shares of Class A common stock in settlement of the outstanding UARs.

During thirteen weeks ended March 30, 2016 , an aggregate of 1,877,855 LLC Interests were redeemed by non-controlling interest holders for newly-issued shares of Class A common stock, and we received 1,877,855 LLC Interests in connection with these redemptions, increasing our total ownership interest in SSE Holdings. No LLC Interests were redeemed during the thirteen weeks ended April 1, 2015 .

During thirteen weeks ended March 30, 2016 , we received an aggregate of 33,070 LLC Interests in connection with the exercise of employee stock options. No stock options were exercised during the thirteen weeks ended April 1, 2015 .

NOTE 9 : EQUITY-BASED COMPENSATION

A summary of equity-based compensation expense recognized during the thirteen weeks ended March 30, 2016 and April 1, 2015 is as follows:

	Thirteen Weeks Ended	
	March 30 2016	April 1 2015
Unit appreciation rights	\$ —	\$ 11,762
Restricted Class B units	—	605
Stock options	1,030	792
Equity-based compensation expense	\$ 1,030	\$ 13,159
Total income tax benefit recognized related to equity-based compensation	\$ 31	\$ 267

Amounts are included in labor and related expenses and general and administrative expense on the Condensed Consolidated Statements of Income (Loss).

Unit Appreciation Rights

Prior to the IPO, we maintained a Unit Appreciation Rights Plan (the "UAR Plan"), effective in fiscal year 2012, and as amended, whereby we had the authority to grant up to 31,303 unit appreciation rights ("UARs") to employees. The UARs granted were subject to continued employment and were only exercisable upon a qualifying transaction, which was either a change of control or an initial public offering. Our IPO constituted a qualifying transaction under the terms of the UAR Plan, and as a result 339,306 shares of Class A common stock were issued upon the settlement of the 22,554 outstanding UARs, net of employee withholding taxes. We recognized compensation expense of \$11,762 during the thirteen weeks ended April 1, 2015 upon settlement of the outstanding UARs.

There were no UARs outstanding as of March 30, 2016 or December 30, 2015 . No compensation expense was recognized during the thirteen weeks ended March 30, 2016 .

Restricted Class B Units

Prior to the IPO, we granted restricted Class B units to certain of our executive officers. These awards were to vest in equal installments over periods ranging from three to five years. If not already fully vested, these units would fully vest (i) upon the occurrence of a change in control event or (ii) upon the occurrence of an initial public offering. The IPO constituted a transaction under the terms of the restricted Class B unit award agreements that resulted in the accelerated vesting of all then-outstanding awards, and we recognized \$605 of equity-based compensation expense upon the vesting of these awards during the thirteen weeks ended April 1, 2015 .

There were no restricted Class B units outstanding as of March 30, 2016 or December 30, 2015 . No compensation expense was recorded during the thirteen weeks ended March 30, 2016 .

Stock Options

In January 2015, we adopted the 2015 Incentive Award Plan (the "2015 Plan") under which we may grant up to 5,865,522 stock options and other equity-based awards to employees, directors and officers. The stock options granted generally vest equally over periods ranging from one to five years. We do not use cash to settle any of our equity-based awards, and we issue new shares of Class A common stock upon the exercise of stock options.

A summary of stock option activity for thirteen weeks ended March 30, 2016 is as follows:

	Stock Options	Weighted Average Exercise Price
Outstanding at beginning of period	2,574,981	\$ 21.00
Granted	—	—
Exercised	(38,081)	21.00
Forfeited	(11,525)	(21.00)
Outstanding at end of period	2,525,375	\$ 21.00

As of March 30, 2016 , there were 2,525,375 stock options outstanding, of which 523,915 were exercisable. As of March 30, 2016 , total unrecognized compensation expense related to unvested stock options, including an estimate for pre-vesting forfeitures, was \$15,396 , which is expected to be recognized over a weighted-average period of 3.8 years.

NOTE 10 : INCOME TAXES

We are the sole managing member of SSE Holdings, and as a result, consolidate the financial results of SSE Holdings. SSE Holdings is treated as a partnership for U.S. federal and most applicable state and local income tax purposes. As a partnership, SSE Holdings is not subject to U.S. federal and certain state and local income taxes. Any taxable income or loss generated by SSE Holdings is passed through to and included in the taxable income or loss of its members, including us, on a pro rata basis. We are subject to U.S. federal income taxes, in addition to state and local income taxes with respect to our allocable share of any taxable income or loss of SSE Holdings, as well as any stand-alone income or loss generated by Shake Shack Inc. We are also subject to withholding taxes in foreign jurisdictions.

Income Tax Expense

A reconciliation of income tax expense computed at the U.S. federal statutory income tax rate to the recognized income tax expense is as follows:

	Thirteen Weeks Ended	
	March 30 2016	April 1 2015
Expected U.S. federal income taxes at statutory rate (34%)	\$ 1,581	\$ (3,749)
State and local income taxes, net of federal benefit	272	(149)
Foreign withholding taxes	240	116
Non-deductible expenses	—	235
Tax credits	(39)	—
Non-controlling interest	(755)	3,780
Other	—	—
Income tax expense	\$ 1,299	\$ 233

Our effective income tax rates for the thirteen weeks ended March 30, 2016 and April 1, 2015 were 27.9% and (2.1)% , respectively. As the majority of the pre-tax loss for the thirteen weeks ended April 1, 2015 was generated in the period prior to the organizational transactions completed in connection with the IPO, and prior to our becoming a member of SSE Holdings, we are not entitled to any tax benefits related to those losses. We recognized tax expense on our allocable share of the pre-tax income generated in the period subsequent to becoming a member of SSE Holdings, which resulted in a negative effective tax rate when compared to our consolidated pre-tax loss.

Deferred Tax Assets and Liabilities

During the thirteen weeks ended March 30, 2016 , we acquired an aggregate of 1,910,925 LLC Interests in connection with the redemption of LLC Interests and the exercise of employee stock options. We recognized an additional deferred tax asset in the amount of \$23,383 associated with the change in the basis difference in our investment in SSE Holdings upon acquisition of these LLC Interests, increasing our total deferred tax asset to \$177,754 as of March 30, 2016 . However, a portion of the basis difference will only reverse upon the eventual sale of our interest in SSE Holdings, which we expect would result in a capital loss. As of March 30, 2016 , we established a valuation allowance in the amount of \$20,309 against the deferred tax asset to which this portion relates.

During thirteen weeks ended March 30, 2016 , we also recognized \$14,023 of deferred tax assets related to additional tax basis increases generated from expected future payments under the Tax Receivable Agreement and related deductions for imputed interest on such payments. As of March 30, 2016 , the total deferred tax asset related to these payments was \$83,698 . See "—Tax Receivable Agreement" for more information.

We evaluate the realizability of our deferred tax assets on a quarterly basis and establish valuation allowances when it is more likely than not that all or a portion of a deferred tax asset may not be realized. As of March 30, 2016 , we concluded, based on the weight of all available positive and negative evidence, that all of our deferred tax assets (except for those deferred tax assets described above relating to basis differences that are expected to result in a capital loss upon the eventual sale of our interest in SSE Holdings) are more likely than not to be realized. As such, no additional valuation allowance was recognized.

Uncertain Tax Positions

No uncertain tax positions existed as of March 30, 2016. Shake Shack Inc. was formed in September 2014 and did not engage in any operations prior to the IPO and related organizational transactions. Shake Shack Inc. first filed tax returns for tax year 2014, which is the first tax year subject to examination by taxing authorities for U.S. federal and state income tax purposes. Additionally, although SSE Holdings is treated as a partnership for U.S. federal and state income taxes purposes, it is still required to file an annual U.S. Return of Partnership Income, which is subject to examination by the Internal Revenue Service ("IRS"). The statute of limitations has expired for tax years through 2011 for SSE Holdings.

Tax Receivable Agreement

Pursuant to our election under Section 754 of the Internal Revenue Code (the "Code"), we expect to obtain an increase in our share of the tax basis in the net assets of SSE Holdings when LLC Interests are redeemed or exchanged by the other members of SSE Holdings. We plan to make an election under Section 754 of Code for each taxable year in which a redemption or exchange of LLC Interest occurs. We intend to treat any redemptions and exchanges of LLC Interests as direct purchases of LLC Interests for U.S. federal income tax purposes. These increases in tax basis may reduce the amounts that we would otherwise pay in the future to various tax authorities. They may also decrease gains (or increase losses) on future dispositions of certain capital assets to the extent tax basis is allocated to those capital assets.

On February 4, 2015, we entered into a tax receivable agreement with certain of the then-existing members of SSE Holdings (the "Tax Receivable Agreement") that provides for the payment by us of 85% of the amount of any tax benefits that we actually realize, or in some cases are deemed to realize, as a result of (i) increases in our share of the tax basis in the net assets of SSE Holdings resulting from any redemptions or exchanges of LLC Interests, (ii) tax basis increases attributable to payments made under the Tax Receivable Agreement, and (iii) deductions attributable to imputed interest pursuant to the Tax Receivable Agreement (the "TRA Payments"). We expect to benefit from the remaining 15% of any tax benefits that we may actually realize. The TRA Payments are not conditioned upon any continued ownership interest in SSE Holdings or us. The rights of each SSE Holdings member party under the Tax Receivable Agreement are assignable to transferees of its LLC Interests.

During the thirteen weeks ended March 30, 2016, we acquired an aggregate of 1,877,855 LLC Interests in connection with the redemption of LLC Interests, which resulted in an increase in the tax basis of our investment in SSE Holdings subject to the provisions of the Tax Receivable Agreement. We recognized an additional liability in the amount of \$34,920 for the TRA Payments due to the redeeming members, representing 85% of the aggregate tax benefits we expect to realize from the tax basis increases related to the redemption of LLC Interests, after concluding it was probable that such TRA Payments would be paid based on our estimates of future taxable income. As of March 30, 2016, the total amount of TRA Payments due under the Tax Receivable Agreement was \$208,010, of which \$2,159 was included in other current liabilities on the Condensed Consolidated Balance Sheet. See Note 13 for more information relating to our liabilities under the Tax Receivable Agreement.

NOTE 11 : EARNINGS PER SHARE

Basic earnings per share of Class A common stock is computed by dividing net income available to Shake Shack Inc. by the weighted-average number of shares of Class A common stock outstanding during the period. Diluted earnings per share of Class A common stock is computed by dividing net income available to Shake Shack Inc. by the weighted-average number of shares of Class A common stock outstanding adjusted to give effect to potentially dilutive securities.

The following table sets forth reconciliations of the numerators and denominators used to compute basic and diluted earnings per share of Class A common stock for the thirteen weeks ended March 30, 2016 and April 1, 2015 .

	Thirteen Weeks Ended	
	March 30 2016	April 1 2015
Numerator:		
Net income (loss)	\$ 3,351	\$ (11,260)
Less: net income attributable to non-controlling interests	1,889	1,408
Net income (loss) attributable to Shake Shack Inc.	\$ 1,462	\$ (12,668)
Denominator:		
Weighted-average shares of Class A common stock outstanding—basic	20,353	11,953
Effect of dilutive securities:		
Stock options	459	—
Weighted-average shares of Class A common stock outstanding—diluted	20,812	11,953
Earnings per share of Class A common stock—basic	\$ 0.07	\$ (1.06)
Earnings per share of Class A common stock—diluted	\$ 0.07	\$ (1.06)

Shares of our Class B common stock do not share in the earnings or losses of Shake Shack and are therefore not participating securities. As such, separate presentation of basic and diluted earnings per share of Class B common stock under the two-class method has not been presented.

The following table presents potentially dilutive securities excluded from the computations of diluted earnings per share of Class A common stock for the thirteen weeks ended March 30, 2016 and April 1, 2015 .

	Thirteen Weeks Ended	
	March 30 2016	April 1 2015
Stock options	—	2,618,281 (1)
Shares of Class B common stock	14,582,886 (2)	24,191,853 (1)

(1) Excluded from the computation of diluted earnings per share of Class A common stock because the effect would have been anti-dilutive since we recognized a net loss for the period.

(2) Shares of our Class B common stock are considered potentially dilutive shares of Class A common stock. Amounts have been excluded from the computations of diluted earnings per share of Class A common stock because the effect would have been anti-dilutive under the if-converted and two-class methods.

NOTE 12 : SUPPLEMENTAL CASH FLOW INFORMATION

The following table sets forth supplemental cash flow information for the thirteen weeks ended March 30, 2016 and April 1, 2015 :

	Thirteen Weeks Ended	
	March 30 2016	April 1 2015
Cash paid for:		
Income taxes, net of refunds	\$ 475	\$ 49
Interest, net of amounts capitalized	15	149
Non-cash investing activities:		
Accrued purchases of property and equipment	3,133	3,088
Capitalized equity-based compensation	30	—
Class A common stock issued in connection with the acquisition of two former indirect members of SSE Holdings	—	6
Non-cash financing activities:		
Cancellation of Class B common stock in connection with certain organizational transactions completed in connection with our IPO	—	(6)
Class A common stock issued in connection with the redemption of LLC Interests	2	—
Cancellation of Class B common stock in connection with the redemption of LLC Interests	(2)	—
Establishment of liabilities under tax receivable agreement	34,920	5,600

NOTE 13 : COMMITMENTS AND CONTINGENCIES

Lease Commitments

We are obligated under various operating leases for Shacks and our home office space, expiring in various years through 2032. Under certain of these leases, we are liable for contingent rent based on a percentage of sales in excess of specified thresholds and are responsible for our proportionate share of real estate taxes and utilities.

As security under the terms of several of our leases, we are obligated under letters of credit totaling \$160 as of March 30, 2016. The letters of credit expire on April 23, 2017 and February 28, 2026. In addition, in December 2013, we entered into an irrevocable standby letter of credit in conjunction with our home office lease in the amount of \$80. The letter of credit expires in September 2016 and renews automatically for one -year periods through September 30, 2019.

Purchase Commitments

Purchase obligations include legally binding contracts, including commitments for the purchase, construction or remodeling of real estate and facilities, firm minimum commitments for inventory purchases, equipment purchases, marketing-related contracts, software acquisition/license commitments and service contracts. These obligations are generally short-term in nature and are recorded as liabilities when the related goods are received or services rendered. We also enter into long-term, exclusive contracts with certain vendors to supply us with food, beverages and paper goods, obligating us to purchase specified quantities.

Legal Contingencies

In November 2015, we met with a law firm representing two former Shake Shack managers who alleged that we improperly classified our restaurant managers as exempt. Although we have always believed that our managers are properly classified as exempt under both federal and state laws, and have always intended to defend any such allegations vigorously, we agreed to mediate the matter. At the conclusion of the meeting, the parties entered into a Memorandum of Understanding, and we agreed to create a fund of \$750 to settle the matter. In exchange, all managers who choose to participate (former and current), including the two former managers,

will release Shake Shack from all federal and/or state wage and hour claims that may exist through the settlement date. As part of the settlement process, the law firm filed a Complaint on March 17, 2016 with the Supreme Court of the State of New York (the “Court”), and within the coming weeks will file the final settlement agreement with the Court as well as a motion seeking the Court’s preliminary approval of the settlement. As of March 30, 2016, an accrual in the amount of \$770 was recorded for this matter and the related expenses.

We are subject to various legal and regulatory proceedings, claims and liabilities, such as employment-related claims and slip and fall cases, which arise in the ordinary course of business and are generally covered by insurance. As of March 30, 2016, the amount of ultimate liability with respect to these matters was not material.

Liabilities under Tax Receivable Agreement

As described in Note 10, we are a party to the Tax Receivable Agreement under which we are contractually committed to pay the certain of the members of SSE Holdings 85% of the amount of any tax benefits that we actually realize, or in some cases are deemed to realize, as a result of certain transactions. We are not obligated to make any payments under the Tax Receivable Agreement until the tax benefits associated the transaction that gave rise to the payment are realized. Amounts payable under the Tax Receivable Agreement are contingent upon, among other things, (i) generation of future taxable income over the term of the Tax Receivable Agreement and (ii) future changes in tax laws. If we do not generate sufficient taxable income in the aggregate over the term of the Tax Receivable Agreement to utilize the tax benefits, then we would not be required to make the related TRA Payments. During thirteen weeks ended March 30, 2016 and April 1, 2015, we recognized liabilities totaling \$34,920 and \$5,600, respectively, relating to our obligations under the Tax Receivable Agreement, after concluding that it was probable that we would have sufficient future taxable income to utilize the related tax benefits. As of March 30, 2016 and December 30, 2015, our total obligations under the Tax Receivable Agreement totaled \$208,010 and \$173,090, respectively. There were no transactions subject to the Tax Receivable Agreement for which we did not recognize the related liability, as we concluded that we would have sufficient future taxable income to utilize all of the related tax benefits.

NOTE 14 : RELATED PARTY TRANSACTIONS

Union Square Hospitality Group

Union Square Hospitality Group, LLC is a stockholder and a party to the Stockholders Agreement dated as of February 4, 2015, as amended, we entered into in connection with our IPO. The Chairman of our Board of Directors serves as the Chief Executive Officer of Union Square Hospitality Group, LLC. As a result, Union Square Hospitality Group, LLC and its subsidiaries (collectively, “USHG”) are considered related parties.

Previously, our employees were included in USHG’s self-insurance health plan and we paid our portion of the plan costs on a monthly basis to USHG. In February 2015, we established our own self-funded health insurance plan for our employees and ceased payments to USHG. Amounts paid to the USHG for these health insurance costs were \$146 for the thirteen weeks ended April 1, 2015. No amounts were paid to USHG for health insurance costs for the thirteen weeks ended March 30, 2016. These amounts are included in labor and related expenses and general and administrative expenses on the Condensed Consolidated Statements of Income (Loss). Additionally, our employees are eligible participants under USHG’s 401(k) plan. We pay our share of the employer’s matching contributions directly to the third-party plan trustee.

We also pay USHG for certain miscellaneous general operating expenses incurred by them on our behalf. Total amounts paid to USHG for general corporate expenses were \$6 and \$65 for the thirteen weeks ended March 30, 2016 and April 1, 2015, respectively, and are included in general and administrative expenses on the Condensed Consolidated Statements of Income (Loss).

No amounts were payable to USHG as of March 30, 2016. Total amounts payable to USHG as of December 30, 2015 were \$2. These amounts are included in other current liabilities on the Condensed Consolidated Balance Sheets. Amounts due from USHG for expenses paid by us on behalf of USHG totaled \$36 as of March 30, 2016, which is included in prepaid expenses and other current assets on the Condensed Consolidated Balance Sheets. No amounts were due from USHG as of December 30, 2015.

Hudson Yards Sports and Entertainment

In fiscal 2011, we entered into a Master License Agreement (an "MLA") with Hudson Yards Sports and Entertainment LLC ("HYSE"), a subsidiary of USHG and a related party, to operate Shake Shack branded limited menu concession stands in sports and entertainment venues within the United States. The agreement expires on December 31, 2027 and includes five consecutive five -year renewal options at HYSE's option. As consideration for these rights, HYSE pays us a license fee based on a percentage of net food sales, as defined in the MLA. HYSE also pays us a percentage of profits on sales of branded beverages, as defined in the MLA. No amounts were paid to us by HYSE for the thirteen weeks ended March 30, 2016 and April 1, 2015 . Total amounts due from HYSE as of March 30, 2016 were \$4 , which is included in prepaid expenses and other current assets on the Condensed Consolidated Balance Sheets . No amounts were due from HYSE as of December 30, 2015 due to the seasonal nature of the concession stands.

Madison Square Park Conservancy

The Chairman of our Board of Directors serves as a director of the Madison Square Park Conservancy ("MSP Conservancy"), with which we have a license agreement and pay license fees to operate our Madison Square Park Shack. Amounts paid to Madison Square Park Conservancy as rent amounted to \$195 for the thirteen weeks ended March 30, 2016 . No amounts were paid to Madison Square Park Conservancy for the thirteen weeks ended April 1, 2015 as our Madison Square Park location was closed for renovations during that time. These amounts are included in occupancy and related expenses on the Condensed Consolidated Statements of Income (Loss) . No amounts were due to the MSP Conservancy as of March 30, 2016 . Total amounts due to the MSP Conservancy as of December 30, 2015 were \$17 , which is included in accrued expenses on the Condensed Consolidated Balance Sheets.

Tax Receivable Agreement

As described in Note 11 , we entered into a tax receivable agreement with certain members of SSE Holdings that provides for the payment by us of 85% of the amount of tax benefits, if any, that Shake Shack actually realizes or in some cases is deemed to realize as a result of certain transactions. During the thirteen weeks ended March 30, 2016 and April 1, 2015 , no amounts paid to any members of SSE Holdings pursuant to the Tax Receivable Agreement. As of March 30, 2016 and December 30, 2015 , total amounts due to members of SSE Holdings under the under the Tax Receivable Agreement were \$208,010 and \$173,090 , respectively.

NOTE 15 : SUBSEQUENT EVENTS

On March 31, 2016, we repaid the entire outstanding balance of our promissory note, a total of \$313 . See Note 7 for details regarding the promissory note.

Subsequent to the quarter, we failed to furnish audited financial statements of SSE Holdings, as required under the Revolving Credit Facility if certain financial tests are not met. As a result, we were considered to be in default. In May 2016, we obtained a waiver for the covenant violation and entered into an amendment to the Revolving Credit Facility. As no amounts were outstanding at the time, the default and subsequent waiver had no impact to our consolidated financial statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

This section and other parts of this Quarterly Report on Form 10-Q ("Form 10-Q") contain forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, which are subject to risks and uncertainties. All statements other than statements of historical fact are forward-looking statements. Forward-looking statements provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to any historical or current fact, such as our expected financial outlook for fiscal 2016, expected Shack openings, expected same-Shack sales growth and trends in our business. Forward-looking statements can also be identified by words such as "aim," "anticipate," "believe," "estimate," "expect," "forecast," "future," "intend," "outlook," "plan," "potential," "predict," "project," "seek," "may," "can," "will," "would," "could," "should," the negatives thereof and other similar expressions. Forward-looking statements are not guarantees of future performance and actual results may differ materially from the results discussed in the forward-looking statements. Factors that might cause such differences include, but are not limited to, those discussed in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 30, 2015 ("2015 Form 10-K") and Part II, Item 1A of this Form 10-Q. The following discussion should be read in conjunction with our 2015 Form 10-K and the condensed consolidated financial statements and notes thereto included in Part I, Item 1 of this Form 10-Q. All information presented herein is based on our fiscal calendar. Unless otherwise stated, references to particular years, quarters, months or periods refer to our fiscal years and the associated quarters, months and periods of those fiscal years. We undertake no obligation to revise or update any forward-looking statements for any reason, except as required by law.

OVERVIEW

Shake Shack is a modern day "roadside" burger stand serving a classic American menu of premium burgers, hot dogs, crinkle cut fries, shakes, frozen custard, beer and wine. As of March 30, 2016, there were 88 Shacks in operation, system-wide, of which 47 were domestic company-operated Shacks, five were domestic licensed Shacks and 36 were international licensed Shacks.

Development Highlights

During the quarter, we opened three domestic company-operated Shacks, including two Shacks in Arizona—in Scottsdale at the Fashion Square shopping center and in Phoenix in the iconic Uptown Plaza—as well as our first Shack in California, located in West Hollywood on Santa Monica Boulevard. Additionally, we opened one international licensed Shack in City Centre Muscat, our first Shack in Oman.

Financial Highlights for the First Quarter 2016

- Total revenue increased 43.3% to \$54.2 million.
- Shack sales increased 44.7% to \$52.2 million.
- Same-Shack sales increased 9.9%.
- Net income was \$1.5 million, or \$0.07 per diluted share.
- Shack-level operating profit*, a non-GAAP measure, increased 58.6% to \$14.7 million, or 28.2% of Shack sales.
- Adjusted EBITDA*, a non-GAAP measure, increased 54.4% to \$10.8 million.
- Adjusted pro forma net income*, a non-GAAP measure, increased 114.4% to \$2.8 million, or \$0.08 per fully exchanged and diluted share.

** Shack-level operating profit, adjusted EBITDA and adjusted pro forma net income are non-GAAP measures. See "—Non-GAAP Financial Measures" for reconciliations of Shack-level operating profit to operating income (loss), adjusted EBITDA to net income (loss), and adjusted pro forma net income to net income (loss), the most directly comparable financial measures presented in accordance with GAAP.*

We continued to execute on our growth strategies in 2016 and the first quarter of 2016 was positively impacted by the following: (i) an approximate 1.5% menu price increases implemented in January 2016, (ii) increases in traffic due to warm weather and menu

innovation, primarily the launch of the Chick'n Shack and (iii) lower commodity prices, primarily in beef and dairy. Shack-level operating profit margins increased to 28.2% driven by these positive factors and improved leverage on fixed costs from the higher Shack sales.

Net income was \$1.5 million , or \$0.07 per diluted share, for the first quarter of 2016 , compared to a net loss of \$12.7 million , or \$1.06 per diluted share, for the same period last year. On an adjusted pro forma basis, which excludes certain non-recurring items and assumes that all outstanding LLC Interests were exchanged for shares of Class A common stock as of the beginning of the period, we would have recognized net income of \$2.8 million , or \$ 0.08 per fully exchanged and diluted share, for the first quarter of 2016 compared to \$1.3 million , or \$0.04 per fully exchanged and diluted share for the the first quarter of 2015 , an increase of 114.4% .

FISCAL 2016 OUTLOOK

For the fiscal year ending December 28, 2016, we are revising our financial outlook to the following:

- Total revenue between \$245 million and \$249 million (vs. \$237 million to \$242 million).
- Same-Shack sales growth between 4% and 5% (vs. between 2.5% and 3.0%).
- 16 (vs. 13) total new domestic company-operated Shacks to be opened in 2016.
- Seven licensed Shacks to be opened under the Company's current license agreements in the U.K., Middle East and Japan.
- As a percentage of Shack sales, approximately 75 to 100 basis points (vs. 100 to 150 basis points) of deleverage in labor and related expenses on a year-over-year basis.
- Adjusted pro forma effective tax rate between 40% and 41% (vs. 43% and 44%).

RESULTS OF OPERATIONS

The following table summarizes our results of operations for the thirteen weeks ended March 30, 2016 and April 1, 2015 :

<i>(dollar amounts in thousands)</i>	Thirteen Weeks Ended					
	March 30, 2016			April 1, 2015		
Shack sales	\$	52,153	96.3%	\$	36,047	95.3 %
Licensing revenue		2,012	3.7%		1,761	4.7 %
TOTAL REVENUE		54,165	100.0%		37,808	100.0 %
Shack-level operating expenses ⁽¹⁾ :						
Food and paper costs		15,032	28.8%		11,004	30.5 %
Labor and related expenses		13,162	25.2%		9,101	25.2 %
Other operating expenses		4,919	9.4%		3,480	9.7 %
Occupancy and related expenses		4,323	8.3%		3,183	8.8 %
General and administrative expenses		6,884	12.7%		18,385	48.6 %
Depreciation expense		3,106	5.7%		2,191	5.8 %
Pre-opening costs		2,025	3.7%		1,413	3.7 %
TOTAL EXPENSES		49,451	91.3%		48,757	129.0 %
OPERATING INCOME (LOSS)		4,714	8.7%		(10,949)	(29.0)%
Interest expense		64	0.1%		78	0.2 %
INCOME (LOSS) BEFORE INCOME TAXES		4,650	8.6%		(11,027)	(29.2)%
Income tax expense		1,299	2.4%		233	0.6 %
NET INCOME (LOSS)		3,351	6.2%		(11,260)	(29.8)%
Less: net loss attributable to non-controlling interests		1,889	3.5%		1,408	3.7 %
NET INCOME (LOSS) ATTRIBUTABLE TO SHAKE SHACK INC.	\$	1,462	2.7%	\$	(12,668)	(33.5)%

(1) As a percentage of Shack sales.

Shack Sales

Shack sales represent the aggregate sales of food and beverages in domestic company-operated Shacks. Shack sales in any period are directly influenced by the number of operating weeks in such period, the number of open Shacks and same-Shack sales. Same-Shack sales means, for any reporting period, sales for the comparable Shack base, which we define as the number of domestic company-operated Shacks open for 24 months or longer.

Shack sales were \$52.2 million for the thirteen weeks ended March 30, 2016 compared to \$36.0 million for the thirteen weeks ended April 1, 2015 , an increase of \$16.2 million or 44.7% . The growth in Shack sales was primarily driven by the opening of 13 new domestic company-operated Shacks between April 1, 2015 and March 30, 2016 , as well as same-Shack sales growth of \$2.3 million , or 9.9% . The increase in same-Shack sales is primarily due to an increase in the average check of 2.6% and increased guest traffic of 7.3% . For purposes of calculating same-Shack sales growth, Shack sales for 20 Shacks were included in the comparable Shack base.

Licensing Revenue

Licensing revenue is comprised of license fees, opening fees for certain licensed Shacks and territory fees. License fees are calculated as a percentage of sales and territory fees are payments for the exclusive right to develop Shacks in a specific geographic area.

Licensing revenue was \$2.0 million for the thirteen weeks ended March 30, 2016 compared to \$1.8 million for the thirteen weeks ended April 1, 2015 , an increase of \$0.2 million or 14.3% . This increase was primarily driven by the opening of 9 licensed Shacks

between April 1, 2015 and March 30, 2016 , offset by lower revenue from Shacks primarily located in the Middle East and the unfavorable impact of foreign exchange rate fluctuations.

Food and Paper Costs

Food and paper costs include the direct costs associated with food, beverage and packaging of our menu items. The components of food and paper costs are variable by nature, changing with sales volume, and are impacted by menu mix and fluctuations in commodity costs.

Food and paper costs were \$15.0 million for the thirteen weeks ended March 30, 2016 compared to \$11.0 million for the thirteen weeks ended April 1, 2015 , an increase of \$4.0 million or 36.6% , primarily due to the opening of 13 new domestic company-operated Shacks between April 1, 2015 and March 30, 2016 . As a percentage of Shack sales, food and paper costs decreased to 28.8% for the thirteen weeks ended March 30, 2016 compared to 30.5% for the thirteen weeks ended April 1, 2015 . This decrease was the result of menu price increases and lower commodity costs, primarily in beef and dairy.

Labor and Related Expenses

Labor and related expenses include domestic company-operated Shack-level hourly and management wages, bonuses, payroll taxes, equity-based compensation, workers' compensation expense and medical benefits. As we expect with other variable expense items, we expect labor costs to grow as our Shack sales grow. Factors that influence labor costs include minimum wage and payroll tax legislation, health care costs and the performance of our domestic company-operated Shacks.

Labor and related expenses were \$13.2 million for the thirteen weeks ended March 30, 2016 compared to \$9.1 million for the thirteen weeks ended April 1, 2015 , an increase of \$4.1 million or 44.6% . This increase was primarily due to the opening of 13 new domestic company-operated Shacks between April 1, 2015 and March 30, 2016 . As a percentage of Shack sales, labor and related expenses remained constant at 25.2% for the thirteen weeks ended March 30, 2016 and April 1, 2015 , which was the result of higher labor costs due to the implementation of a company-wide increase to the starting wage for all hourly team members in response to minimum wage legislation, offset by sales growth and the elimination of certain bonuses.

Other Operating Expenses

Other operating expenses consist of Shack-level marketing expenses, utilities and other operating expenses incidental to operating our domestic company-operated Shacks, such as non-perishable supplies, credit card fees, property insurance and the cost of repairs and maintenance.

Other operating expenses were \$4.9 million for the thirteen weeks ended March 30, 2016 compared to \$3.5 million for the thirteen weeks ended April 1, 2015 , an increase of \$1.4 million or 41.4% , primarily due to the opening of 13 new domestic company-operated Shacks between April 1, 2015 and March 30, 2016 . As a percentage of Shack sales, other operating expenses decreased to 9.4% for the thirteen weeks ended March 30, 2016 compared to 9.7% for the thirteen weeks ended April 1, 2015 . This decrease was due to the benefit from higher Shack sales and the impact of fixed operating expenses on the higher sales levels.

Occupancy and Related Expenses

Occupancy and related expenses consist of Shack-level occupancy expenses (including rent, common area expenses and certain local taxes), excluding pre-opening costs, which are recorded separately.

Occupancy and related expenses were \$4.3 million for the thirteen weeks ended March 30, 2016 compared to \$3.2 million for the thirteen weeks ended April 1, 2015 , an increase of \$1.1 million or 35.8% , primarily due to the opening of 13 new domestic company-operated Shacks between April 1, 2015 and March 30, 2016 . As a percentage of Shack sales, occupancy and related expenses decreased to 8.3% for the thirteen weeks ended March 30, 2016 compared to 8.8% for the thirteen weeks ended April 1, 2015 , primarily due to increased amounts of amortization of tenant improvement allowances as well as the benefit from higher Shack sales.

General and Administrative Expenses

General and administrative expenses consist of costs associated with corporate and administrative functions that support Shack development and operations, as well as equity-based compensation expense.

General and administrative expenses were \$6.9 million for the thirteen weeks ended March 30, 2016 compared to \$18.4 million for the thirteen weeks ended April 1, 2015, a decrease of \$11.5 million or 62.6%. As a percentage of total revenue, general and administrative expenses decreased to 12.7% for the thirteen weeks ended March 30, 2016 from 48.6% for the thirteen weeks ended April 1, 2015. This decrease was primarily due to \$12.8 million of non-recurring compensation expenses incurred in the prior year in connection with the vesting of equity awards upon consummation of our IPO and \$0.6 million of IPO-related expenses incurred in the prior year quarter.

Depreciation Expense

Depreciation expense consists of the depreciation of fixed assets, including leasehold improvements and equipment.

Depreciation expense was \$3.1 million for the thirteen weeks ended March 30, 2016 compared to \$2.2 million for the thirteen weeks ended April 1, 2015, an increase of \$0.9 million or 41.8%. This increase was primarily due to incremental depreciation of capital expenditures related to the opening of 13 new domestic company-operated Shacks between April 1, 2015 and March 30, 2016. As a percentage of total revenue, depreciation expense decreased to 5.7% for the thirteen weeks ended March 30, 2016 compared to 5.8% for the thirteen weeks ended April 1, 2015 primarily due to the benefit from higher Shack sales.

Pre-Opening Costs

Pre-opening costs consist primarily of legal fees, rent, managers' salaries, training costs, employee payroll and related expenses, costs to relocate and compensate Shack management teams prior to an opening and wages, travel and lodging costs for our opening training team and other supporting team members. All such costs incurred prior to the opening of a domestic company-operated Shack are expensed in the period in which the expense was incurred. Pre-opening costs can fluctuate significantly from period to period, based on the number and timing of domestic company-operated Shack openings and the specific pre-opening costs incurred for each domestic company-operated Shack. Additionally, domestic company-operated Shack openings in new geographic market areas will initially experience higher pre-opening costs than our established geographic market areas, such as the New York City metropolitan area, where we have greater economies of scale and incur lower travel and lodging costs for our training team.

Pre-opening costs were \$2.0 million for the thirteen weeks ended March 30, 2016, including \$0.7 million of deferred rent expense, compared to \$1.4 million for the thirteen weeks ended April 1, 2015, an increase of \$0.6 million or 43.3% due to the timing and total number of new domestic company-operated Shacks expected to open.

Interest Expense, Net

Interest expense primarily consists of amortization of deferred financing costs and interest on our Revolving Credit Facility, as well as imputed interest on deferred compensation, offset by interest income related to our available-for-sale securities.

For all periods presented, net interest expense was not material.

Income Tax Expense

Income tax expense was \$1.3 million for the thirteen weeks ended March 30, 2016 compared to \$0.2 million for the thirteen weeks ended April 1, 2015. Our effective income tax rate increased to 27.9% for the thirteen weeks ended March 30, 2016 from (2.1)% for the thirteen weeks ended April 1, 2015.

As a result of the IPO and certain organizational transactions completed in connection with our IPO, we became the sole managing member of SSE Holdings, which is treated as a partnership for U.S. federal and most applicable state and local income tax purposes. As a partnership, SSE Holdings is not subject to U.S. federal and certain state and local income taxes. Any taxable income or loss generated by SSE Holdings is passed through to and included in the taxable income or loss of its members, including us, on a pro rata basis. We are subject to U.S. federal income taxes, in addition to state and local income taxes with respect to our allocable share of any taxable income or loss generated by SSE Holdings. As the majority of the pre-tax loss for the thirteen weeks ended April 1, 2015 was generated in the period prior to the organizational transactions completed in connection with the IPO, and prior to our becoming a member of SSE Holdings, we are not entitled to any tax benefits related to those losses. We recognized tax expense on our allocable share of the pre-tax income generated in the period subsequent to becoming a member of SSE Holdings, which resulted in a negative effective tax rate when compared to our consolidated pre-tax loss.

Net Income Attributable to Non-Controlling Interests

We are the sole managing member of SSE Holdings and have the sole voting power in, and control the management of, SSE Holdings. Accordingly, we consolidate the financial results of SSE Holdings and reporting a non-controlling interest on our Consolidated Statements of Income, representing the portion of net income attributable to the other members of SSE Holdings. The Third Amended and Restated Limited Liability Company Agreement of SSE Holdings provides that holders of LLC Interests may, from time to time, require SSE Holdings to redeem all or a portion of their LLC Interests for newly-issued shares of Class A common stock on a one-for-one basis. In connection with any redemption or exchange, we will receive a corresponding number of LLC Interests, increasing our total ownership interest in SSE Holdings.

The weighted average ownership percentages for the applicable reporting periods are used to attribute net income and other comprehensive income to Shake Shack Inc. and the non-controlling interest holders. The non-controlling interest holders' weighted average ownership percentage for the thirteen weeks ended March 30, 2016 was 43.9% . For the thirteen weeks ended April 1, 2015 , net income was attributed to non-controlling interest holders only for the period subsequent to the IPO and related organizational transactions based on a weighted-average ownership percentage of 66.7% . As the non-recurring compensation expenses and other IPO-related expenses were incurred in the period prior to the IPO, no portion of these expenses were attributed to the non-controlling interest holders. As a result, the net income attributable to non-controlling interests is significantly higher than the consolidated net income for the prior year period.

NON-GAAP FINANCIAL MEASURES

To supplement our consolidated financial statements, which are prepared and presented in accordance with U.S. generally accepted accounting principles (“GAAP”), we use the following non-GAAP financial measures: Shack-level operating profit, EBITDA, adjusted EBITDA, adjusted pro forma net income and adjusted pro forma earnings per fully exchanged and diluted share (collectively, the “non-GAAP financial measures”). We believe that these non-GAAP financial measures, when used in conjunction with GAAP financial measures, provide useful information about our operating results, enhance the overall understanding of past financial performance and future prospects, and allow for greater transparency with respect to the key metrics we use in our financial and operational decision making. The presentation of this financial information is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP. The non-GAAP measures that we use are not necessarily comparable to similarly titled measures used by other companies due to different methods of calculation.

Shack-Level Operating Profit

Shack-level operating profit and Shack-level operating profit margin are supplemental measures of operating performance and are not required by, nor presented in accordance with, GAAP. We believe that Shack-level operating profit and Shack-level operating profit margin, when used in conjunction with GAAP financial measures, are important measures we use to evaluate the performance and profitability of each Shack, individually and in the aggregate. A reconciliation of Shack-level operating profit to operating income (loss), the most directly comparable GAAP measure, is set forth below.

	Thirteen Weeks Ended	
	March 30 2016	April 1 2015
<i>(dollar amounts in thousands)</i>		
Shack-level operating profit	\$ 14,717	\$ 9,279
Add:		
Licensing revenue	2,012	1,761
Less:		
General and administrative expenses	6,884	18,385
Depreciation expense	3,106	2,191
Pre-opening costs	2,025	1,413
Operating income (loss)	\$ 4,714	\$ (10,949)
Total revenue	\$ 54,165	\$ 37,808
Less: licensing revenue	2,012	1,761
Shack sales	\$ 52,153	\$ 36,047
Shack-level operating profit margin	28.2%	25.7%

EBITDA and Adjusted EBITDA

EBITDA and Adjusted EBITDA are non-GAAP supplemental measures of operating performance that do not represent and should not be considered alternatives to net income (loss) or cash flow from operations, as determined by GAAP. We use EBITDA and Adjusted EBITDA to measure the operating performance of our business, excluding specifically identified items that we don't believe directly reflect our core operations. A reconciliation of EBITDA and Adjusted EBITDA to net income (loss), the most directly comparable GAAP measure, is set forth below.

(in thousands)	Thirteen Weeks Ended	
	March 30 2016	April 1 2015
Net income (loss)	\$ 3,351	\$ (11,260)
Depreciation expense	3,106	2,191
Interest expense, net	64	78
Income tax expense	1,299	233
EBITDA	7,820	(8,758)
Equity-based compensation ⁽¹⁾	1,030	792
Pre-opening costs ⁽²⁾	1,363	955
Deferred rent ⁽³⁾	590	556
Non-recurring compensation expenses related to the IPO ⁽⁴⁾	—	12,818
IPO-related expenses ⁽⁵⁾	—	635
ADJUSTED EBITDA	\$ 10,803	\$ 6,998

(1) Represents non-cash equity-based compensation expense and relate solely to stock options granted in connection with the IPO.

(2) Non-capital expenditures associated with opening new Shacks exclusive of deferred rent incurred prior to opening.

(3) Reflects the extent to which our annual rent expense has been above or below our cash rent payments.

(4) Non-recurring compensation expense incurred in connection with the IPO, including expense recognized upon settlement of outstanding unit appreciation rights, the related employer withholding taxes and the accelerated vesting of outstanding restricted Class B units.

(5) Costs incurred in connection with our initial public offering, including legal, accounting and other related expenses.

Adjusted Pro Forma Net Income and Adjusted Pro Forma Earnings per Fully Exchanged and Diluted Share

Adjusted pro forma net income represents net income (loss) attributable to Shake Shack Inc. assuming the full exchange of all outstanding SSE Holdings, LLC membership interests ("LLC Interests") for shares of Class A common stock, adjusted for certain non-recurring items that we don't believe directly reflect our core operations. Adjusted pro forma earnings per fully exchanged and diluted share is calculated by dividing adjusted pro forma net income by the weighted-average shares of Class A common stock outstanding, assuming the full exchange of all outstanding LLC Interests, after giving effect to the dilutive effect of outstanding stock options.

Adjusted pro forma net income and adjusted pro forma earnings per fully exchanged and diluted share are supplemental measures of operating performance that do not represent and should not be considered alternatives to net income (loss) and earnings (loss) per share, as determined by GAAP. We believe adjusted pro forma net income and adjusted pro forma earnings per fully exchanged and diluted share supplement GAAP measures and enable us to more effectively evaluate our performance period-over-period and relative to our competitors. A reconciliation of adjusted pro forma net income to net income (loss) attributable to Shake Shack Inc., the most directly comparable GAAP measure, and the computation of adjusted pro forma earnings per fully exchanged and diluted share are set forth below.

	Thirteen Weeks Ended	
	March 30 2016	April 1 2015
<i>(in thousands, except per share amounts)</i>		
Numerator:		
Net income (loss) attributable to Shake Shack Inc.	\$ 1,462	\$ (12,668)
Adjustments:		
Reallocation of net income attributable to non-controlling interests from the assumed exchange of LLC Interests ⁽¹⁾	1,889	1,408
Non-recurring compensation expenses incurred in connection with the IPO ⁽²⁾	—	12,818
IPO-related expenses ⁽³⁾	—	635
Income tax expense ⁽⁴⁾	(543)	(883)
Adjusted pro forma net income	\$ 2,808	\$ 1,310
Denominator:		
Weighted-average shares of Class A common stock outstanding—diluted	20,812	11,953
Adjustments:		
Assumed exchange of LLC Interests for shares of Class A common stock ⁽¹⁾	15,900	24,192
Dilutive effect of stock options	—	904
Adjusted pro forma fully exchanged weighted-average shares of Class A common stock outstanding—diluted	36,712	37,049
Adjusted pro forma earnings per fully exchanged share—diluted	\$ 0.08	\$ 0.04

(1) Assumes the exchange of all outstanding LLC Interests for shares of Class A common stock, resulting in the elimination of non-controlling interests and recognition of net income attributable to non-controlling interests.

(2) Non-recurring compensation expense incurred in connection with the IPO, including expense recognized upon settlement of outstanding unit appreciation rights, the related employer withholding taxes and the accelerated vesting of outstanding restricted Class B units.

(3) Costs incurred in connection with our initial public offering, including legal, accounting and other related expenses.

(4) Represents the tax effect of the aforementioned adjustments and pro forma adjustments to reflect corporate income taxes at assumed effective tax rates of 39.6% and 46.0% for the thirteen weeks ended March 30, 2016 and April 1, 2015, respectively, which include provisions for U.S. federal income taxes, certain LLC entity-level taxes and foreign withholding taxes, assuming the highest statutory rates apportioned to each applicable state, local and foreign jurisdiction.

LIQUIDITY AND CAPITAL RESOURCES

Sources and Uses of Cash

Our primary sources of liquidity are cash from operations, cash on hand, and availability under our Revolving Credit Facility. As of March 30, 2016, we maintained a cash balance of \$65.9 million and had \$19.9 million of availability under our Revolving Credit Facility.

Our primary requirements for liquidity are to fund our working capital needs, operating lease obligations, capital expenditures and general corporate needs. Our requirements for working capital are not significant because our guests pay for their food and beverage purchases in cash or on debit or credit cards at the time of the sale and we are able to sell many of our inventory items before payment is due to the supplier of such items. Our ongoing capital expenditures are principally related to opening new Shacks, existing Shack capital investments (both for remodels and maintenance), as well as investments in our corporate infrastructure.

In addition, we are obligated to make payments to certain members of SSE Holdings under the Tax Receivable Agreement. As of March 30, 2016, such obligations totaled \$208.0 million. Amounts payable under the Tax Receivable Agreement are contingent upon, among other things, (i) generation of future taxable income over the term of the Tax Receivable Agreement and (ii) future changes in tax laws. If we do not generate sufficient taxable income in the aggregate over the term of the Tax Receivable Agreement to utilize the tax benefits, then we would not be required to make the related TRA Payments. Although the amount of any payments that must be made under the Tax Receivable Agreement may be significant, the timing of these payments will vary and will generally be limited to one payment per member per year. The amount of such payments are also limited to the extent we utilize the related deferred tax assets. The payments that we are required to make will generally reduce the amount of overall cash that might have otherwise been available to us or to SSE Holdings, but we expect the cash tax savings we will realize from the utilization of the related deferred tax assets to fund the required payments.

We believe that cash provided by operating activities, cash on hand and availability under the Revolving Credit Facility will be sufficient to fund our operating lease obligations, capital expenditures, tax receivable agreement obligations and working capital needs for at least the next 12 months and the foreseeable future.

Summary of Cash Flows

The following table presents a summary of our cash flows from operating, investing and financing activities.

	Thirteen Weeks Ended	
	March 30 2016	April 1 2015
<i>(in thousands)</i>		
Net cash provided by operating activities	\$ 8,478	\$ 5,176
Net cash used in investing activities	(14,128)	(8,558)
Net cash provided by financing activities	656	61,539
Increase (decrease) in cash	(4,994)	58,157
Cash at beginning of period	70,849	2,677
Cash at end of period	\$ 65,855	\$ 60,834

Operating Activities

For the thirteen weeks ended March 30, 2016 net cash provided by operating activities was \$8.5 million compared to \$5.2 million for the thirteen weeks ended April 1, 2015, an increase of \$3.3 million. This increase was primarily driven by the opening of 13 new domestic company-operated Shacks.

Investing Activities

For the thirteen weeks ended March 30, 2016 net cash used in investing activities was \$14.1 million compared to \$8.6 million for the thirteen weeks ended April 1, 2015, an increase of \$5.5 million. This increase was due to an increase in capital expenditures to construct new domestic company-operated Shacks in such period compared to the same period last year.

Financing Activities

For the thirteen weeks ended March 30, 2016, net cash provided by financing activities was \$0.7 million compared to \$61.5 million for the thirteen weeks ended April 1, 2015, a decrease of \$ 60.8 million. This decrease is primarily due to \$109.4 million of net proceeds received from the IPO in the prior year, as well as decreases in payments on the Revolving Credit Facility of \$36.0 million and member distributions of \$11.1 million. These decreases were offset by \$0.6 million in proceeds from employee stock option exercises.

Revolving Credit Facility

We maintain a Revolving Credit Facility that provides for a revolving total commitment amount of \$50.0 million, of which \$20.0 million is available immediately. The Revolving Credit Facility will mature and all amounts outstanding will be due and payable in February 2020. The Revolving Credit Facility permits the issuance of letters of credit upon our request of up to \$10.0 million. Borrowings under the Revolving Credit Facility bear interest at either: (i) LIBOR plus a percentage ranging from 2.5% to 3.5% or (ii) the prime rate plus a percentage ranging from 0.0% to 1.0%, depending on the type of borrowing made under the Revolving Credit Facility. As of March 30, 2016, there were no amounts outstanding under the Revolving Credit Facility. We had \$19.9 million of availability, as of March 30, 2016, after giving effect to \$0.1 million in outstanding letters of credit.

The Revolving Credit Facility is secured by a first-priority security interest in substantially all of the assets of SSE Holdings and the guarantors. The obligations under the Revolving Credit Facility are guaranteed by each of SSE Holdings' wholly-owned domestic subsidiaries (with certain exceptions).

The Revolving Credit Facility contains a number of covenants that, among other things, restrict our ability to, subject to specified exceptions, incur additional debt; incur additional liens and contingent liabilities; sell or dispose of assets; merge with or acquire other companies; liquidate or dissolve ourselves; pay dividends or make distributions; engage in businesses that are not in a related line of business; make loans, advances or guarantees; engage in transactions with affiliates; and make investments. In addition, the Revolving Credit Facility contains certain cross-default provisions. We are required to maintain a specified consolidated fixed-charge coverage ratio and a specified funded net debt to adjusted EBITDA ratio, both as defined under the Revolving Credit Facility. As of March 30, 2016, we were in compliance with all covenants.

Subsequent to the quarter, we failed to furnish audited financial statements of SSE Holdings, as required under the Revolving Credit Facility if certain financial tests are not met. As a result, we were considered to be in default. In May 2016, we obtained a waiver for the covenant violation and entered into an amendment to the Revolving Credit Facility. As no amounts were outstanding at the time, the default and subsequent waiver had no impact to our consolidated financial statements.

CONTRACTUAL OBLIGATIONS

There have been no material changes to the contractual obligations as disclosed in our Annual Report on Form 10-K for the fiscal year ended December 30, 2015, other than those made in the ordinary course of business.

OFF-BALANCE SHEET ARRANGEMENTS

There have been no material changes to our off-balance sheet arrangements as discussed in our Annual Report on Form 10-K for the fiscal year ended December 30, 2015.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our discussion and analysis of our consolidated financial condition and results of operations is based upon the accompanying condensed consolidated financial statements and notes thereto, which have been prepared in accordance with GAAP. The preparation of the condensed consolidated financial statements requires us to make estimates, judgments and assumptions, which we believe to be reasonable, based on the information available. These estimates and assumptions affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. Variances in the estimates or assumptions used to actual experience could yield materially different accounting results. On an ongoing basis, we evaluate the continued appropriateness of our accounting policies and resulting estimates to make adjustments we consider appropriate under the facts and circumstances. There have been no significant changes to our critical accounting policies as disclosed in our Annual Report on Form 10-K for the fiscal year ended December 30, 2015 .

Recently Issued Accounting Pronouncements

In March 2016, the FASB issued Accounting Standards Update No. 2016-09, *Improvements to Employee Share-Based Payment Accounting* ("ASU 2016-09"). ASU 2016-09 simplifies certain aspects of accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, an option to recognize gross stock compensation expense with actual forfeitures recognized as they occur, as well as certain classifications on the statement of cash flows. ASU 2016-09 is effective for reporting periods beginning after December 15, 2016. Early adoption is permitted. We are currently evaluating the impact ASU 2016-09 will have on our consolidated financial statements.

In March 2016, the FASB issued Accounting Standards Update No. 2016-04, *Recognition of Breakage for Certain Prepaid Stored-Value Products* ("ASU 2016-04"). ASU 2016-04 entitles a company to derecognize amounts related to expected breakage in proportion to the pattern of rights expected to be exercised by the product holder to the extent that it is probable a significant reversal of the recognized breakage amount will not subsequently occur. ASU 2016-04 is effective for reporting periods beginning after December 15, 2017 and is to be applied retrospectively. Early adoption is permitted. We are currently evaluating the impact ASU 2016-04 will have on our consolidated financial statements.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, *Leases* ("ASU 2016-02"). ASU 2016-02 establishes a new lease accounting model, that, for many companies, eliminates the concept of operating leases and requires entities to record assets and liabilities related to leases on the balance sheet for certain types of leases. ASU 2016-02 is effective for reporting periods beginning after December 15, 2018. Early adoption will be permitted for all entities. We are currently evaluating the impact that this new standard will have on our consolidated financial statements.

In January 2016, the FASB issued Accounting Standards Update No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities* ("ASU 2016-01"). ASU 2016-01 requires: (i) equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income; (ii) simplification of the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment; (iii) elimination of the requirement for public entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet; (iv) public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes; (v) an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments; (vi) separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (that is, securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements; and (vii) clarification that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity's other deferred tax assets. ASU 2016-01 is effective for reporting periods beginning after December 15, 2017 and amendments should be applied by means of a cumulative-effect adjustment to the balance sheet at the beginning of the fiscal year of adoption. Early adoption is permitted, subject to certain conditions. We are currently evaluating the impact ASU 2016-01 will have on our consolidated financial statements.

In July 2015, the FASB issued Accounting Standards Update No. 2015-11 , *Simplifying the Measurement of Inventory* ("ASU 2015-11"). Under ASU 2015-11 entities should measure inventory that is not measured using last-in, first-out (LIFO) or the retail inventory method, including inventory that is measured using first-in, first-out (FIFO) or average cost, at the lower of cost or net realizable

value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. ASU 2015-11 is effective for reporting periods beginning after December 15, 2016 and is to be applied prospectively. The adoption of ASU 2015-11 is not expected to have a material effect on our consolidated financial statements.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"). ASU 2014-09 supersedes the existing revenue recognition guidance and clarifies the principles for recognizing revenue. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. In March 2016, the FASB issued an amendment to ASU 2014-09 clarifying the implementation guidance on principal versus agent considerations. In April 2016, the FASB issued an amendment to ASU 2014-09 clarifying the considerations for identifying performance obligations and the implementation guidance for revenue recognized from licensing arrangements. In August 2015, the FASB issued an update to ASU 2014-09 deferring the effective date for public entities, on a retrospective basis, to annual reporting periods beginning after December 15, 2017. Early adoption is permitted, subject to certain conditions. We are currently evaluating the impact ASU 2014-09 will have on our consolidated financial statements, as well as the expected timing and method of adoption.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There have been no material changes to our exposure to market risks as described in Part II, Item 7A of our Annual Report on Form 10-K for the fiscal year ended December 30, 2015.

Item 4. Controls and Procedures.

DISCLOSURE CONTROLS AND PROCEDURES

Under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of such date. Our disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes to our internal control over financial reporting that occurred during the quarter ended March 30, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

The information required by this Item is incorporated by reference to Part I, Item 1, Note 13 : Commitments and Contingencies—Legal Contingencies.

Item 1A. Risk Factors.

There have been no material changes with respect to the risk factors disclosed in our Annual Report on Form 10-K for the fiscal year ended December 30, 2015 .

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Exhibit	Filing Date	
3.1	Amended and Restated Certificate of Incorporation of Shake Shack Inc., effective February 4, 2015	8-K	3.1	2/10/2015	
3.2	Amended and Restated Bylaws of Shake Shack Inc., dated February 4, 2015	8-K	3.2	2/10/2015	
4.1	Form of Class A Common Stock Certificate	S-1/A	4.1	1/28/2015	
10.1	† Amendment No. 1 to Shake Shack Inc. 2015 Incentive Award Plan, dated April 26, 2016				*
10.2	† Form of Performance Stock Unit Award Agreement, dated April 26, 2016				*
10.3	† Form of Supplement to Performance Stock Unit Award Agreement				*
10.4	† Employment Agreement, dated as of May 4, 2016, by and between Shake Shack Inc., SSE Holdings, LLC and Ronald Palmese Jr.				*
31.1	Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				*
31.2	Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				*
32	# Certifications of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				*
101.INS	XBRL Instance Document				*
101.SCH	XBRL Taxonomy Extension Schema Document				*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document				*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document				*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document				*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document				*

† Indicates a management contract or compensatory plan or arrangement.

Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Shake Shack Inc.
(Registrant)

Date: May 16, 2016

By: /s/ Randy Garutti

Randy Garutti

Chief Executive Officer

(Principal Executive Officer and Duly Authorized Officer)

Date: May 16, 2016

By: /s/ Jeff Uttz

Jeff Uttz

Chief Financial Officer

(Principal Financial Officer and Duly Authorized Officer)

AMENDMENT No. 1 TO SHAKE SHACK INC.

2015 INCENTIVE AWARD PLAN

This AMENDMENT NO. 1 TO 2015 INCENTIVE AWARD PLAN, dated and effective as of April 26, 2016 (this “Amendment”), is entered into by the Compensation Committee (the “Committee”) of the Board of Directors (the “Board”) of Shake Shack Inc., a Delaware corporation (the “Company”). All capitalized terms defined herein but not used herein shall have the meanings as ascribed to such terms in the 2015 Incentive Plan (as defined below).

W I T N E S S E T H:

WHEREAS, on January 29, 2015, the Board and its stockholders approved the Shake Shack Inc. 2015 Incentive Award Plan (as amended, the “2015 Incentive Plan”), which provides for, among other things, the grant, at the discretion of the Committee (as Administrator), of Awards to certain eligible individuals upon the terms and subject to the provisions of the 2015 Incentive Plan; and

WHEREAS, pursuant to Section 14.1 of the 2015 Incentive Plan, the 2015 Incentive Plan may be partially amended by the Committee.

NOW, THEREFORE, the Committee hereby amends the 2015 Incentive Plan as follows:

- A. Section 2.41 of the 2015 Incentive Plan is hereby amended and restated in its entirety as follows (with emphasis on added or deleted terms):

“2.41 “Performance Criteria” shall mean the criteria (and adjustments) that the Committee selects for an Award for purposes of establishing the Performance Goal or Performance Goals for a Performance Period, determined as follows:

(a) The Performance Criteria that shall be used to establish Performance Goals are limited to the following: (i) net earnings or losses (either before or after one or more of the following: (A) interest, (B) taxes, (C) depreciation ~~and~~ (D) amortization **and (E) rent**); (ii) gross or net sales or revenue; (iii) revenue growth or product revenue growth; (iv) net income (either before or after taxes); (v) ~~same-store sales adjusted net income~~; (vi) operating earnings or profit (either before or after **one or more of the following: (A) general and administrative expenses, (B) depreciation, (C) pre-opening costs, (D) loss on disposal of property and equipment, (E) occupancy and related expenses and (F) utilities**) ~~taxes~~; (vii) cash flow (including, but not limited to, operating cash flow and free cash flow); (viii) return on assets or net assets; (ix) return on capital and cost of capital; (x) return on stockholders’ equity; (xi) total stockholder return; (xii) return on sales; (xiii) gross or net profit or operating margin; (xiv) costs, reductions in costs and cost control measures; (xv) funds from operations or funds available for distributions; (xvi) expenses; (xvii) working capital; (xviii) earnings or loss per share; (xix) adjusted **pro forma** earnings **or loss** per share; (xx) price per share of Common Stock or appreciation in and/or maintenance of such price; (xxi) economic value added models or similar metrics; (xxii) regulatory achievements or compliance (including, without limitation, regulatory body approval for commercialization of a product); (xxiii) implementation or completion of critical projects or processes; (xxiv) sales or market share; (xxv) licensing revenue; (xxvi) brand recognition/acceptance, (xxvii) inventory turns or cycle time and supply chain achievements (including, without limitation, establishing relationships with

manufacturers or suppliers of component materials and manufacturers of the Company's products), (xxviii) strategic initiatives (including, without limitation, with respect to market penetration, geographic business expansion, manufacturing, commercialization, production and productivity, customer satisfaction and growth, employee satisfaction, recruitment and maintenance of personnel, human resources management, supervision of litigation and other legal matters, information technology, strategic partnerships and transactions (including acquisitions, dispositions, joint ventures, in-licensing and out-licensing of intellectual property, and establishment of relationships with commercial entities with respect to the marketing, distribution and sale of Company products, and factoring transactions, research and development and related activity, and financial or other capital raising transactions); (xxix) new or existing store results and operations and new store openings; and (xxx) financial ratios (including, without limitation, those measuring liquidity, activity, profitability or leverage), any of which may be measured either in absolute terms or as compared to any incremental increase or decrease or as compared to results of a peer group or to market performance indicators or indices. **Performance Criteria shall be calculated in accordance with the Company's financial statements or generally accepted accounting principles, on an operating basis, or under a methodology established by the Committee prior to the issuance of an Award that is consistently applied and identified.**

(b) The Administrator, in its sole discretion, may provide that one or more objectively determinable adjustments shall be made to one or more of the Performance Goals. Such adjustments may include one or more of the following: (i) items related to a change in accounting principle; (ii) items relating to financing activities; (iii) expenses for restructuring or productivity initiatives; (iv) other non-operating items; (v) items related to acquisitions; (vi) items attributable to the business operations of any entity acquired by the Company during the Performance Period; (vii) items related to the disposal of a business or segment of a business; (viii) items related to discontinued operations that do not qualify as a segment of a business under Applicable Accounting Standards; (ix) items attributable to any stock dividend, stock split, combination or exchange of stock occurring during the Performance Period; (x) any other items of significant income or expense which are determined to be appropriate adjustments **(including certain non-cash and other items not considered in the Company's evaluation of ongoing operating performance, including equity-based compensation expense, non-cash deferred rent charges and certain non-recurring charges)**; (xi) items relating to unusual or extraordinary corporate transactions, events or developments, (xii) items related to amortization of acquired intangible assets; (xiii) items that are outside the scope of the Company's core, on-going business activities; (xiv) items related to acquired in-process research and development; (xv) items relating to changes in tax laws; (xvi) items relating to major licensing or partnership arrangements; (xvii) items relating to asset impairment charges; (xviii) items relating to gains or losses for litigation, arbitration and contractual settlements; or (xix) items relating to any other unusual or nonrecurring events or changes in Applicable Law, accounting principles or business conditions. For all Awards intended to qualify as Performance-Based Compensation, such determinations shall be made within the time prescribed by, and otherwise in compliance with, Section 162(m) of the Code."

- B. Section 2.42 of the 2015 Incentive Plan is hereby amended and restated in its entirety as follows (with emphasis on added or deleted terms):
-

“2.42 “ Performance Goals” shall mean, for a Performance Period, one or more goals established in writing by the Administrator for the Performance Period based upon one or more Performance Criteria. Depending on the Performance Criteria used to establish such Performance Goals, the Performance Goals may be expressed in terms of overall Company performance or the performance of an Affiliate, division, business unit, or an individual. The achievement of each Performance Goal shall be determined, to the extent applicable, with reference to Applicable Accounting Standards. **In establishing a Performance Goal applicable to an Award, the Committee may provide that the attainment of the Performance Goal shall be measured by appropriately adjusting the evaluation of Performance Goal achievement to exclude (i) any non-recurring items as described in Accounting Principles Board Opinion No. 30 and/or in management’s discussion and analysis of financial condition and results of operations appearing in the Company’s annual report to stockholders for the applicable year, or (ii) the effect of any changes in accounting principles affecting the Company’s, a Subsidiary’s, business unit’s, division’s or department’s reported results, or (iii) the impact of any discontinued operations.**”

- C. As hereby amended by this Amendment, the 2015 Incentive Plan remains in full force and effect.
-

IN WITNESS WHEREOF, each of the undersigned members of the Compensation Committee of the Board of Directors of Shake Shack Inc. has signed this Amendment No. 1 to 2015 Incentive Award Plan as of the date first above written.

/s/ Evan Guillemín

Name: Evan Guillemín

Title: Chair, Compensation Committee

/s/ Jenna Lyons

Name: Jenna Lyons

Title: Compensation Committee

/s/ Jonathan D. Sokoloff

Name: Jonathan D. Sokoloff

Title: Compensation Committee

**FORM OF
PERFORMANCE STOCK UNIT AWARD AGREEMENT
PURSUANT TO THE
SHAKE SHACK INC.
2015 INCENTIVE AWARD PLAN**

THIS PERFORMANCE STOCK UNIT AWARD AGREEMENT (this “Agreement”), is made as of April 26, 2016, by and between Shake Shack Inc., a Delaware corporation (the “Company”), and [Name of Participant] (“Participant”). Capitalized terms in this Agreement that are not defined shall have the meaning set forth in the Shake Shack Inc. 2015 Incentive Award Plan (the “Plan”).

WHEREAS, the Plan is administered by the Compensation Committee of the Board of Directors of the Company (“Board”) or such other committee or subcommittee appointed from time to time by the Board (the “Committee”);

WHEREAS, Section 10.1 of the Plan authorizes the Committee to grant Performance Awards to Employees in order to retain and incentivize such individuals;

WHEREAS, Sections 2.39 and 10.1 of the Plan provide that Performance Awards include performance stock unit awards (“Performance Stock Units”) that are payable in Restricted Stock Units representing the right to receive shares of Common Stock of the Company (“Restricted Stock Units”);

WHEREAS, the Committee wishes to grant awards of Performance Stock Units that issue into Restricted Stock Units based on the achievement of specified Performance Goals (as defined in each Award Supplement (defined below) based on certain Performance Criteria (as set forth in each Award Supplement) during a certain Performance Period (as defined in each Award Supplement) to selected Employees in accordance with the Plan;

WHEREAS, the Committee wishes to authorize the issuance of such Restricted Stock Units upon the settlement of the Performance Stock Units, which Restricted Stock Units shall vest based on Participant’s continued service over a certain time period (as set forth in each Award Supplement), with a certain number of the Restricted Stock Units vesting on each Vesting Date (defined in each Award Supplement); and

WHEREAS, the Committee has designated Participant as an Employee eligible to receive an award of Performance Stock Units under the Plan pursuant to the terms and conditions of the Plan, this Agreement and each Award Supplement.

NOW, THEREFORE, for and in consideration of the mutual promises herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Performance Stock Unit Awards. For any Performance Stock Unit awards made to the Participant pursuant to Section 10.1 of the Plan, this Agreement, the Plan and each applicable Award Supplement will govern. Each Performance Stock Unit award will be evidenced by a Supplement to Performance Stock Unit Award Agreement, to be attached to this Agreement from time to time (each, an “Award Supplement”). Each Award Supplement will indicate the number of Units (defined below) awarded to the Participant, the Vesting Date, the Performance Criteria, the Performance Goals, the Performance Period, and any additional restrictions that are applicable to each such Performance Stock Unit award.

2. Award Grant. Subject to the restrictions and other conditions set forth in the Plan, this Agreement, and each Award Supplement, the Committee, on the applicable Award Date (defined in each Award Supplement), shall authorize the grant of a certain number of Performance Stock Units to Participant (the “Units”), which may issue into Restricted Stock Units upon settlement of the Units following the expiration of the applicable Performance Period based on the Company’s determination and certification of the extent to which the applicable Performance Goals have been achieved with respect to such applicable Performance Period. The actual number of Restricted Stock Units that is issued and awarded to Participant in accordance with Section 3 and each Award Supplement is hereinafter referred

to as the “Issued Restricted Stock Units.” The Issued Restricted Stock Units will become vested and payable in accordance with Section 3 hereof and each Award Supplement. As set forth in each Award Supplement, the number of Units that will become Issued Restricted Stock Units may be increased or decreased, as applicable, based upon the Company’s determination and certification of the achievement of the Performance Goals with respect to the Performance Period.

3. Issuance and Vesting of Restricted Stock Units.

(a) Issuance. Subject to Section 3(b) below, following the completion of the Performance Period, the Restricted Stock Units, if any, shall issue and be awarded on the date on which the Company determines and certifies the extent to which the Performance Goals have been achieved during the Performance Period (each such date, the “RSU Issuance Date”). The Committee’s determination and certification of the number of Units that will become Issued Restricted Stock Units pursuant to this Section 3 and each Award Supplement shall be final and binding on Participant. The portion of the Units, if any, that does not become Issued Restricted Stock Units in accordance with this Section 3(a) and each Award Supplement shall be automatically forfeited in its entirety on the RSU Issuance Date. Consistent with the definition of “Termination of Service” set forth in Section 2.60 of the Plan, a Termination of Service shall not be deemed to occur hereunder until the later of (x) the date of Participant’s termination of employment with the Company and its Affiliates or (y) the termination of any period during which Participant provides consulting services to the Company or its Affiliates. Except as provided in Section 3(b) and except as may be provided in an employment letter or agreement or other contractual arrangement between Participant and the Company, if Participant experiences a Termination of Service for any reason whatsoever prior to the RSU Issuance Date, 100% of Participant’s Units shall be immediately forfeited and Participant shall not be entitled to receive any Issued Restricted Stock Units pursuant to this Section 3(a) or the applicable Award Supplement.

(b) Vesting. The Issued Restricted Stock Units shall vest on each Vesting Date in accordance with the vesting conditions set forth in each Award Supplement.

Notwithstanding the foregoing, if Participant incurs a Termination of Service due to death or Disability prior to the RSU Issuance Date, Participant shall be eligible to receive on the first Vesting Date a pro-rata portion of the first tranche of the Issued Restricted Stock Units Participant would have been eligible to receive, the number of which shall be pro-rated based on the portion of the Performance Period during which Participant was employed.

For purposes of this Agreement, “Disability” shall mean Participant’s inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or that can be expected to last for a continuous period of not less than twelve (12) months.

(c) Except as provided in Section 3(b) or except as may be provided in an employment letter or agreement or other contractual arrangement between the Company and Participant, there shall be no proportionate or partial vesting of the Issued Restricted Stock Units prior to the Vesting Dates.

(d) If all or a portion of the Issued Restricted Stock Units is not vested on the date of Participant’s Termination of Service, the unvested portion of the Issued Restricted Stock Units shall be automatically forfeited in its entirety as of the date of such Termination of Service.

4. Payment. Subject to the terms of this Agreement and the Plan, Participant shall receive one share of Common Stock with respect to each vested Issued Restricted Stock Unit within thirty (30) days of the applicable Vesting Date (such date, the “Payment Date”).

5. Dividend Equivalents. Cash dividends on shares of Common Stock shall be credited to a dividend book entry account on behalf of Participant with respect to the each Issued Restricted Stock Unit awarded to Participant, provided, that such cash dividends shall not be deemed to be reinvested in shares of Common Stock and will be held uninvested and without interest. Participant’s right to receive any such cash dividends shall vest if and when the related Issued Restricted Stock Unit vests, and such cash dividends shall be paid in cash to Participant if and when the related

Issued Restricted Stock Unit is paid to Participant. Stock dividends on shares of Common Stock shall be credited to a dividend book entry account on behalf of Participant with respect to each Issued Restricted Stock Unit awarded to Participant. Participant's right to receive any such stock dividends shall vest if and when the related Issued Restricted Stock Unit vests, and such stock dividends shall be paid in stock to Participant if and when the related Issued Restricted Stock Unit is paid to Participant.

6. Rights as a Stockholder. Participant shall have no rights as a stockholder with respect to any Units, Issued Restricted Stock Units or shares of Common Stock subject to the Issued Restricted Stock Units unless and until Participant has become the holder of record of such shares of Common Stock, and no adjustments shall be made for dividends in cash or other property, distributions or other rights in respect of any such shares, except as otherwise specifically provided for in this Agreement or the Plan.

7. Restrictions on Transfer. The Units and the Issued Restricted Stock Units, and any part thereof, may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution.

8. Plan Provisions Control. This Agreement and each Award Supplement are subject to all the terms, conditions and provisions of the Plan, including any amendments thereto, and to such rules, regulations and interpretations relating to the Plan as may be adopted by the Committee or the Company, and as may be in effect from time to time. The Plan is incorporated herein and into each Award Supplement by reference. If and to the extent that this Agreement or each Award Supplement conflicts or is inconsistent with the terms, conditions and provisions of the Plan, the Plan shall control, and this Agreement and each Award Supplement shall be deemed to be modified accordingly. This Agreement and each Award Supplement contains the entire understanding of the parties with respect to the subject matter hereof and supersedes any prior agreements between the Company and Participant with respect to the subject matter hereof.

9. Legend. The Company may at any time place legends referencing any applicable federal, state or foreign securities law restrictions on all certificates representing shares of Common Stock issued pursuant to this Agreement. Participant shall, at the request of the Company, promptly present to the Company any and all certificates representing shares of Common Stock acquired pursuant to this Agreement in the possession of Participant in order to carry out the provisions of this Section 9.

10. Not a Contract of Employment. Nothing in this Agreement, each Award Supplement or in the Plan shall confer upon Participant any right to continue to serve as an employee or other service provider of the Company or any Subsidiary or shall interfere with or restrict in any way the rights of the Company and its Subsidiaries, which rights are hereby expressly reserved, to discharge or terminate the services of Participant at any time for any reason whatsoever, with or without cause, except to the extent expressly provided otherwise in a written agreement between the Company or a Subsidiary and Participant.

11. Transfer of Personal Data. Participant authorizes, agrees and unambiguously consents to the transmission by the Company of any personal data information related to the Units, for legitimate business purposes (including, without limitation, the administration of the Plan) out of Participant's home country and including to countries with less data protection than the data protection provided by Participant's home country. This authorization/consent is freely given by Participant.

12. Withholding Taxes. The Company shall, with respect to any taxable event concerning Participant as a result of the Plan or this Agreement, deduct any Federal, state, local or foreign taxes required by law to be withheld by reducing the number of shares of Common Stock otherwise deliverable. Any fraction of a share of Common Stock required to satisfy such tax obligations shall also be reduced.

13. Section 409A of the Code. Although the Company does not guarantee the tax treatment of any payments under this Agreement or each Award Supplement, the intent of the parties is that payments under this Agreement and each Award Supplement be exempt from, or comply with, Section 409A of the Code and, accordingly, to the maximum

extent permitted, this Agreement and each Award Supplement shall be interpreted in accordance with the foregoing. In no event whatsoever shall the Company be liable for any additional tax, interest or penalty that may be imposed on Participant as a result of Section 409A of the Code or any damages for failing to comply with Section 409A of the Code. The Units and the Issued Restricted Stock Units are intended to be subject to the terms and conditions of the Plan with respect to Section 409A of the Code. Whenever a payment under this Agreement or each Award Supplement may be paid within a specified period, the actual date of payment within the specified period shall be within the Company's sole discretion.

14. Administration. The Administrator shall have the power to interpret the Plan, this Agreement and each Award Supplement and to adopt such rules for the administration, interpretation and application of the Plan, this Agreement and each Award Supplement as are consistent therewith and to interpret, amend or revoke any such rules. All actions taken and all interpretations and determinations made by the Administrator will be final and binding upon Participant, the Company and all other interested persons. To the extent allowable pursuant to Applicable Law, no member of the Committee or the Board will be personally liable for any action, determination or interpretation made with respect to the Plan, this Agreement or each Award Supplement.

15. Adjustments. The Administrator may accelerate the vesting of all or a portion of the Issued Restricted Stock Units in such circumstances as it, in its sole discretion, may determine. In addition, upon the occurrence of certain events relating to the Common Stock contemplated by Section 14.2 of the Plan (including, without limitation, an extraordinary cash dividend on such Common Stock), the Administrator may make such adjustments as the Administrator deems appropriate in the number of shares of Common Stock subject to the Units and the kind of securities that may be issued upon settlement. Participant acknowledges that the Units are subject to adjustment, modification and termination in certain events as provided in this Agreement, each Award Supplement and the Plan, including Section 14.2 of the Plan.

16. Successors and Assigns. The Company may assign any of its rights under this Agreement and each Award Supplement to single or multiple assignees, and this Agreement and each Award Supplement shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth in Section 7 and the Plan, this Agreement and each Award Supplement shall be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

17. Limitation on Participant's Rights. Participation in the Plan confers no rights or interests other than as herein provided. This Agreement and each Award Supplement creates only a contractual obligation on the part of the Company as to amounts payable and shall not be construed as creating a trust. Neither the Plan nor any underlying program, in and of itself, has any assets. Participant shall have only the rights of a general unsecured creditor of the Company with respect to amounts credited and benefits payable, if any, with respect to the Units, and rights no greater than the right to receive the Common Stock as a general unsecured creditor.

18. Counterparts. This Agreement and each Award Supplement may be executed in one or more counterparts, including by way of any electronic signature, subject to Applicable Law, each of which shall be deemed an original and all of which together shall constitute one instrument.

19. Entire Agreement. The Plan, this Agreement and each Award Supplement constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof.

20. Agreement Severable. In the event that any provision of this Agreement or any Award Supplement is held invalid or unenforceable, such provision will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of this Agreement or any Award Supplement.

21. Notices. Any notice to be given under the terms of this Agreement to the Company shall be addressed to the Company in care of the Secretary of the Company at the Company's principal office, and any notice to be given to Participant shall be addressed to Participant at Participant's last address reflected on the Company's records. By a

notice given pursuant to this Section 21, either party may hereafter designate a different address for notices to be given to that party. Any notice shall be deemed duly given when sent via email or when sent by certified mail (return receipt requested) and deposited (with postage prepaid) in a post office or branch post office regularly maintained by the United States Postal Service.

22. Amendment, Suspension and Termination. To the extent permitted by the Plan, this Agreement may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Administrator or the Board, provided, that, except as may otherwise be provided by the Plan, no amendment, modification, suspension or termination of this Agreement shall adversely affect the Units or Issued Restricted Stock Units in any material way without the prior written consent of Participant.

23. Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan, this Agreement or any Award Supplement, if Participant is subject to Section 16 of the Exchange Act, the Plan, this Agreement, each Award Supplement, the Units and the Issued Restricted Stock Units shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 of the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by Applicable Law, this Agreement shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

24. Titles. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

25. Governing Law. The laws of the State of Delaware shall govern the interpretation, validity, administration, enforcement and performance of the terms of this Agreement and each Award Supplement regardless of the law that might be applied under principles of conflicts of laws.

26. Conformity to Securities Laws. Participant acknowledges that the Plan and this Agreement are intended to conform to the extent necessary with all Applicable Laws, including, without limitation, the provisions of the Securities Act and the Exchange Act, and any and all regulations and rules promulgated thereunder by the Securities and Exchange Commission and state securities laws and regulations. Notwithstanding anything herein to the contrary, the Plan shall be administered, and the Units are awarded and may be settled, only in such a manner as to conform to Applicable Law. To the extent permitted by Applicable Law, the Plan and this Agreement shall be deemed amended to the extent necessary to conform to Applicable Law.

NO ACQUIRED RIGHTS.

PARTICIPANT ACKNOWLEDGES AND AGREES THAT: (A) THE COMPANY MAY TERMINATE OR AMEND THE PLAN AT ANY TIME; (B) THE AWARD OF PERFORMANCE STOCK UNITS AND ISSUED RESTRICTED STOCK UNITS MADE UNDER THIS AGREEMENT AND EACH AWARD SUPPLEMENT IS COMPLETELY INDEPENDENT OF ANY OTHER AWARD OR GRANT AND IS MADE AT THE SOLE DISCRETION OF THE COMPANY; AND (C) NO PAST GRANTS OR AWARDS (INCLUDING, WITHOUT LIMITATION, THE PERFORMANCE STOCK UNITS OR ISSUED RESTRICTED STOCK UNITS AWARDED HEREUNDER AND UNDER EACH AWARD SUPPLEMENT) GIVE PARTICIPANT ANY RIGHT TO ANY GRANTS OR AWARDS IN THE FUTURE WHATSOEVER.

By Participant's signature below, Participant agrees to be bound by the terms and conditions of the Plan, this Agreement, each Award Supplement and all applicable laws and regulations. This Agreement may be electronically accepted by Participant.

SHAKE SHACK INC.

By: _____
Randy Garutti
Chief Executive Officer

PARTICIPANT

By: _____
Name:

**FORM OF SUPPLEMENT
TO
PERFORMANCE STOCK UNIT AWARD AGREEMENT
PURSUANT TO THE
SHAKE SHACK INC.
2015 INCENTIVE AWARD PLAN**

Name of Participant: _____

Effective Date of Award: _____ (the “Award Date”)

Number of Performance Stock Units: _____

Dear Participant:

This letter constitutes an “Award Supplement” referred to in that certain Performance Stock Unit Award Agreement, dated as of April 26, 2016 (the “Performance Stock Unit Award Agreement”), between Shake Shack Inc. and you. You are hereby notified that the Company has awarded to you the Performance Stock Units indicated above (the “Performance Stock Units”). The Performance Stock Unit is awarded to you pursuant to and subject to the terms and conditions of (1) the Shake Shack Inc. 2015 Incentive Plan (the “Plan”), (2) the Performance Stock Unit Award Agreement and (3) this Award Supplement. Capitalized terms in this Award Supplement that are not defined shall have the meaning set forth in the Plan.

The Performance Stock Units will issue into Restricted Stock Units based on the achievement of specified Performance Goals indicated below based on certain Performance Criteria indicated below during the performance period measured from _____ through _____ (the “Performance Period”) and in accordance with the terms of the Plan.

The percentage of Participant’s Units that will become Issued Restricted Stock Units on the RSU Issuance Date will be determined based upon the Company’s achievement of specified targets for certain Performance Criteria (such performance targets, the “Performance Goals”), provided, that, except as provided in the Performance Stock Unit Award Agreement, Participant has not had a Termination of Service for any reason at any time prior to or on the last day of the Performance Period. The number of Participant’s Units eligible to become Issued Restricted Stock Units based upon the Company’s achievement of each of the Performance Goals indicated below will be based on the weight assigned to each such Performance Goal as indicated below.

For purposes of the Performance Stock Unit Award Agreement and this Award Supplement, Performance Criteria are defined as follows:

[_____]

As soon as reasonably practicable following the completion of the Performance Period, the Committee shall determine and certify the extent to which the Performance Goals have been achieved, and, based on such determination and certification, shall determine the number of Units that will become Issued Restricted Stock Units in accordance with the issuance chart below. Based on the issuance chart below, the percentage of target of each of the Performance Goals, as applicable, achieved by the Company during the Performance Period will determine the percentage of Participant’s Units that will become Issued Restricted Stock Units in accordance with Section 3(a) of the Performance Stock Unit Award Agreement. For the avoidance of doubt, a rating in between any percentage of target for each of the Performance Goals set forth below will result in a proportionate number of Units granted to the Participant with respect to such Performance Goal(s) becoming Issued Restricted Stock Units on the RSU Issuance Date.

By Participant's signature below, Participant agrees to be bound by the terms and conditions of the Plan, the Agreement, this Award Supplement and all applicable laws and regulations. This Award Supplement may be electronically accepted by Participant.

SHAKE SHACK INC.

By: _____
Randy Garutti
Chief Executive Officer

PARTICIPANT

By: _____
Name:

Employment Agreement

This Employment Agreement (the “ Agreement ”), entered into on May 4, 2016 (the “ Effective Date ”), by and between Ronald Palmese Jr. (the “ Employee ”), Shake Shack Inc., a company organized under the laws of the State of Delaware (“ Shake Shack ”), and SSE Holdings, LLC, a limited liability company organized under the laws of the State of Delaware (the “ Partnership ” and, together with Shake Shack and any of the Affiliates of Shake Shack and the Partnership as may employ the Employee from time to time, and any successor(s) thereto, the “ Company ”).

RECITALS

WHEREAS, the Company desires to assure itself of the services of the Employee by engaging the Employee to perform services under the terms hereof; and

WHEREAS, The Employee desires to provide services to the Company on the terms herein provided.

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, including the respective covenants and agreements set forth below, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree, effective as of the Effective Date, as follows:

1. **Certain Definitions**

(a) “ Affiliate ” shall mean, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under common control with, such Person where “control” shall have the meaning given such term under Rule 405 of the Securities Act of 1933, as amended from time to time.

(b) “ Agreement ” shall have the meaning set forth in the preamble hereto.

(c) “ Annual Base Salary ” shall have the meaning set forth in Section 3(a).

(d) “ Annual Bonus ” shall have the meaning set forth in Section 3(b).

(e) “ Annual Equity Award ” shall have the meaning set forth in Section 3(c).

(f) “ Board ” shall mean the Board of Directors of Shake Shack.

(g) “ Business ” shall mean the business of developing, managing, and/or operating of (i) “better burger” restaurants, (ii) “quick service” or “fast food” restaurants with an emphasis on hamburgers, and (iii) fast casual restaurants (i.e., restaurants that do not offer table service but promise a higher quality of food with fewer frozen or processed ingredients than a fast food restaurant; e.g., Chipotle Mexican Grill, Culvers and Panera).

(h) The Company shall have “ Cause ” to terminate the Employee’s employment hereunder upon: (i) the willful misconduct, gross negligence or an act of dishonesty of the Employee with regard to the Company or any of its Affiliates, which in either case, results in or could reasonably be expected to result in material harm to the Company or such Affiliate; (ii) the willful and continued failure of the Employee to attempt to perform his duties with the Company or any of its Affiliates (other than any such failure resulting from Disability), which failure is not remedied within 30 days after receiving written notice thereof; (iii) the conviction of the Employee of (or the plea by the Employee of guilty or *nolo contendere* to) any felony

involving moral turpitude (other than traffic related offenses or as a result of vicarious liability); or (iv) a material breach by the Employee of any material provision of this Agreement, which breach is not remedied within 10 days after receiving written notice thereof.

(i) “Code” shall mean the Internal Revenue Code of 1986, as amended.

(j) “Company” shall have the meaning set forth in the preamble hereto.

(k) “Date of Termination” shall mean (i) if the Employee’s employment is terminated due to the Employee’s death, the date of the Employee’s death; (ii) if the Employee’s employment is terminated due to the Employee’s Disability, the date determined pursuant to Section 4(a)(ii); or (iii) if the Employee’s employment is terminated pursuant to Section 4(a)(iii)-(vi), either the date indicated in the Notice of Termination or the date specified by the Company pursuant to Section 4(b), whichever is earlier.

(l) “Disability” shall mean the Employee’s inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or that can be expected to last for a continuous period of not less than 12 months.

(m) “Effective Date” shall have the meaning set forth in the recitals hereto.

(n) “Employee” shall have the meaning set forth in the preamble hereto.

(o) “Extension Term” shall have the meaning set forth in Section 2(b).

(p) The Employee shall have “Good Reason” to terminate the Employee’s employment hereunder after the occurrence of one or more of the following conditions without the Employee’s consent: (i) any material adverse change by the Company in the Annual Base Salary, position, duties, responsibilities, authority, title or reporting obligations, or the assignment of duties to the Employee by the Company that are materially inconsistent with the Employee’s position; (ii) a relocation of the Employee’s principal business location by more than 50 miles from its then current location; or (iii) any other material breach by the Company of this Agreement or any other agreement with the Employee. Notwithstanding the foregoing, no termination for Good Reason will be effective unless: (A) the Employee provides the Company with at least 30 days prior written notice of his intent to resign for Good Reason (which notice must be provided within 60 days following the occurrence of the event(s) purported to constitute Good Reason); (B) the Company has not remedied the alleged violation(s) within the 30-day period; and (C) the Employee’s resignation becomes effective no later than 30 days after the Company has either failed to cure such event or indicated that it will not cure such event.

(q) “Initial Term” shall have the meaning set forth in Section 2(b).

(r) “Notice of Termination” shall have the meaning set forth in Section 4(b).

(s) “Person” shall mean any individual, natural person, corporation (including any non-profit corporation), general partnership, limited partnership, limited liability partnership, joint venture, estate, trust, company (including any company limited by shares, limited liability company or joint stock company), incorporated or unincorporated association, governmental authority, firm, society or other enterprise, organization or other entity of any nature.

(t) “Release” shall have the meaning set forth in Section 5(b).

(u) “Release Expiration Date” shall have the meaning set forth in Section 20(c).

(v) “Section 409A” shall mean Section 409A of the Code and the Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the Effective Date.

(w) “Severance Period” shall have the meaning set forth in Section 5(b).

(x) “Term” shall have the meaning set forth in Section 2(b).

2. **Employment**

(a) In General. The Company shall employ the Employee under this Agreement and the Employee shall remain in the employ of the Company under this Agreement, for the period set forth in Section 2(b), in the position set forth in Section 2(c), and upon the other terms and conditions herein provided.

(b) Term of Employment. The initial term of employment under this Agreement (the “Initial Term”) shall be for the period beginning on the Effective Date and ending on the third anniversary thereof, unless earlier terminated as provided in Section 4. The Initial Term shall automatically be extended for successive one year periods (each, an “Extension Term” and, collectively with the Initial Term, the “Term”), unless either party hereto gives notice of non-extension of the Term to the other no later than ninety (90) days prior to the expiration of the then-applicable Term.

(c) Position and Duties. During the Term, the Employee: (i) shall serve as Vice President, General Counsel and Corporate Secretary of Shake Shack and the Partnership, with responsibilities, duties and authority customary for such positions, subject to direction by the Chief Financial Officer; (ii) shall report directly to the Chief Financial Officer; (iii) shall devote substantially all the Employee’s working time and efforts to the business and affairs of the Company; and (iv) agrees to observe and comply with the Company’s rules and policies as adopted by the Company from time to time. The parties acknowledge and agree that Employee’s duties, responsibilities and authority may include services for one or more Affiliates of the Company.

3. **Compensation and Related Matters**

(a) Annual Base Salary. During the Term, the Employee shall receive a base salary at a rate of \$250,008 per annum, as adjusted, which shall be paid in accordance with the customary payroll practices of the Company (the “Annual Base Salary”).

(b) Annual Bonus. With respect to each Company fiscal year that commences during the Term, the Employee shall be eligible to receive an annual performance-based cash bonus (the “Annual Bonus”) based on a target bonus opportunity of 25% of the Annual Base Salary, which shall be payable based upon the attainment of individual and Company performance goals established each fiscal year by the Board or the Compensation Committee thereof, with the opportunity to make up to 40% of the Annual Base Salary, which shall be payable if the Employee and Company exceed such performance goals. Each such Annual Bonus shall be payable on, or at such date as is determined by the Board within 120 days following, the last day of the fiscal year with respect to which it relates. Except as provided in Section 5, notwithstanding any other provision of this Section 3(b), no bonus shall be payable with respect to any fiscal year unless the Employee remains continuously employed with the Company during the period beginning on the Effective Date and ending on the applicable bonus payment date.

(c) Annual Equity Award. With respect to each Company fiscal year commencing during the Term, the Employee shall be eligible to receive an annual equity compensation award (each such award, an “Annual Equity Award”). The form and terms and conditions of each Annual Equity Award shall be

determined by the Board (or the Compensation Committee of the Board) in its discretion and shall be set forth in one or more written award agreements between the Company and the Employee.

(d) Benefits. During the Term, the Employee shall be eligible to participate in employee benefit plans, programs and arrangements of the Company in accordance with their terms, as in effect from time to time, and as are generally provided by the Company to its senior Employee officers.

(e) Vacation; Holidays. During the Term, the Employee shall be entitled to four weeks and three days paid vacation each full calendar year. Any vacation shall be taken at the reasonable and mutual convenience of the Company and the Employee. Holidays shall be provided in accordance with Company policy, as in effect from time to time.

(f) Business Expenses. During the Term, the Company shall reimburse the Employee for all reasonable, documented, out-of-pocket travel and other business expenses incurred by the Employee in the performance of the Employee's duties to the Company in accordance with the Company's applicable expense reimbursement policies and procedures.

(g) Indemnification. During the Term and for so long thereafter as liability exists with regard to the Employee's activities during the Term on behalf of the Company, the Company shall indemnify the Employee (other than in connection with the Employee's gross negligence or willful misconduct) in accordance with the Company's customary indemnification policies and procedures which are applicable to the Company's officers and directors.

4. Termination. During the Term, the Employee's employment hereunder may be terminated by the Company or the Employee, as applicable, without any breach of this Agreement only under the following circumstances:

(a) Circumstances

(i) Death. The Employee's employment hereunder shall terminate upon the Employee's death.

(ii) Disability. If the Employee incurs a Disability, the Company may give the Employee written notice of its intention to terminate the Employee's employment. In that event, the Employee's employment with the Company shall terminate, effective on the later of the 30th day after receipt of such notice by the Employee or the date specified in such notice; provided that, within the 30-day period following receipt of such notice, the Employee shall not have returned to full-time performance of the Employee's duties hereunder.

(iii) Termination for Cause. The Company may terminate the Employee's employment for Cause.

(iv) Termination without Cause. The Company may terminate the Employee's employment without Cause.

(v) Resignation for Good Reason. The Employee may resign from the Employee's employment for Good Reason.

(vi) Resignation without Good Reason. The Employee may resign from the Employee's employment without Good Reason.

(b) Notice of Termination. Any termination of the Employee's employment by the Company or by the Employee under this Section 4 (other than a termination pursuant to Section 4(a)(i) above) shall be communicated by a written notice to the other party hereto (a "Notice of Termination"): (i) indicating the specific termination provision in this Agreement relied upon, (ii) except with, respect to a termination pursuant to Sections 4(a)(iv) or (vi), setting forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Employee's employment under the provision so indicated, and (iii) specifying a Date of Termination which, if submitted by the Employee, shall be at least 30 days following the date of such notice; provided, however, that a Notice of Termination delivered by the Company pursuant to Section 4(a)(ii) shall not be required to specify a Date of Termination, in which case the Date of Termination shall be determined pursuant to Section 4(a)(ii); provided further, that, notwithstanding the foregoing, in the event that the Employee delivers a Notice of Termination to the Company, the Company may, in its sole discretion, accelerate the Date of Termination to any date that occurs following the date of Company's receipt of such Notice of Termination (even if such date is prior to the date specified in such Notice of Termination). A Notice of Termination submitted by the Company (other than a Notice of Termination under Section 4(a)(ii)) may provide for a Date of Termination on the date the Employee receives the Notice of Termination, or any date thereafter elected by the Company in its sole discretion. The failure by the Company or the Employee to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Cause or Good Reason shall not waive any right of the Company or the Employee hereunder or preclude the Company or the Employee from asserting such fact or circumstance in enforcing the Company's or the Employee's rights hereunder. Notwithstanding the foregoing, a termination pursuant to Section 4(a)(iii) shall be deemed to occur if following the Employee's termination of employment for any reason the Company determines that circumstances existing prior to such termination would have entitled to the Company to terminate the Employee's employment pursuant to Section 4(a)(iii) (disregarding any applicable cure period).

5. Company Obligations Upon Termination of Employment

(a) In General. Upon a termination of the Employee's employment for any reason, the Employee (or the Employee's estate) shall be entitled to receive: (i) any portion of the Employee's Annual Base Salary through the Date of Termination not theretofore paid, (ii) any expenses owed to the Employee under Section 3(f), (iii) any accrued but unused vacation pay owed to the Employee pursuant to Section 3(e), subject to the Company's vacation policy, and (iv) any amount arising from the Employee's participation in, or benefits under, any employee benefit plans, programs or arrangements under Section 3(d), which amounts shall be payable in accordance with the terms and conditions of such employee benefit plans, programs or arrangements. Except as otherwise set forth in Section 5(b) below, the payments and benefits described in this Section 5(a) shall be the only payments and benefits payable in the event of the Employee's termination of employment for any reason.

(b) Termination without Cause or for Good Reason. In the event of the Employee's termination of employment by the Company without Cause pursuant to Section 4(a)(iv) or by the Employee for Good Reason pursuant to Section 4(a)(v), in addition to the payments and benefits described in Section 5(a) above, the Company shall, subject to Section 20 and Section 5(c) and subject to the Employee's execution and non-revocation of a waiver and release of claims agreement in the Company's customary form (a "Release"), as of the Release Expiration Date, in accordance with Section 20(c):

(i) Continue to pay to the Employee Annual Base Salary during the period beginning on the Date of Termination and ending on the first anniversary of the Date of Termination (such period, the "Severance Period") in accordance with the Company's regular payroll practice as of the Date of Termination;

(ii) Pay to the Employee an amount equal to the product of (A) the amount of the Annual Bonus that would have been payable to the Employee pursuant to Section 3(b) if the Employee was still employed as of the applicable bonus payment date in respect of the fiscal year in which the Date of Termination occurs based on actual individual and Company performance goals in such year and (B) the ratio of (x) the number of full months elapsed during the fiscal year during which such termination of employment occurs on or prior to the Date of Termination, to (y) twelve (12). Any amount payable pursuant to this Section 5(b)(ii) shall, subject to Section 20 and Section 5(c), be paid to Employee in accordance with Section 3(b) as if the Employee was still employed on the applicable bonus payment date, but in no event earlier than January 1, or later than December 31, of the calendar year immediately following the calendar year in which the Date of Termination occurs;

(iii) Accelerate the vesting of a pro rata amount of the Annual Equity Award that would next vest following the Date of Termination, such amount to be based on the number of full (not partial) fiscal months elapsed during the twelve (12)-month period between the previous vesting date or, if none, the award date, and the Date of Termination (for example, if a pro rata amount of an Annual Equity Award vests on April 30, 2017, and Employee's Date of Termination is June 30, 2016, sixteen and sixty-seven percent (16.67%) of the Annual Equity Award that otherwise would vest on April 30, 2017 shall immediately vest, and Employee shall forfeit the remaining eighty-three and thirty-three percent (83.33%) of the Annual Equity Award scheduled to vest on April 28, 2017 as well as the remainder of the Annual Equity Award that otherwise would vest subsequently); and

(iv) During the Severance Period, if the Employee elects to continue coverage under the Company's group health plan in accordance with the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"), continue coverage for the Employee and any eligible dependents under the Company group health benefit plans in which the Employee and any dependents were entitled to participate immediately prior to the Date of Termination. In the event Employee elects to continue with COBRA coverage, provided that Employee timely submits to the Company evidence of Employee's payments made to the COBRA administrator, the Company will reimburse Employee for the Company's share of the premiums associated therewith in an amount equal to what the Company pays for the health insurance premiums of other Employee level employees at the Company. The COBRA health continuation period under Section 4980B of the Code shall run concurrently with the period of continued coverage set forth in this Section 5(b)(iv); provided, however, that in the event Employee obtains other employment that offers group health benefits, such continuation of COBRA coverage by the Company under this Section 5(b)(iv) shall immediately cease.

(c) Breach of Restrictive Covenants. Notwithstanding any other provision of this Agreement, no payment or benefit shall be made or provided pursuant to Section 5(b) following the date the Employee first violates any of the restrictive covenants set forth in Section 6 or any other written agreement between the Employee and the Company or any of its Affiliates.

(d) Complete Severance. The provisions of this Section 5 shall supersede in their entirety any severance payment or benefit obligations to the Employee pursuant to the provisions in any severance plan, policy, program or other arrangement maintained by the Company.

6. **Restrictive Covenants**. In consideration for the potential payments to the Employee hereunder, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Employee agrees to the following:

(a) **Confidentiality**. The Employee shall not, at any time during the Term or at any time thereafter, directly or indirectly, use for the benefit of himself or any third party or disclose to any Person, firm, company or other entity (other than the Company or any of its Affiliates) any Confidential Information without the prior written consent of the Company, except (i) as required in the performance of his duties to the Company and its Affiliates, (ii) to the extent that the Employee is required by law, subpoena or court order to disclose any Confidential Information (provided that in such case, the Employee shall (1) provide the Company with the earliest notice possible that such disclosure is or may be required, (2) reasonably cooperate with the Company and its Affiliates, at the Company's expense, in protecting, to the maximum extent legally permitted, the confidential or proprietary nature of such Confidential Information and (3) disclose only that Confidential Information which he is legally required to disclose), (iii) disclosing information that has been or is hereafter made public through no act or omission of the Employee in violation of this Agreement or any other confidentiality obligation or duty owed to the Company or its Affiliates, (iv) disclosing information and documents to his attorney or tax adviser for the purpose of securing legal or tax advice (provided that such Persons agree to keep such information confidential) or (v) disclosing only the post-employment restrictions in this Agreement in confidence to any potential new employer. The Employee shall take all actions necessary to protect the integrity of the business plans, customer lists, statistical data and compilations, agreements, contracts, manuals or other materials, in whatever form, of the Company and its Affiliates that contain Confidential Information, and upon the termination of the Employee's employment, the Employee agrees that all Confidential Information in his possession or under his control, directly or indirectly, that is in writing, computer generated or other tangible form (together with all duplicates thereof) will forthwith be returned to the Company and will not be retained by the Employee or furnished to any Person, either by sample, facsimile, film, audio or video cassette, electronic data, verbal communication or any other means of communication. The Employee agrees that the provisions of this Section 6 are reasonable and necessary to protect the proprietary rights of the Company and its Affiliates in the Confidential Information and trade secrets, goodwill and reputation. In addition, the terms and conditions of this Agreement shall remain strictly confidential, and the Employee shall not disclose the terms and conditions hereof to any Person, other than immediate family members, legal advisors or personal tax or financial advisors, provided that each such Person agrees to keep such terms and conditions confidential.

(b) **Non-Competition**. The Employee shall not, during the Term and for a period of 12 months thereafter (the "Non-Compete Period"), directly or indirectly, whether for himself or on behalf of any other Person, engage in, own, manage, operate, advise, provide financing to, control or participate in the ownership, management or control of, or be connected as an officer, employee, partner, director, or otherwise with, or have any financial interest (whether as a stockholder, director, officer, partner, consultant, proprietor, agent or otherwise) in, or aid or assist anyone else in the conduct of, any business that competes, directly or indirectly, with the Company or any of its Affiliates in the Business or is otherwise engaged in activities competitive with the Company or any of its Affiliates in the Business, in any jurisdiction in the United States of America (including, without limitation, Washington D.C. and the states of New York, Pennsylvania, Florida, New Jersey, Connecticut, Massachusetts, Georgia, Las Vegas, Arizona and California) or any other country in the world where the Company or any of its Affiliates are then engaged in the Business (the "Restricted Area"). Notwithstanding the foregoing, in the event of termination without Cause or for Good Reason, Employee shall have the right to compete against the Company with a fast casual Business without violating this Agreement; provided, however, that, in such event, Employee shall not be entitled to any amounts set forth in Section 5(b)(i) on or after the date Employee first competes in the fast casual Business.

The Employee agrees that the Restricted Area is reasonable taking into consideration the nature and scope of the operations of the Company and its Affiliates in the Business and the Employee's role in such operations. It shall not be a violation of this Section 6(b) for the Employee to own less than 1% of the outstanding shares of a corporation that is engaged in the Business whose shares are listed on a national stock exchange or traded in accordance with the automated quotation system of the National Association of Securities Dealers.

(c) Non-Solicitation. The Employee shall not, during the Non-Compete Period, either directly or indirectly, and whether for himself or on behalf of any other Person; (i) seek to persuade any employee or consultant of the Company or any of its Affiliates to discontinue or diminish his or her status or employment therewith or seek to persuade any employee, former employee (who was employed by the Company or any of its Affiliates at any time during the 12-month period prior to the termination of the Employee's employment with the Company), or exclusive consultant of the Company or any of its Affiliates to become employed or to provide consulting or contract services to a business competitive with the Company or its Affiliates in the Business; (ii) solicit, employ or engage, or cause to be solicited, employed, or engaged, any person who is or was employed by the Company or any of its Affiliates at any time during the 12-month period prior to the termination of the Employee's employment with the Company; or (iii) solicit, encourage, or induce any contractor, agent, client, customer, supplier, or the like of the Company or any of its Affiliates to terminate or diminish its/his relationship with, the Company or any of its Affiliates, or to refrain from entering into a relationship with the Company or any of its Affiliates, including, without limitation, any prospective contact, contractor, agent, client, customer, or the like of the Company or any of its Affiliates; provided, however, that the foregoing shall not prohibit the Employee from placing any general advertisements for employees so long as such general advertisements are not directed to any employees of the Company or any of its Affiliates (provided that the Employee may not, during the time periods set forth in this Section 6(c), hire or engage any such Person who responds to such general advertisement).

(d) Non-Disparagement. The Employee agrees not to disparage the Company, any of its products or practices, or any of its directors, officers, agents, representatives, partners, members, equity holders or Affiliates, either orally or in writing, at any time, and the Company agrees to instruct its directors and officers as of the Date of Termination not to disparage the Employee, either orally or in writing, at any time; provided that the Employee, the Company and the Company's directors and officers may confer in confidence with their respective legal representatives and make truthful statements as required by law.

(e) Return of Company Property. On the date of the Employee's termination of employment with the Company for any reason, the Employee shall return all property belonging to the Company or its Affiliates (including, but not limited to, any Company-provided laptops, computers, cell phones, wireless electronic mail devices or other equipment, or documents and property belonging to the Company). The Employee may retain his rolodex and similar books, provided that such items only include contact information.

(f) Remedies. In addition to whatever other rights and remedies the Company and its Affiliates may have at equity or in law (including, without limitation, the right to seek monetary damages), if the Employee breaches any of the provisions contained in this Section 6, (i) the Company shall have the right immediately to terminate the Employee's right to any amounts payable under this Agreement and (ii) the Company and its Affiliates shall have the right to injunctive relief, without the requirement to prove actual damages or to post any bond or other security, and to obtain the costs and reasonable attorneys' fees they incur in enforcing their rights under this Agreement. The Employee acknowledges that (A) his breach of this Section 6 would cause irreparable injury to the Company and/or its Affiliates, (B) money damages alone would not provide an adequate remedy for the Company or its Affiliates, (C) his services to the Company are special, unique and extraordinary, and (D) the restrictions in this Section 6 (x) are no greater than required to protect the Company's legitimate protectable interests (including, without limitation, the Confidential

Information and the Company's goodwill), (y) do not impose undue hardship on the Employee, and (z) are reasonable in duration and geographic scope. The Employee further acknowledges that (I) any breach or claimed breach of the provisions set forth in this Agreement shall not be a defense to enforcement of the restrictions set forth in this Section 6 and (II) the circumstances of the Employee's termination of employment with the Company shall have no impact on his obligations under this Section 6.

(g) Blue Pencil. In the event the terms of this Section 6 shall be determined by any court of competent jurisdiction to be unenforceable by reason of its extending for too great a period of time or over too great a geographical area or by reason of its being too extensive in any other respect, it will be interpreted to extend only over the maximum period of time for which it may be enforceable, over the maximum geographical area as to which it may be enforceable, or to the maximum extent in all other respects as to which it may be enforceable, all as determined by such court in such action.

(h) Tolling During Periods Of Breach. The Employee, Shake Shack and the Partnership agree and intend that the Employee's obligations under this Section 6 be tolled during any period that the Employee is in breach of any of the obligations under this Section 6, so that the Company and each Affiliate of the Company are provided with the full benefit of the restrictive periods set forth herein.

(i) Third Party Beneficiary. The Company and each Affiliate of the Company are intended third party beneficiaries of the terms of this Section 6 and shall have the right to enforce the provisions of this Section 6 as if they were a party hereto.

(j) Survival. The Employee's obligations under this Section 6 shall survive the termination of this Agreement and the termination of his employment with the Company.

7. Assignment and Successors. The Company may assign its rights and obligations under this Agreement to any entity, including any successor to all or substantially all the assets of the Company, by merger or otherwise, and may assign or encumber this Agreement and its rights hereunder as security for indebtedness of the Company and its Affiliates. The Employee may not assign the Employee's rights or obligations under this Agreement to any individual or entity. This Agreement shall be binding upon and inure to the benefit of the Company, the Employee and their respective successors, assigns, personnel and legal representatives, executors, administrators, heirs, distributees, devisees, and legatees, as applicable.

8. Governing Law; Venue. All issues and questions concerning the application, construction, validity, interpretation and enforcement of this Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to any principles of conflicts of law, whether of the State of Delaware or any other jurisdiction. Each of the parties hereto agrees that any legal action or proceeding with respect to this Agreement shall be brought exclusively in the Chancery Court of New Castle County, Delaware or the federal courts of the United States of America for the District of Delaware, unless the parties to any such action or dispute mutually agree to waive this provision. By execution and delivery of this Agreement, each of the parties hereto irrevocably consents to service of process out of any of the aforementioned courts in any such action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, or by recognized express carrier or delivery service, to the applicable party at his, her or its address referred to herein. Each of the parties hereto irrevocably waives any objection which he, she or it may now or hereafter have to the laying of venue of any of the aforementioned actions or proceedings arising out of or in connection with this Agreement, or any related agreement, certificate or instrument referred to above, brought in the courts referred to above and hereby further irrevocably waives and agrees, to the fullest extent permitted by applicable law, not to plead or claim in any such court that any

such action or proceeding brought in any such court has been brought in any inconvenient forum. Nothing herein shall affect the right of any party to serve process in any other manner permitted by law.

9. **Validity**. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

10. **Notices**. Any notice, request, claim, demand, document and other communication hereunder to any party hereto shall be effective upon receipt (or refusal of receipt) and shall be in writing and delivered personally or sent by telex, telecopy, or certified or registered mail, postage prepaid, to the following address (or at any other address as any party hereto shall have specified by notice in writing to the other party hereto):

(a) If to the Company:

Shake Shack Inc.
24 Union Square East, 5th Floor
New York, NY 10003
Attn: Jeff Uttz, Chief Financial Officer
Email: juttz@shakeshack.com
Phone: 646-747-7358

(b) If to the Employee, at the address set forth on the signature page hereto.

11. **Counterparts**. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, but all of which together will constitute one and the same Agreement.

12. **Entire Agreement**. The terms of this Agreement (together with any other agreements and instruments contemplated hereby or referred to herein) is intended by the parties hereto to be the final expression of their agreement with respect to the employment of the Employee by the Company and may not be contradicted by evidence of any prior or contemporaneous agreement (including, without limitation, any term sheet or offer letter). The parties hereto further intend that this Agreement shall constitute the complete and exclusive statement of its terms and that no extrinsic evidence whatsoever may be introduced in any judicial, administrative, or other legal proceeding to vary the terms of this Agreement.

13. **Amendments; Waivers**. This Agreement may not be modified, amended, or terminated except by an instrument in writing, signed by the Employee and a duly authorized officer of Shake Shack and the Partnership, which expressly identifies the amended provision of this Agreement. The Employee or a duly authorized officer of Shake Shack or the Partnership may waive compliance by the other party or parties hereto with any provision of this Agreement that such other party was or is obligated to comply with or perform; provided, however, that such waiver shall not operate as a waiver of, or estoppel with respect to, any other or subsequent failure to comply or perform. No failure to exercise and no delay in exercising any right, remedy, or power hereunder shall preclude any other or further exercise of any other right, remedy, or power provided herein or by law or in equity.

14. **No Inconsistent Actions**. The parties hereto shall not voluntarily undertake or fail to undertake any action or course of action inconsistent with the provisions or essential intent of this Agreement. Furthermore, it is the intent of the parties hereto to act in a fair and reasonable manner with respect to the interpretation and application of the provisions of this Agreement.

15. **Construction.** This Agreement shall be deemed drafted equally by both of the parties hereto. Its language shall be construed as a whole and according to its fair meaning. Any presumption or principle that the language is to be construed against any party hereto shall not apply. The headings in this Agreement are only for convenience and are not intended to affect construction or interpretation. Any references to paragraphs, subparagraphs, sections or subsections are to those parts of this Agreement, unless the context clearly indicates to the contrary. Also, unless the context clearly indicates to the contrary, (a) the plural includes the singular and the singular includes the plural; (b) "and" and "or" are each used both conjunctively and disjunctively; (c) "any," "all," "each," or "every" means "any and all," and "each and every"; (d) "includes" and "including" are each "without limitation"; (e) "herein," "hereof," "hereunder" and other similar compounds of the word "here" refer to the entire Agreement and not to any particular paragraph, subparagraph, section or subsection; and (f) all pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular or plural as the identity of the Persons referred to may require.

16. **Enforcement.** If any provision of this Agreement is held to be illegal, invalid or unenforceable under present or future laws effective during the term of this Agreement, such provision shall be fully severable; this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a portion of this Agreement; and the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance from this Agreement. Furthermore, in lieu of such illegal, invalid or unenforceable provision there shall be added automatically as part of this Agreement a provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible and be legal, valid and enforceable.

17. **Withholding.** The Company and its Affiliates shall be entitled to withhold from any amounts payable under this Agreement, any federal, state, local or foreign withholding or other taxes or charges which the Company or any of its Affiliates is required to withhold. The Company and its Affiliates shall be entitled to rely on an opinion of counsel if any questions as to the amount or requirement of withholding shall arise.

18. **Absence of Conflicts; Employee Acknowledgement; Confidentiality.** The Employee hereby represents that from and after the Effective Date the performance of the Employee's duties hereunder will not breach any other agreement to which the Employee is a party. The Employee acknowledges that the Employee has read and understands this Agreement, is fully aware of its legal effect, has not acted in reliance upon any representations or promises made by the Company or any of its Affiliates other than those contained in writing herein, and has entered into this Agreement freely based on the Employee's own judgment. The Employee agrees not to disclose the terms or existence of this Agreement to any Person unless the Company agrees to such disclosure in advance and in writing; provided that the Employee may, without such permission, make such disclosures as are required by applicable law, including disclosures to taxing agencies, and disclose the terms of this Agreement to the Employee's attorney(s), accountant(s), tax advisor(s), and other professional service provider(s), and to members of the Employee's immediate family, as reasonably necessary; provided, further, that the Employee instructs such Person(s) that the terms of this Agreement are strictly confidential and are not to be revealed to anyone else except as required by applicable law.

19. **Survival.** The expiration or termination of the Term shall not impair the rights or obligations of any party hereto which shall have accrued prior to such expiration or termination (including, without limitation, pursuant to the provisions of Section 6 hereof).

20. **Section 409A.**

(a) **General.** The parties hereto acknowledge and agree that, to the extent applicable, this Agreement shall be interpreted in accordance with, and incorporate the terms and conditions required by,

Section 409A. Notwithstanding any provision of this Agreement to the contrary, in the event that the Company determines that any amounts payable hereunder will be immediately taxable to the Employee under Section 409A, the Company reserves the right (without any obligation to do so or to indemnify the Employee for failure to do so) to (i) adopt such amendments to this Agreement and appropriate policies and procedures, including amendments and policies with retroactive effect, that the Company determines to be necessary or appropriate to preserve the intended tax treatment of the benefits provided by this Agreement, to preserve the economic benefits of this Agreement and to avoid less favorable accounting or tax consequences for the Company and/or (ii) take such other actions as the Company determines to be necessary or appropriate to exempt the amounts payable hereunder from Section 409A or to comply with the requirements of Section 409A and thereby avoid the application of penalty taxes thereunder. Notwithstanding anything herein to the contrary, in no event shall any liability for failure to comply with the requirements of Section 409A be transferred from the Employee or any other individual to the Company or any of its Affiliates, employees or agents pursuant to the terms of this Agreement or otherwise.

(b) Separation from Service under Section 409A. Notwithstanding any provision to the contrary in this Agreement: (i) no amount shall be payable pursuant to Section 5(b) unless the termination of the Employee's employment constitutes a "separation from service" within the meaning of Section 1.409A-1(h) of the Department of Treasury Regulations; (ii) for purposes of Section 409A, the Employee's right to receive installment payments pursuant to Section 5(b) shall be treated as a right to receive a series of separate and distinct payments; and (iii) to the extent that any reimbursement of expenses or in-kind benefits constitutes "deferred compensation" under Section 409A, such reimbursement or benefit shall be provided no later than December 31 of the year following the year in which the expense was incurred. The amount of expenses reimbursed in one year shall not affect the amount eligible for reimbursement in any subsequent year. The amount of any in-kind benefits provided in one year shall not affect the amount of in-kind benefits provided in any other year. Notwithstanding any provision to the contrary in this Agreement, if the Employee is deemed at the time of his separation from service to be a "specified employee" for purposes of Section 409A(a)(2)(B)(i) of the Code, to the extent delayed commencement of any portion of the termination benefits to which the Employee is entitled under this Agreement is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code, such portion of the Employee's termination benefits shall not be provided to the Employee prior to the earlier of (A) the expiration of the six-month period measured from the date of the Employee's "separation from service" with the Company (as such term is defined in the Treasury Regulations issued under Section 409A of the Code) or (B) the date of the Employee's death; upon the earlier of such dates, all payments deferred pursuant to this sentence shall be paid in a lump sum to the Employee, and any remaining payments due under the Agreement shall be paid as otherwise provided herein.

(c) Release. Notwithstanding anything to the contrary in this Agreement, to the extent that any payments of "nonqualified deferred compensation" (within the meaning of Section 409A) due under this Agreement as a result of the Employee's termination of employment are subject to the Employee's execution, delivery and non-revocation of a Release, (i) the Company shall deliver the Release to the Employee within 7 days following the Date of Termination, and (ii) if the Employee fails to execute the Release on or prior to the Release Expiration Date (as defined below) or timely revokes his acceptance of the Release thereafter, the Employee shall not be entitled to any payments or benefits otherwise conditioned on the Release. For purposes of this Section 20(c), "Release Expiration Date" shall mean the date that is 21 days following the date upon which the Company timely delivers the Release to the Employee, or, in the event that the Employee's termination of employment is "in connection with an exit incentive or other employment termination program" (as such phrase is defined in the Age Discrimination in Employment Act of 1967), the date that is 45 days following such delivery date. To the extent that any payments of nonqualified deferred compensation (within the meaning of Section 409A) due under this Agreement as a result of the

Employee's termination of employment are delayed pursuant to Section 5(b) and this Section 20(c), such amounts shall be paid in a lump sum on the first payroll date to occur on or after the 60th day following the Date of Termination, provided that, as of such 60th day, the Employee has executed and has not revoked the Release (and any applicable revocation period has expired).

21. **Compensation Recovery Policy**. The Employee acknowledges and agrees that, to the extent the Company adopts any clawback or similar policy pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act or otherwise, and any rules and regulations promulgated thereunder, he shall take all action necessary or appropriate to comply with such policy (including, without limitation, entering into any further agreements, amendments or policies necessary or appropriate to implement and/or enforce such policy).

[Signature pages follow]

IN WITNESS WHEREOF, the parties hereto have executed this Employment Agreement on the date and year first above written, effective as of the Effective Date.

SHAKE SHACK

SHAKE SHACK INC.

By: /s/ Jeff Uttz
Name: Jeff Uttz
Title: Chief Financial Officer

PARTNERSHIP

SSE HOLDINGS, LLC

By: /s/ Jeff Uttz
Name: Jeff Uttz
Title: Chief Financial Officer

EMPLOYEE

By: /s/ Ronald Palmese Jr.
Ronald Palmese, Jr.

Residence Address:

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Randy Garutti, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended March 30, 2016 of Shake Shack Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 16, 2016

/s/ Randy Garutti

Randy Garutti

Chief Executive Officer

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Jeff Uttz, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended March 30, 2016 of Shake Shack Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 16, 2016

/s/ Jeff Uttz

Jeff Uttz

Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Shake Shack Inc. (the "Company"), for the quarterly period ended March 30, 2016 , as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 16, 2016

/s/ Randy Garutti

Randy Garutti

Chief Executive Officer and Director

Date: May 16, 2016

/s/ Jeff Uttz

Jeff Uttz

Chief Financial Officer