

Edgar Filing: Fresh Market, Inc. - Form 10-Q

Fresh Market, Inc.  
Form 10-Q  
November 26, 2013

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 October 27, 2013

OR  
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 1-34940

THE FRESH MARKET, INC.  
(Exact Name of Registrant as Specified in its Charter)

Delaware  
(State or Other Jurisdiction  
of Incorporation or Organization)  
628 Green Valley Road, Suite 500  
Greensboro, NC  
(Address of Principal Executive Offices)

56-1311233  
(I.R.S. Employer  
Identification No.)  
  
27408  
(Zip Code)

(336) 272-1338  
(Registrant's Telephone Number, Including Area Code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

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

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

The number of shares of the registrant's common stock, \$0.01 par value, outstanding as of November 18, 2013 was 48,384,359 shares.

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The Fresh Market, Inc.

Form 10-Q

For the Thirteen and Thirty-Nine Weeks Ended October 27, 2013

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## Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements in addition to historical information. We use words such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “forecast,” “intend,” “looking forward,” “may,” “plan,” “project,” “should,” “target,” “will” and “would” or any variations of these words or other words with similar meanings to identify such forward-looking statements. All statements that address activities, events or developments that we intend, expect or believe may occur in the future are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These “forward looking statements” may relate to such matters as our industry, business strategy, goals and expectations concerning our market position, future operations, future performance or results, margins, profitability, capital expenditures, liquidity and capital resources, interest rates and other financial and operating information and the outcome of contingencies such as legal and administrative proceedings.

Our forward-looking statements contained in this Form 10-Q are based on management's current expectations and are subject to uncertainty and changes in circumstances. We cannot guarantee that the results and other expectations expressed, anticipated or implied in any forward-looking statement will be realized. The following are some of the factors that could cause actual future results to differ materially from those expressed in any forward-looking statements: unexpected expenses and risks associated with our business; our ability to remain competitive in the areas of merchandise quality, price, breadth of selection, customer service and convenience; the effective management of our merchandise buying and inventory levels; accounting entries and adjustments at the close of a fiscal quarter; the quality and safety of food products and other items that we may sell; our ability to anticipate and/or react to changes in customer demand; changes in economic and financial conditions, including the outcome of negotiations surrounding U.S. fiscal policy, which, even if resolved, may be adverse due to tax increases and spending cuts, and the resulting impact on consumer confidence; other changes in consumer confidence and spending; unexpected consumer responses to promotional programs; unusual, unpredictable and/or severe weather conditions, including their effect on our supply chain and our store operations; the effectiveness of our logistics and supply chain model, including the ability of our third-party logistics providers to meet our product demands and restocking needs on a cost competitive basis; the execution and management of our store growth, including the availability and cost of acceptable real estate locations for new store openings, the capital that we utilize in connection with new store development and the anticipated time between lease execution and store opening; the mix of our new store openings as between build to suit sites and second-generation, as-is sites; the actions of third parties involved in our store growth activities, including property owners, landlords, property managers, contractors, subcontractors, government agencies, and current tenants who occupy one or more of our proposed new store locations, all of whom may be impacted by their financial condition, their lenders, their activities outside of those focused on our new store growth and other tenants, customers and business partners of theirs; global economies and credit and financial markets; our ability to maintain the security of electronic and other confidential information; serious disruptions and catastrophic events; competition; personnel recruitment and retention; acquisitions and divestitures, including the ability to integrate successfully any such acquisitions; information systems and technology; commodity, energy, fuel and other cost increases; compliance with laws, regulations and orders; changes in laws and regulations; outcomes of litigation and proceedings and the availability of insurance, indemnification and other third-party coverage of any losses suffered in connection therewith; tax matters; numerous other matters of national, regional and global scale, including those of a political, economic, business and competitive nature; and other factors, many of which are beyond our control. Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, our actual results may vary in material respects from those projected in these forward-looking statements. You should bear this in mind as you consider forward-looking statements.

Any forward-looking statement made by us in this Form 10-Q speaks only as of the date hereof. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of

new information, future developments or otherwise, except as may be required by any applicable securities laws. You are advised, however, to consult any further disclosures we may make in our future reports to the Securities and Exchange Commission, on our website, or otherwise.

## Part I. Financial Information

## Item 1. Financial Statements

The Fresh Market, Inc.

Consolidated Balance Sheets

(In thousands, except share amounts)

(unaudited)

	October 27, 2013	January 27, 2013
Assets		
Current assets:		
Cash and cash equivalents	\$14,606	\$8,737
Accounts receivable, net	8,920	6,830
Inventories	56,626	43,985
Prepaid expenses and other current assets	3,346	7,675
Income tax benefit	1,948	—
Deferred income taxes	4,219	3,784
Total current assets	89,665	71,011
Property and equipment:		
Land	2,846	2,846
Buildings	60,887	19,106
Store fixtures and equipment	313,545	272,249
Leasehold improvements	208,821	170,483
Office furniture, fixtures, and equipment	13,592	12,224
Automobiles	1,433	1,335
Construction in progress	27,309	18,661
Total property and equipment	628,433	496,904
Accumulated depreciation	(241,307)	(207,060)
Total property and equipment, net	387,126	289,844
Restricted cash	—	14,205
Other assets	8,252	10,309
Total assets	\$485,043	\$385,369
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$50,977	\$35,634
Accrued liabilities	63,440	54,385
Total current liabilities	114,417	90,019
Long-term debt	33,600	42,000
Capital leases and financing obligations	26,019	2,088
Deferred income taxes	21,975	24,053
Deferred rent	12,729	11,341
Other liabilities	23,529	18,009
Total noncurrent liabilities	117,852	97,491
Commitments and contingencies (Notes 2, 4 and 8)		
Stockholders' equity:		
Preferred stock – \$0.01 par value; 40,000,000 shares authorized, none issued	—	—

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Common stock – \$0.01 par value; 200,000,000 shares authorized, 48,221,704 and 48,144,620 shares issued and outstanding as of October 27, 2013 and January 27, 2013, respectively	482	482
Additional paid-in capital	111,528	105,431
Retained earnings	140,764	91,946
Total stockholders' equity	252,774	197,859
Total liabilities and stockholders' equity	\$485,043	\$385,369

See accompanying notes to consolidated financial statements.

The Fresh Market, Inc.

Consolidated Statements of Comprehensive Income

(In thousands, except share and per share amounts)

(unaudited)

	For the Thirteen Weeks Ended		For the Thirty-Nine Weeks Ended	
	October 27, 2013	October 28, 2012	October 27, 2013	October 28, 2012
Sales	\$364,457	\$321,494	\$1,085,847	\$959,275
Cost of goods sold (exclusive of depreciation shown separately)	242,400	215,137	713,175	633,485
Gross profit	122,057	106,357	372,672	325,790
Operating expenses:				
Selling, general and administrative expenses	88,865	76,590	252,869	221,087
Store closure and exit costs	74	131	347	856
Depreciation	14,224	11,749	39,266	33,164
Income from operations	18,894	17,887	80,190	70,683
Interest expense	1,089	526	2,554	1,109
Income before provision for income taxes	17,805	17,361	77,636	69,574
Tax provision	6,741	6,472	28,818	26,086
Net income	\$11,064	\$10,889	\$48,818	\$43,488
Net income per share:				
Basic and diluted	\$0.23	\$0.23	\$1.01	\$0.90
Weighted-average common shares outstanding:				
Basic	48,217,984	48,068,869	48,191,399	48,057,451
Diluted	48,442,252	48,323,150	48,389,426	48,280,923
Comprehensive income:				
Net income	\$11,064	\$10,889	\$48,818	\$43,488
Other comprehensive income	—	—	—	—
Total comprehensive income	\$11,064	\$10,889	\$48,818	\$43,488

See accompanying notes to consolidated financial statements.



The Fresh Market, Inc.  
Consolidated Statements of Stockholders' Equity  
(In thousands, except share amounts)  
(unaudited)

	Common Stock, \$0.01 par value				
	Common Shares Outstanding	Common Stock	Additional Paid-in Capital	Retained Earnings	Total Stockholders' Equity
Balance at January 29, 2012	48,040,083	\$481	\$98,622	\$27,813	\$126,916
Exercise of share-based awards	77,209	1	1,717	—	1,718
Issuance of common stock pursuant to restricted stock units	16,964	—	—	—	—
Issuance of common stock pursuant to employee stock purchase plan	3,751	—	185	—	185
Issuance of restricted stock awards	6,613	—	—	—	—
Withholding tax on restricted stock unit vesting	—	—	(492)	—	(492)
Share-based compensation	—	—	4,259	—	4,259
Tax benefit related to exercise of share-based awards	—	—	1,140	—	1,140
Net income	—	—	—	64,133	64,133
Balance at January 27, 2013	48,144,620	\$482	\$105,431	\$91,946	\$197,859
Exercise of share-based awards	62,702	—	1,565	—	1,565
Issuance of common stock pursuant to restricted stock units	3,167	—	—	—	—
Issuance of common stock pursuant to employee stock purchase plan	3,977	—	176	—	176
Issuance of restricted stock awards	7,238	—	—	—	—
Withholding tax on restricted stock unit vesting	—	—	(80)	—	(80)
Share-based compensation	—	—	4,256	—	4,256
Tax benefit related to exercise of share-based awards	—	—	180	—	180
Net income	—	—	—	48,818	48,818
Balance at October 27, 2013	48,221,704	\$482	\$111,528	\$140,764	\$252,774

See accompanying notes to consolidated financial statements.



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The Fresh Market, Inc.

Consolidated Statements of Cash Flows

(In thousands)

(unaudited)

	For the Thirty-Nine Weeks Ended	
	October 27, 2013	October 28, 2012
Operating activities		
Net income	\$48,818	\$43,488
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	39,432	33,330
Loss on disposal of property and equipment	13	129
Share-based compensation	4,256	3,218
Excess tax benefits from share-based compensation	(180)	) (288)
Deferred income taxes	(2,513)	) (4,248)
Change in assets and liabilities:		
Accounts receivable	(2,090)	) (1,943)
Inventories	(12,641)	) (9,935)
Prepaid expenses and other assets	1,273	(1,309)
Accounts payable	15,343	7,742
Accrued and other liabilities	12,907	6,267
Net cash provided by operating activities	104,618	76,451
Investing activities		
Purchases of property and equipment	(92,169)	) (62,752)
Proceeds from sale of property and equipment	76	6,696
Net cash used in investing activities	(92,093)	) (56,056)
Financing activities		
Borrowings on revolving credit facility	376,132	341,668
Payments made on revolving credit facility	(384,532)	) (358,768)
Payments made on capital leases and financing obligations	(97)	) (45)
Proceeds from issuance of common stock pursuant to employee stock purchase plan	176	136
Excess tax benefits from share-based compensation	180	288
Payments on withholding tax for restricted stock unit vesting	(80)	) —
Proceeds from exercise of share-based compensation awards	1,565	963
Net cash used in financing activities	(6,656)	) (15,758)
Net increase in cash and cash equivalents	5,869	4,637
Cash and cash equivalents at beginning of period	8,737	10,681
Cash and cash equivalents at end of period	\$14,606	\$15,318
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest	\$1,308	\$733
Cash paid during the period for taxes	\$39,265	\$35,765

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Non-cash investing and financing activities:

Property and equipment acquired through capital leases and financing obligations	\$40,267	\$1,915
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See accompanying notes to consolidated financial statements.

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The Fresh Market, Inc.  
 Notes to Consolidated Financial Statements  
 October 27, 2013  
 (In thousands, except share and per share data)  
 (unaudited)

## 1. Summary of Significant Accounting Policies

### Basis of Presentation

The accompanying unaudited consolidated financial statements of The Fresh Market, Inc. (the "Company") have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial statements and are in the form prescribed by the Securities and Exchange Commission in instructions to the Quarterly Report on Form 10-Q and Rule 10-01 of Regulation S-X. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the accompanying notes thereto in the Company's Annual Report on Form 10-K for the fiscal year ended January 27, 2013. In the opinion of management, these unaudited consolidated financial statements include all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation of the Company's financial position, results of operations and cash flows for the periods indicated. Interim results are not necessarily indicative of results that may be expected for a full fiscal year or future interim periods.

Certain prior year amounts have been reclassified to conform with the current year's presentation. None of the reclassifications or changes in presentation are considered material.

The Company's wholly-owned subsidiaries are consolidated and all intercompany accounts and transactions are eliminated upon consolidation.

The Company reports its results of operations on a 52 or 53 week fiscal year ending on the last Sunday in January. Fiscal years 2013 and 2012 are 52 week fiscal years and each fiscal quarter consists of 13 weeks.

The Company has determined that it has only one reportable segment. All of the Company's revenues come from the sale of items at its specialty food stores. The Company's primary focus is on perishable food categories, which include meat, seafood, produce, deli, bakery, floral, sushi and prepared foods. Non-perishable categories consist of traditional grocery and dairy products as well as specialty foods, including bulk, coffee, candy, beer and wine. The following is a summary of the percentage for the sales of perishable and non-perishable items:

	For the Thirteen Weeks Ended		For the Thirty-Nine Weeks Ended	
	October 27, 2013	October 28, 2012	October 27, 2013	October 28, 2012
Perishable	65.4%	65.7%	66.0%	66.3%
Non-perishable	34.6%	34.3%	34.0%	33.7%

### Recent Accounting Pronouncements

Effective January 28, 2013, the Company adopted ASU 2013-02, "Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income," which clarifies how to report the effect of significant reclassifications out of accumulated other comprehensive income. The adoption concerns presentation and disclosure only, and it did not have an impact on the Company's consolidated financial statements.

## 2. Long-Term Debt

Long-term debt is as follows:

	October 27, 2013	January 27, 2013
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Unsecured revolving credit note, with maximum available borrowings of \$175,000 at October 27, 2013 and January 27, 2013, interest payable monthly at one-month LIBOR plus a margin, weighted-average annual interest rate of 3.5% and 2.7% for the thirty-nine weeks ended October 27, 2013 and the fifty-two weeks ended January 27, 2013, respectively

\$33,600	\$42,000
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The Fresh Market, Inc.  
Notes to Consolidated Financial Statements - (continued)

2. Long-Term Debt (continued)

The Company is party to a revolving credit facility with Bank of America, N.A. as Administrative Agent, Swing Line Lender, and Letter of Credit Issuer, and several other lending institutions (as amended, the "2011 Credit Facility"). The 2011 Credit Facility matures February 22, 2016, and is available to provide support for working capital, capital expenditures and other general corporate purposes, including permitted acquisitions, issuance of letters of credit, refinancing and payment of fees. While the Company currently has no material domestic subsidiaries, other entities will guarantee the Company's obligations under the 2011 Credit Facility if and when they become material domestic subsidiaries of the Company during the term of the 2011 Credit Facility.

The 2011 Credit Facility provides for total borrowings of up to \$175,000. Under the terms of the 2011 Credit Facility, the Company is entitled to request an increase in the size of the facility by an amount not exceeding \$75,000 in the aggregate. If the existing lenders elect not to provide the full amount of a requested increase, or in lieu of accepting offers from existing lenders to increase their commitments, the Company may designate one or more other lenders to become a party to the 2011 Credit Facility, subject to the approval of the Administrative Agent. The 2011 Credit Facility includes a letter of credit sublimit of \$25,000, of which \$13,667 and \$12,926 was outstanding at October 27, 2013 and January 27, 2013, respectively. The beneficiaries of these letters of credit are predominantly the Company's workers' compensation and general liability insurance carriers. The 2011 Credit Facility also includes a swing line sublimit of \$10,000.

At the Company's option, outstanding borrowings bear interest at (i) the London Interbank Offered Rate ("LIBOR") plus an applicable margin that ranges from 1.00% to 2.25%, (ii) the Eurodollar rate plus an applicable margin that ranges from 1.00% to 2.25%, or (iii) the base rate plus an applicable margin that ranges from 0% to 1.25%, where the base rate is defined as the greatest of: (a) the federal funds rate plus 0.50%, (b) Bank of America's prime rate, and (c) the Eurodollar rate plus 1.00%. As of October 27, 2013 and January 27, 2013, all outstanding borrowings bore interest at LIBOR plus an applicable margin.

The commitment fee calculated on the unused portions of the 2011 Credit Facility ranges from 0.20% to 0.35% per annum.

The 2011 Credit Facility contains a number of affirmative and restrictive covenants, including limitations on the Company's ability to grant liens, incur additional debt, pay dividends, redeem its common stock, make certain investments and engage in certain merger, consolidation or asset sale transactions.

3. Fair Value Measurements

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities and other accrued expenses approximate fair value because of their short maturity. The carrying amount of long-term debt approximates fair value because the advances under this instrument bear variable interest rates which reflect market changes to interest rates and contain variable risk premiums based on certain financial ratios achieved by the Company. The Company did not elect to report any of its nonfinancial assets or nonfinancial liabilities at fair value.

4. Leases

The Company has leases which are accounted for as capital leases. The related assets are included in the "Buildings" line item as part of Property and Equipment on the accompanying Consolidated Balance Sheets and are depreciated over the term of the related leases. Capital lease assets and liabilities are recorded at the lesser of the net present value of minimum lease payments or at the fair market value based on comparable market data. The Company does not recognize rent expense for capital leases. Rather, rental payments under the leases are recognized as a reduction of the capital lease obligations and as interest expense.

In certain instances, the Company has leases in which it is considered the owner of the building for accounting purposes, in which case the value of the leased building is recorded in the "Construction in progress" line item (if the related store has not opened) or the "Buildings" line item (if the related store has opened) and a corresponding financing obligation is recorded in the "Capital leases and financing obligations" line item on the Consolidated Balance

Sheets. After possession of the related property is obtained and the store is opened, the financing obligation is amortized over the lease term using the effective interest method and the building is depreciated over the lease term.



The Fresh Market, Inc.  
Notes to Consolidated Financial Statements - (continued)

4. Leases (continued)

The following is a summary of future minimum lease payments for capital leases and financing obligations as of October 27, 2013:

Fiscal Year	Capital Leases and Financing Obligations	
Remainder of 2013	\$1,105	
2014	4,911	
2015	5,041	
2016	5,041	
2017	5,041	
Thereafter	50,057	
Gross lease commitment	71,196	
Less: interest	(44,784)	)
Net lease commitment	\$26,412	

5. Employee Benefits

Long-Term Cash Incentive Program

In March 2012, the Company adopted The Fresh Market, Inc. Long-Term Cash Incentive Program for Select Employees (the "Program"), in which the Company's executive officers do not participate. The purpose of the Program is to provide incentives and reward employees for achieving specified performance goals over a performance period. Under the Program, the Company grants awards, which entitle participants to receive cash bonuses based upon the Company's achievement of specified performance goals encompassing a three-year fiscal performance period. The Company granted awards under the Program to its participants during the thirty-nine weeks ended October 27, 2013 and October 28, 2012. At the end of each reporting period, the Company evaluates the potential amount of the awards payable based on the estimated level of its performance. These awards are expensed over the respective performance period on a straight-line basis. Cumulative adjustments, if any, are recorded quarterly to reflect subsequent changes in estimated performance.

Each participant receives a percentage of the applicable target amount for the performance period based on achievement of the performance goals and formulas. The Program's award payouts will vary based on the level of achievement of the performance goals and can range from 33% to 150% of the pre-established target award. Each participant is entitled to a minimum of one-third of the target amount, which will be paid in three annual payments over the three-year vesting period. At the end of the three-year period, each participant is eligible for a final payout based upon the Company's specific measurement criteria. There will be no additional payout unless the threshold for the applicable performance goal is reached, and the participant must be employed by the Company at the end of the performance period to be eligible for payment of an award.

Based on the expected level of achievement of the performance goals as of the respective balance sheet dates, the Company recorded a \$225 reduction to previously recognized expense related to the Program for the thirteen weeks ended October 27, 2013 and expense of \$124 for the thirteen weeks ended October 28, 2012. For the thirty-nine weeks ended October 27, 2013 and October 28, 2012, the Company recognized expense of \$298 and \$388, respectively.

6. Share-based Compensation

The Company grants share-based awards under The Fresh Market, Inc. 2010 Omnibus Incentive Compensation Plan. As of October 27, 2013, approximately 2,200,000 shares of the Company's common stock were available for share-based awards.



The Fresh Market, Inc.

Notes to Consolidated Financial Statements - (continued)

#### 6. Share-based Compensation (continued)

##### Stock Options - 2010 Omnibus Incentive Compensation Plan

For the thirty-nine weeks ended October 27, 2013, the Company granted non-qualifying stock options representing approximately 141,000 shares of common stock to employees. Options are granted at an option price equal to the closing price of the Company's common stock on the grant date and vest in 25% annual increments on each of the first four anniversaries of the grant date. Options expire ten years from the grant date. The Company uses the Black-Scholes option pricing model to estimate the fair value of stock options at the grant date.

As of October 27, 2013 and January 27, 2013, there were approximately 790,000 and 760,000 nonvested stock options outstanding, respectively, and approximately \$5,600 and \$5,900 of unrecognized share-based compensation expense, respectively. The Company anticipates this expense to be recognized over a weighted-average remaining service period of approximately 2.4 years.

Share-based compensation expense related to stock options recognized during the thirteen weeks ended October 27, 2013 and October 28, 2012 totaled \$738 and \$718, respectively. Share-based compensation expense related to stock options recognized during the thirty-nine weeks ended October 27, 2013 and October 28, 2012 totaled \$2,182 and \$2,117, respectively. Share-based compensation expense is recorded in the "Selling, general and administrative expenses" line item on the accompanying Consolidated Statements of Comprehensive Income.

##### Restricted Stock Units - 2010 Omnibus Incentive Compensation Plan

For the thirty-nine weeks ended October 27, 2013, the Company awarded restricted stock units ("RSUs") representing approximately 26,000 shares of common stock to its employees. The RSUs vest in 25% annual increments on each of the first four anniversaries of the grant date and the fair value is equal to the closing price of the Company's common stock on the grant date.

As of October 27, 2013 and January 27, 2013, total remaining unearned compensation cost related to nonvested RSUs was approximately \$2,000 and \$1,600, respectively, which will be recognized over the weighted-average remaining service period of approximately 2.5 years.

The Company recognized \$272 and \$186 of share-based compensation expense related to the RSUs for the thirteen weeks ended October 27, 2013 and October 28, 2012, respectively. Share-based compensation expense related to the RSUs for the thirty-nine weeks ended October 27, 2013 and October 28, 2012 totaled \$853 and \$572, respectively. Share-based compensation expense is recorded in the "Selling, general and administrative expenses" line item on the accompanying Consolidated Statements of Comprehensive Income.

##### Restricted Stock Awards - 2010 Omnibus Incentive Compensation Plan

For the thirty-nine weeks ended October 27, 2013, the Company granted approximately