Fresh Market, Inc.
Form 10-Q
August 27, 2015

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended July 26, 2015

.. 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)	56-1311233 (I.R.S. Employer Identification No.)
628 Green Valley Road, Suite 500 Greensboro, NC (Address of principal executive offices)	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 x 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 x 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	x	Accelerated filer	¨
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

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

The number of shares of the registrant's common stock, $0.01 par value, outstanding as of August 10, 2015 was 48,605,268 shares.

Cautionary Note Regarding 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.

The 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: changes in accounting entries and adjustments at the close of a fiscal quarter; 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; 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 U.S. fiscal and monetary policy, 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 and as between existing markets and newer markets; 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; impairment of recorded goodwill and other long-lived assets; global economies and credit and financial markets; our ability to maintain the security of electronic and other confidential and/or personal information; serious disruptions and catastrophic events; competition; personnel recruitment and retention, including the outcome and costs of the current CEO search being conducted as part of our previously announced leadership change; 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.

The Fresh Market, Inc.

Form 10-Q
For the Thirteen and Twenty-Six Weeks Ended July 26, 2015
Table of Contents

Part I. Financial Information

Item 1. Financial Statements
The Fresh Market, Inc.
Consolidated Balance Sheets
(In thousands, except share amounts)
(unaudited)

	July 26, 2015	January 25, 2015
Assets		
Current assets:		
Cash and cash equivalents	$73,384	$48,486
Accounts receivable	10,736	12,442
Inventories	59,003	61,237
Prepaid expenses and other current assets	5,055	4,633
Income tax benefit	4,390	622
Deferred income taxes	8,118	6,957
Total current assets	160,686	134,377
Property and equipment, net	404,911	392,194
Deferred income taxes	5,484	1,452
Other assets	7,452	9,429
Total assets	$578,533	$537,452
Liabilities and stockholders’ equity		
Current liabilities:		
Accounts payable	$48,106	$45,592
Accrued liabilities	75,147	74,641
Total current liabilities	123,253	120,233
Capital and financing lease obligations	32,876	33,337
Closed store reserves	10,377	10,187
Deferred income taxes	—	929
Deferred rent	14,630	13,797
Deferred lease incentives	15,096	14,117
Other liabilities	16,544	16,065
Total noncurrent liabilities	89,523	88,432
Commitments and contingencies (Notes 2 and 8)		
Stockholders’ equity:		
Preferred stock – $0.01 par value; 40,000,000 shares authorized, none issued	—	—
Common stock – $0.01 par value; 200,000,000 shares authorized, 48,534,274 and 48,392,201 shares issued and outstanding as of July 26, 2015 and January 25, 2015, respectively	484	483
Additional paid-in capital	126,857	122,526
Retained earnings	238,416	205,778
Total stockholders’ equity	365,757	328,787
Total liabilities and stockholders’ equity	$578,533	$537,452

See accompanying notes to consolidated financial statements.

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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 Twenty-Six Weeks Ended	
	July 26, 2015	July 27, 2014	July 26, 2015	July 27, 2014
Sales	$442,095	$422,227	$904,136	$853,229
Cost of goods sold (exclusive of depreciation shown separately)	293,098	278,512	594,581	561,348
Gross profit	148,997	143,715	309,555	291,881
Operating expenses:				
Selling, general and administrative expenses	103,610	99,404	208,737	198,267
Impairments and store closure costs	67	9,909	14,261	16,609
Depreciation	16,818	15,276	32,922	30,302
Income from operations	28,502	19,126	53,635	46,703
Interest expense	992	1,124	1,968	2,221
Income before provision for income taxes	27,510	18,002	51,667	44,482
Tax provision	10,038	6,612	19,029	16,521
Net income and comprehensive income	$17,472	$11,390	$32,638	$27,961
Net income per share:				
Basic and diluted	$0.36	$0.24	$0.67	$0.58
Weighted-average common shares outstanding:				
Basic	48,526,755	48,282,994	48,484,425	48,274,868
Diluted	48,656,474	48,441,288	48,636,420	48,429,497

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 26, 2014	48,260,804	$483	$113,029	$142,753	$256,265
Exercise of share-based awards	88,108	—	1,938	—	1,938
Issuance of common stock pursuant to restricted stock units	22,729	—	—	—	—
Issuance of common stock pursuant to employee stock purchase plan	5,056	—	170	—	170
Vesting of restricted stock awards, non-employee directors	11,374	—	—	—	—
Vesting of executive restricted stock awards	4,130	—	—	—	—
Withholding tax on restricted stock vesting	—	—	(468)	—	(468)
Share-based compensation	—	—	7,533	—	7,533
Tax benefit related to exercise of share-based awards	—	—	324	—	324
Net Income	—	—	—	63,025	63,025
Balance at January 25, 2015	48,392,201	$483	$122,526	$205,778	$328,787
Exercise of share-based awards	109,948	1	2,548	—	2,549
Issuance of common stock pursuant to restricted stock units	16,786	—	—	—	—
Issuance of common stock pursuant to employee stock purchase plan	2,283	—	78	—	78
Vesting of restricted stock awards, non-employee directors	11,218	—	—	—	—
Vesting of executive restricted stock awards	1,838	—	—	—	—
Withholding tax on restricted stock vesting	—	—	(993)	—	(993)
Share-based compensation	—	—	2,608	—	2,608
Tax benefit related to exercise of share-based awards	—	—	90	—	90
Net Income	—	—	—	32,638	32,638
Balance at July 26, 2015	48,534,274	$484	$126,857	$238,416	$365,757

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 Twenty-Six Weeks Ended	
	July 26, 2015	July 27, 2014
Operating activities		
Net income	$32,638	$27,961
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	33,016	30,406
Loss on disposals of property and equipment	5,606	1,791
Share-based compensation	2,608	3,703
Excess tax (benefit) shortfall from share-based compensation	(90)	157
Deferred income taxes	(6,122)	(16,280)
Change in assets and liabilities:		
Accounts receivable	1,706	1,222
Inventories	2,234	(831)
Prepaid expenses and other assets	1,464	(1,488)
Income tax benefit	(3,768)	837
Accounts payable	2,514	(2,021)
Closed store reserves	4,115	16,302
Accrued and other liabilities	1,485	6,454
Net cash provided by operating activities	77,406	68,213
Investing activities		
Purchases of property and equipment	(54,343)	(40,363)
Proceeds from sale of property and equipment	692	92
Net cash used in investing activities	(53,651)	(40,271)
Financing activities		
Borrowings on revolving credit facility	—	118,133
Payments made on revolving credit facility	—	(139,833)
Payments made for debt issuance costs	—	(441)
Payments made on capital and financing lease obligations	(580)	(292)
Proceeds from issuance of common stock pursuant to employee stock purchase plan	78	95
Excess tax benefit (shortfall) from share-based compensation	90	(157)
Payments made on withholding tax for restricted stock vesting	(993)	(155)
Proceeds from exercise of share-based compensation awards	2,548	162
Net cash provided by (used in) financing activities	1,143	(22,488)
Net increase in cash and cash equivalents	24,898	5,454
Cash and cash equivalents at beginning of period	48,486	11,745
Cash and cash equivalents at end of period	$73,384	$17,199
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest	$1,855	$2,147

Cash paid during the period for taxes	$28,955	$32,304
Non-cash investing and financing activities:		
Property and equipment acquired through capital and financing lease obligations	$51	$5,896

See accompanying notes to consolidated financial statements.

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The Fresh Market, Inc.
Notes to Consolidated Financial Statements
(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 25, 2015. 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.
In certain instances, there are changes in the presentation of the consolidated financial statements to conform to the current year presentation.
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. Each fiscal quarter consists of 13 weeks, with an additional week included in the fourth quarter for a 53-week fiscal year. The current fiscal year ending January 31, 2016 is a 53-week fiscal year and the fiscal year ended January 25, 2015 was a 52-week fiscal year.
The Company has determined that it has only one reportable segment. 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, frozen and dairy products as well as bulk, coffee, candy, and 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 Twenty-Six Weeks Ended	
	July 26, 2015	July 27, 2014	July 26, 2015	July 27, 2014
Perishable	67.5%	67.1%	66.5%	66.0%
Non-perishable	32.5%	32.9%	33.5%	34.0%

Recent Accounting Pronouncements
In July 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2015-11 (Topic 330), Inventory: Simplifying the Measurement of Inventory. The amendments require an entity to measure in scope inventory at the lower of cost and net realizable value. The amendments do not apply to inventory that is measured using the last-in, first-out (LIFO) or the retail inventory method. ASU No. 2015-11 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. Early adoption is permitted. The adoption of this guidance is not expected to have an impact on the Company’s consolidated financial statements and related disclosures.
In April 2015, the FASB issued ASU No. 2015-05 (Subtopic 350-40), Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement, which provides guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses.

If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. ASU No. 2015-05 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted. The Company does not expect the adoption of this guidance to have any impact on its consolidated financial statements and related disclosures.

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

1. Summary of Significant Accounting Policies (continued)

In April 2015, the FASB issued ASU No. 2015-03 (Subtopic 835-30), Simplifying the Presentation of Debt Issuance Costs, which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. ASU No. 2015-03 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted. The Company does not expect the adoption of this guidance to have a material impact on its consolidated financial statements and related disclosures.

In May 2014, the FASB issued ASU No. 2014-09 (Topic 606), Revenue from Contracts with Customers, which amended the existing accounting standards for revenue recognition. ASU No. 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the consideration expected to be received in exchange for those goods or services. In August 2015, the FASB issued ASU 2015-14 Revenue from Contracts with Customers Deferral of the Effective Date, which defers the effective date of the new revenue recognition standard by one year; as a result, public entities would apply the new revenue standard to annual reporting periods beginning after December 31, 2017 and interim periods therein. Early adoption is permitted for all entities only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The guidance allows for the amendment to be applied either retrospectively to each prior reporting period presented or retrospectively as a cumulative-effect adjustment as of the date of adoption. The Company is currently in the process of evaluating the effect this guidance will have on its consolidated financial statements and related disclosures.

2. Long-Term Debt

The Company had no outstanding borrowings as of July 26, 2015 or January 25, 2015.

On June 12, 2014, the Company entered into an unsecured revolving credit agreement with Bank of America, N.A., as Administrative Agent, Swing Line Lender and Letter of Credit Issuer, and the several lenders party thereto (the "Credit Agreement"), which refinanced and replaced the Company's prior senior unsecured revolving credit facility.

The Credit Agreement matures June 12, 2019 and is available to provide support for working capital, capital expenditures and other general corporate purposes, including permitted acquisitions and issuance of letters of credit. While the Company currently has no material domestic subsidiaries, other entities will guarantee its obligations under the Credit Agreement if and when they become material domestic subsidiaries of the Company during the term of the Credit Agreement.

The Credit Agreement provides for total borrowings of up to $175,000. Under the terms of the Credit Agreement, the Company is entitled to request an increase in the size of the facility by an amount not exceeding $100,000 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 Credit Agreement, subject to the approval of the Administrative Agent. The Credit Agreement includes a letter of credit sublimit of $60,000, of which $25,393 was outstanding at July 26, 2015 and $25,434 was outstanding at January 25, 2015. The beneficiaries of these letters of credit are primarily the Company's workers' compensation and general liability insurance carriers. The Credit Agreement also includes a swing line sublimit of $15,000.

At the Company's option, revolving loans under the Credit Agreement bear interest at (i) the London Interbank Offered Rate ("LIBOR") plus an applicable margin that ranges from 0.90% to 2.00%, (ii) the Eurodollar rate plus an applicable margin that ranges from 0.90% to 2.00%, or (iii) the base rate plus an applicable margin that ranges from 0% to 1.00%, 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%.

The commitment fee calculated on the unused portions of the Credit Agreement ranges from 0.125% to 0.250% per annum.

The Credit Agreement 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.

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

3. Fair Value Measurements

FASB Accounting Standards Codification ("ASC") Topic 820, Fair Value Measurement, requires fair value measurements to be classified and disclosed in one of the following pricing categories:

- Level 1 - Quoted prices in active markets for identical assets or liabilities as of the reporting date.
- Level 2 - Observable inputs other than quoted prices in active markets for identical assets or liabilities.
- Level 3 - Unobservable inputs in which there is little or no market data available, which require the reporting entity to develop its own assumptions.

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.

Nonrecurring Fair Value Measurements

The Company recorded $5,138 of lease obligation costs as a nonrecurring fair value measurement in connection with its store closures during the twenty-six weeks ended July 26, 2015. These lease obligation costs are included in the "Accrued Liabilities" and "Closed store reserves" line items on the accompanying Consolidated Balance Sheets. The lease obligations were estimated based on the present value of the minimum lease payments less an estimate of sublease income, which is a Level 2 fair value measurement.

The Company wrote-down the carrying value of certain fixed assets to its estimated proceeds, which is a Level 2 fair value measurement, in connection with the store closure and exit activities during the twenty-six weeks ended July 26, 2015. The write-down of $5,595 is included in the "Impairments and store closure costs" line item on the accompanying Consolidated Statements of Comprehensive Income.

The Company recorded these nonrecurring fair value measurements in the first quarter of fiscal 2015, and it did not record any other nonrecurring fair value measurements during the twenty-six weeks ended July 26, 2015.

4. Impairments and Store Closure Costs

Store Closure Costs

During the first quarter of fiscal year 2015, the Company exited the California market and recorded charges primarily consisting of certain lease obligations, write-down and loss on disposal of fixed assets, and severance costs associated with its California locations. The Company expects to incur approximately $15,500 in store closure and exit costs in fiscal year 2015 related to exiting these locations. Changes in market and economic conditions could cause the Company to change its assumptions and may require adjustments to the reserves.

During the twenty-six weeks ended July 26, 2015, the Company incurred $14,815 of expenses associated with closed stores, with $14,261 recorded to the "Impairments and store closure costs" line item and $554 for the liquidation of inventory and other costs associated with the store closure activities recorded to other line items on the accompanying Consolidated Statements of Comprehensive Income. The $14,261 recorded to the "Impairments and store closure costs" line item consisted of: (i) $13,910 in connection with closure and exit activities for closed locations; and (ii) ongoing expenses for closed locations.

The Company closed four stores in the first quarter of fiscal year 2014 and recorded charges primarily consisting of certain lease obligations, severance costs, and write-down and loss on disposal of fixed assets. During the twenty-six weeks ended July 27, 2014, the Company incurred $17,027 of expenses associated with closed stores, with $16,609 recorded to the "Impairments and store closure costs" line item and $418 for the liquidation of inventory and other costs associated with the store closure activities recorded to other line items on the accompanying Consolidated Statements of Comprehensive Income. The $16,609 recorded to the "Impairments and store closure costs" line item consisted of: (i) $16,371 in connection with closure and exit activities for closed locations; and (ii) ongoing expenses for closed locations.

During the thirteen weeks ended July 26, 2015, the net activity recognized for impairments and store closure costs was not significant and primarily related to ongoing expenses for closed locations.

During the thirteen weeks ended July 27, 2014, the Company recognized $9,909 of expenses associated with closed stores, primarily consisting of certain lease obligations, severance costs, and write-down and loss on disposal of fixed assets for the four stores closed during the first quarter of fiscal 2014. The $9,909 recorded to the "Impairments and store closure costs” line item consisted of: (i) $9,770 in connection with closure and exit activities for closed locations; and (ii) ongoing expenses for closed locations.

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

4. Impairments and Store Closure Costs (continued)

Impairments and store closure costs for the thirteen and twenty-six weeks ended July 26, 2015 and July 27, 2014 were as follows:

	For the Thirteen Weeks Ended		For the Twenty-Six Weeks Ended	
	July 26, 2015	July 27, 2014	July 26, 2015	July 27, 2014
Lease obligation and related costs	$ 106	$ 9,422	7,548	13,341
Write-down and loss on disposal of fixed assets	(49)	(43)	5,595	1,754
Employee and severance costs	—	17	788	767
Other charges	10	513	330	747
	$ 67	$ 9,909	$ 14,261	$ 16,609

Closed Store Reserves

Closed store reserves include amounts for occupancy costs related to closed stores, which represent the present value of the remaining non-cancelable lease payments required under operating leases for the closed stores, less an estimate of subtenant income. During the twenty-six weeks ended July 26, 2015 and the fifty-two weeks ended January 25, 2015, the Company recorded net reserves for occupancy costs. Closed store reserves of $5,037 and $1,112 are included in the “Accrued liabilities” line item and $10,377 and $10,187 are included in the “Closed store reserves” line item on the accompanying Consolidated Balance Sheets at July 26, 2015 and January 25, 2015, respectively.

Activity for the closed store reserves for the twenty-six weeks ended July 26, 2015 and for the fifty-two weeks ended January 25, 2015 was as follows:

	For the Twenty-Six Weeks Ended July 26, 2015	For the Fifty-Two Weeks Ended January 25, 2015
Beginning balance	$ 11,299	$ 1,812
Additions and adjustments	5,227	14,498
Payments	(1,112)	(5,011)
Ending balance	$ 15,414	$ 11,299

5. Share-based Compensation

The Company grants share-based awards under The Fresh Market, Inc. 2010 Omnibus Incentive Compensation Plan. As of July 26, 2015, approximately 1,700,000 shares of the Company’s common stock were available for share-based awards.

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

5. Share-based Compensation (continued)
Share-based compensation expense is recorded in the “Selling, general and administrative expenses” line item on the accompanying Consolidated Statements of Comprehensive Income. Total share-based compensation for the thirteen and twenty-six weeks ended July 26, 2015 and July 27, 2014 was comprised of the following:

	For the Thirteen Weeks Ended		For the Twenty-Six Weeks Ended	
	July 26, 2015	July 27, 2014	July 26, 2015	July 27, 2014
Stock options	$560	$900	$1,224	$1,807
Restricted stock units, employees	471	407	1,066	849
Restricted stock units, non-employee directors	105	—	105	—
Executive restricted stock awards	206	316	414	634
Restricted stock awards, non-employee directors	48	105	138	210
Performance share units	(430)	131	(339)	175
Other share-based awards	—	8	—	28
	$960	$1,867	$2,608	$3,703

During the thirteen weeks ended July 26, 2015, the Company recognized a net benefit of $430 in connection with performance share units. A cumulative adjustment was made to the performance share units because the Company determined that the minimum level of achievement to meet the performance goal is not probable, and, as a result, all expense recognized through July 26, 2015 was reversed.
The following table summarizes option activity under The Fresh Market, Inc. 2010 Omnibus Incentive Compensation Plan (in thousands) for the twenty-six weeks ended July 26, 2015:

Balance at January 25, 2015	888
Granted	176
Exercised	(110)
Expired	(2)
Forfeited	(10)
Balance at July 26, 2015	942
Total remaining unearned compensation costs	$4,010
Weighted-average remaining service period	2.7 years

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

5. Share-based Compensation (continued)
The following table summarizes the activity for the twenty-six weeks ended July 26, 2015 for the Company's existing restricted stock unit programs and restricted stock award programs (in thousands):

	Restricted Stock Units, Employees	Restricted Stock Units, Non-Employee Directors	Executive Restricted Stock Awards	Restricted Stock Awards, Non-Employee Directors
Balance at January 25, 2015	97	—	56	11
Granted	97	22	—	—
Vested	(26)	—	(3)	(11)
Forfeited	(3)	—	—	—
Balance at July 26, 2015	165	22	53	—
Total remaining unearned compensation costs	$4,751	$608	$717	$—
Weighted-average remaining service period	3.1 years	0.9 years	1.1 years	0.0 years

6. Earnings per Share
The computation of basic earnings per share is based on the number of weighted-average common shares outstanding during the period. The computation of diluted earnings per share includes the dilutive effect of common stock equivalents consisting of incremental common shares deemed outstanding from the assumed exercise of stock options and vesting of restricted stock units and restricted stock awards. The Company excluded the dilutive effect of its performance share awards and performance share units since the related performance conditions had not been satisfied for the thirteen and twenty-six weeks ended July 26, 2015 and July 27, 2014.
A reconciliation of the numerators and denominators of the basic and diluted earnings per share calculations follows (in thousands, except share and per share amounts):

	For the Thirteen Weeks Ended		For the Twenty-Six Weeks Ended	
	July 26, 2015	July 27, 2014	July 26, 2015	July 27, 2014
Net income available to common stockholders (numerator for basic and diluted earnings per share)	$17,472	$11,390	$32,638	$27,961
Weighted-average common shares outstanding (denominator for basic earnings per share)	48,526,755	48,282,994	48,484,425	48,274,868
Potential common shares outstanding:				
Incremental shares from share-based awards	129,719	158,294	151,995	154,629
Weighted-average common shares outstanding and potential additional common shares outstanding (denominator for diluted earnings per share)	48,656,474	48,441,288	48,636,420	48,429,497
Basic and diluted earnings per share	$0.36	$0.24	$0.67	$0.58

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

6. Earnings per Share (continued)
For the thirteen weeks ended July 26, 2015 and July 27, 2014, there were approximately 764,000 and 674,000 shares, respectively, excluded from the computation of diluted weighted-average common shares outstanding because such shares were antidilutive. For the twenty-six weeks ended July 26, 2015 and July 27, 2014, there were approximately 724,000 and 598,000 shares, respectively, excluded from the computation of diluted weighted-average common shares outstanding because such shares were antidilutive.

7. Supplementary Balance Sheet Information

The following table reflects supplementary balance sheet information for the Company's property and equipment, net at July 26, 2015 and January 25, 2015:

	July 26, 2015	January 25, 2015
Buildings	$65,725	$65,658
Store fixtures and equipment	388,823	364,711
Leasehold improvements	265,536	242,966
Office furniture, fixtures and equipment	14,753	13,692
Automobiles	1,048	1,315
Construction in progress	24,035	31,341
Total property and equipment	759,920	719,683
Accumulated depreciation	(355,009)	(327,489)
Total property and equipment, net	$404,911	$392,194

The following table reflects supplementary balance sheet information for the Company's accrued liabilities at July 26, 2015 and January 25, 2015:

	July 26, 2015	January 25, 2015
Accrued compensation and benefits	$31,701	$31,698
Accrued occupancy cost	8,881	8,569
Other accrued taxes	5,132	4,619
Accrued construction and maintenance costs	8,657	11,030
Closed store reserves	5,037	1,112
Other accrued liabilities	15,739	17,613
Total accrued liabilities	$75,147	$74,641

8. Commitments and Contingencies
Litigation

From time to time, the Company is involved in various legal proceedings in the ordinary course of business, including, but not limited to, claims, disputes, litigation, and investigations relating to labor and employment, contracts, product liability, leasing and construction, and other commercial and regulatory matters. In the opinion of management, the resolution of currently pending matters, other than those described or referred to below, will not have a material adverse effect on the Company's financial condition or results of operations. However, because of the nature and inherent uncertainties of litigation, the Company cannot predict with certainty the ultimate resolution of these actions and, should the outcome of these actions be unfavorable, the Company's business, financial position, results of operations or cash flows could be materially and adversely affected.

8. Commitments and Contingencies (continued)

The Company reviews the status of its legal proceedings and records a provision for a liability when it is considered probable that both a liability has been incurred and the amount of the loss can be reasonably estimated. This review is updated periodically as additional information becomes available. If either or both of the criteria are not met, the Company reassesses whether there is at least a reasonable possibility that a loss, or additional losses, may be incurred. If there is a reasonable possibility that a loss may be incurred, the Company discloses the estimate of the amount of the loss or range of losses, that the amount is not material, or that an estimate of loss cannot be made. The Company expenses its legal fees as incurred.

In assessing potential loss contingencies, the Company considers a number of factors, including those listed in FASB ASC No. 450-20, Contingencies - Loss Contingencies, regarding assessing the probability of a loss and assessing whether a loss is reasonably estimable. Litigation can be expensive and disruptive to normal business operations. Moreover, the results of litigation are difficult to predict and the Company’s view of these matters may change as the litigation and events unfold over time. An unfavorable outcome in any legal matter, if material, could have a material adverse effect on the Company’s results of operations in the period in which the unfavorable outcome occurs and potentially in future periods.

The Company is party to a lawsuit that was filed on July 17, 2013 against it in U.S. District Court in Connecticut alleging that the manner in which the Company implemented and applied the fluctuating workweek method for calculating overtime due to the Company’s department managers violated the federal Fair Labor Standards Act. The complaint purports to state a collective action on behalf of a class of department managers in stores in states in which the Company used the fluctuating workweek method of compensation. The Company believes that the plaintiff’s claims are without merit and intends to vigorously defend itself in this proceeding. The Company cannot at this time predict the outcome of this litigation or estimate the range of its potential exposure. The Company has not recorded any reserves or contingencies related to this legal matter.

9. Subsequent Event

Stock Repurchase Program

In August 2015, the Company’s Board of Directors authorized a $200,000 stock repurchase program. No repurchases have been made under the program through August 27, 2015.

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

Overview

The Fresh Market, Inc. is a growing specialty grocery retailer focused on creating an extraordinary food shopping experience for our customers. Since opening our first store in 1982, we have offered high-quality food products, with an emphasis on fresh, premium perishables and an uncompromising commitment to customer service. We seek to provide an attractive, convenient shopping environment while offering our customers a compelling price-value combination. As of July 26, 2015, we operated 174 stores in 27 states across the United States.

We believe several key differentiating elements of our business have enabled us to execute our strategy profitably across our expanding store base. We believe that our differentiated shopping experience has helped us to expand our business. Within o