BODY CENTRAL CORP
Form 10-Q
May 07, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 30, 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 001-34906

BODY CENTRAL CORP.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**14-1972231** (I.R.S. Employer Identification No.)

6225 Powers Avenue

Jacksonville, FL 32217

(Address, including zip code, of principal executive offices)

Registrant s telephone number, including area code: **(904) 737-0811**

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 o

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). x Yes o 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 definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

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

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

The number of shares outstanding of the registrant s common stock as of May 2, 2013 was 16,528,009 shares.

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements concerning our business, operations and financial performance and condition as well as our plans, objectives and expectations for our business operations and financial performance and condition that are subject to risks and uncertainties. All statements other than statements of historical fact included in this Quarterly Report on Form 10-Q are forward-looking statements. You can identify these statements by words such as aim, anticipate, assume, believe, could, due, estimate, goal, intend, may, objective, plan, potential, positioned, predict, should, target, will, would and other similar expression or indicate future events and future trends. These forward-looking statements are based on current expectations, estimates, forecasts and projections about our business and the industry in which we operate and our management s beliefs and assumptions. These statements are not guarantees of future performance or development and involve known and unknown risks, uncertainties and other factors that are in some cases beyond our control. All forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those that we expected, including:

- our ability to identify and respond to new and changing fashion trends, customer preferences and other related factors;
- failure to successfully execute our growth strategy;
- changes in consumer spending and general economic conditions;
- changes in Federal and state tax policy on our customers;
- changes in the competitive environment in our industry and the markets we serve, including increased competition from other retailers;
- failure of our new stores or existing stores to achieve sales and operating levels consistent with our expectations;
- our dependence on a strong brand image;
- failure of our information technology systems to support our business;

- failure to successfully integrate new information technology systems to support our business;
- our dependence upon key executive management or our inability to hire or retain additional personnel;
- disruptions in our supply chain and distribution facility;
- disruptions in our operations due to the transition to our new distribution center and corporate office;
- our reliance upon independent third-party transportation providers for all of our product shipments;
- hurricanes, natural disasters, unusually adverse weather conditions, boycotts and unanticipated events;
- the seasonality of our business;

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- increases in the costs of fuel, or other energy, transportation or utilities costs as well as in the costs of raw materials, labor and employment;

- the impact of governmental laws and regulations, including tax policy, and the outcomes of legal proceedings;

- restrictions imposed by lease obligations on our current and future operations;

- our failure to maintain effective internal controls; and

- our inability to protect our trademarks or other intellectual property rights.

Body Central Corp. (herein we , our , us or the Company) derives many of its forward-looking statements from its operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and, it is impossible for us to anticipate all factors that could affect our actual results. For the discussion of these risks and uncertainties that could cause actual results to differ materially from those contained in our forward-looking statements, please refer to Risk Factors in our Annual Report on Form 10-K for the fiscal year ended December 29, 2012 filed with the Securities and Exchange Commission (SEC). The forward-looking statements included in this Quarterly Report on 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.

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ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

BODY CENTRAL CORP.

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	March 30, 2013	December 29, 2012	March 31, 2012
		(In thousands, except share data)	
Assets			
Current assets			
Cash and cash equivalents	$ 37,146	$ 41,136	$ 24,608
Short-term investments	6,293		19,871
Accounts receivable	3,665	4,710	1,098
Inventories	26,756	22,971	22,530
Prepaid expenses and other current assets	6,026	6,966	4,885
Deferred tax asset	1,905	1,959	1,659
Total current assets	81,791	77,742	74,651
Property and equipment, net of accumulated depreciation and amortization of $26,544, $25,123 and $21,089	34,446	33,515	23,229
Goodwill	21,508	21,508	21,508
Intangible assets, net of accumulated amortization of $3,810, $3,810 and $3,810	16,574	16,574	16,395
Other assets	299	246	101
Total assets	$ 154,618	$ 149,585	$ 135,884
Liabilities and Stockholders Equity			
Current liabilities			
Merchandise accounts payable	$ 15,724	$ 13,715	$ 16,741
Accrued expenses and other current liabilities	20,210	19,732	15,665
Total current liabilities	35,934	33,447	32,406
Other liabilities	10,001	10,494	7,482
Deferred tax liability	5,354	5,298	3,966
Total liabilities	51,289	49,239	43,854
Commitments and contingencies			
Stockholders equity			
Common stock, $0.001 par value, 45,000,000 shares authorized, 16,435,685 shares issued and outstanding as of March 30, 2013, 16,302,007 shares issued and outstanding as of December 29, 2012 and 16,154,243 shares issued and outstanding as of March 31, 2012	16	16	16
Undesignated preferred stock, $0.001 par value, 5,000,000 shares authorized, no shares issued and outstanding			
Additional paid-in capital	96,315	96,032	93,724
Accumulated earnings (deficit)	6,998	4,298	(1,710)
Total stockholders equity	103,329	100,346	92,030
Total liabilities and stockholders equity	$ 154,618	$ 149,585	$ 135,884

The accompanying notes are an integral part of these unaudited consolidated financial statements.

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BODY CENTRAL CORP.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	Thirteen Weeks Ended March 30, 2013	Thirteen Weeks Ended March 31, 2012
	(in thousands, except share and per share data)	
Net revenues	$ 81,403	$ 82,681
Cost of goods sold, including occupancy, buying, distribution center and catalog costs	53,760	53,419
Gross profit	27,643	29,262
Selling, general and administrative expenses	22,003	18,250
Depreciation	1,762	1,477
Income from operations	3,878	9,535
Interest income, net	(1)	(8)
Other income, net	(29)	(42)
Income before income taxes	3,908	9,585
Provision for income taxes	1,211	3,646
Net income	$ 2,697	$ 5,939
Net income per common share:		
Basic	$ 0.17	$ 0.37
Diluted	$ 0.17	$ 0.36
Weighted-average common shares outstanding:		
Basic	16,240,949	16,123,255
Diluted	16,318,135	16,365,933
Other comprehensive income, net of tax	3	
Comprehensive income	$ 2,700	$ 5,939

The accompanying notes are an integral part of these unaudited consolidated financial statements.

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BODY CENTRAL CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Thirteen Weeks Ended March 30, 2013	Thirteen Weeks Ended March 31, 2012
	(in thousands)	
Cash flows from operating activities		
Net income	$ 2,697	$ 5,939
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,762	1,477
Deferred income taxes	110	36
Amortization of premium discounts on short-term investments	29	
Tax benefits from stock-based compensation		(390)
Stock based compensation	282	392
Loss on disposal of property and equipment	20	18
Changes in assets and liabilities:		
Accounts receivable	1,045	1,509
Inventories	(3,785)	(1,388)
Prepaid expenses and other current assets	(66)	(592)
Other assets	(53)	5
Merchandise accounts payable	2,009	243
Accrued expenses and other current liabilities	(14)	(3,262)
Income taxes	1,005	709
Other liabilities		(409)
Net cash provided by operating activities	5,041	4,287
Cash flows from investing activities		
Purchases of property and equipment	(2,713)	(2,429)
Purchases of short-term investments	(6,318)	(19,871)
Net cash used in investing activities	(9,031)	(22,300)
Cash flows from financing activities		
Proceeds from exercise of stock options		238
Tax benefits from stock-based compensation		390
Net cash provided by financing activities		628
Net decrease in cash and cash equivalents	(3,990)	(17,385)
Cash and cash equivalents		
Beginning of year	41,136	41,993
End of period	$ 37,146	$ 24,608

The accompanying notes are an integral part of these unaudited consolidated financial statements.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Nature of Business and Summary of Significant Accounting Policies

Nature of Business and Organization

Body Central Corp. (the Company), formerly known as Body Central Acquisition Corp., is a specialty retailer of young women s apparel and accessories operating retail stores in the South, Southwest, Mid-Atlantic and Midwest regions of the United States. The Company operates specialty apparel stores under the Body Central and Body Shop banners as well as a direct business comprised of Body Central s catalog and e-commerce website at *www.bodycentral.com*.

Principles of Consolidation

In the opinion of management, the accompanying unaudited condensed consolidated financial statements include all adjustments, consisting primarily of normal and recurring adjustments, necessary for the fair presentation of consolidated financial position, results of operations, and cash flows for the interim periods presented. All intercompany accounts and transactions have been eliminated in consolidation. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). The year-end condensed balance sheet data was derived from audited financial statements, but does not include all disclosures under GAAP. Accordingly, these unaudited condensed consolidated financial statements and related notes thereto should be read in conjunction with the consolidated financial statements and notes thereto for the fiscal year ended December 29, 2012, included in the Company s Annual Report on Form 10-K, filed with the SEC.

Fiscal Year

The Company s fiscal year ends on the Saturday closest to December 31. As used herein, the interim periods presented are the thirteen week periods ended March 30, 2013 and March 31, 2012.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management 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 revenues and expenses during the reporting period. Actual results could differ from those estimates. On an ongoing basis, management evaluates its estimates and judgments, including those related to inventory valuation, property and equipment, recoverability of long-lived assets, including intangible assets, income taxes and stock-based compensation.

Segment Reporting

The Financial Accounting Standards Board (FASB) has established guidance for reporting information about a company s operating segments, including disclosures related to a company s products and services, geographic areas and major customers. The Company has aggregated its net revenues generated from its retail stores and its direct business into one reportable segment. The Company aggregates its operating segments because they have a similar class of customer, nature of products, and distribution methods as well as similar economic characteristics. The Company has no international sales. All of the Company s identifiable assets are in the United States.

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Revenue Recognition

The Company recognizes revenue, and the related cost of goods sold is expensed, at point-of-sale or upon shipment to customers. Shipping and handling fees billed to customers for online and catalog sales are included in net revenues, and the related shipping and handling costs are included in cost of goods sold. Based on historical sales returns, an allowance for sales returns is recorded as a reduction of net revenues in the periods in which the sales are recognized. Sales tax collected from customers is excluded from net revenues and is included as part of accrued expenses and other current liabilities on the Consolidated Balance Sheets.

The Company sells gift cards in stores, which do not expire or lose value over periods of inactivity and accounts for gift cards by recognizing a liability at the time a gift card is sold. The Company recognizes income from gift cards and gift certificates when they are redeemed by the customer.

Revenue from unredeemed gift certificates is recognized when it is determined that the likelihood of the gift certificate being redeemed is remote and that there is no legal obligation to remit unredeemed gift certificates and gift cards to relevant jurisdictions. No revenue from gift certificate or gift card breakage was recognized in the thirteen week periods ended March 30, 2013 and March 31, 2012.

Cash and Cash Equivalents

The Company considers all short-term investments with an initial maturity of three months or less when purchased to be cash equivalents.

Short-term Investments

The Company classifies its investments as available-for-sale. Short-term investments which have a maturity of one year or less at acquisition are carried at fair market value. Unrealized gains or losses, net of the related tax effect, are excluded from earnings and reported in accumulated other comprehensive income, a component of Shareholders Equity. A decline in the fair value of any available-for-sale security below cost that is deemed other than temporary results in a charge to earnings and the establishment of a new cost basis for the security. To determine whether the decline in fair value is other than temporary, the Company considers whether evidence indicating the cost of the investment is recoverable outweighs evidence to the contrary. Evidence considered in this assessment includes the reasons for the decline in value, the severity and duration of the decline in value, changes in value subsequent to year-end and the forecasted performance of the investment. Interest income is recognized as earned. Income on investments includes the amortization of the premium and accretion of discount for debt securities acquired at other than par value. Realized investment gains and losses are determined on the basis of specific identification.

Inventories

Inventories are comprised principally of women s apparel and accessories and are stated at the lower of cost or market, on a first-in-first-out basis, using the retail inventory method. Included in the carrying value of merchandise inventory, and reflected in cost of goods sold, is a reserve for shrinkage which is accrued between physical inventory dates as a percentage of sales based on historical inventory results.

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The Company reviews its inventory levels to identify slow-moving merchandise and generally uses markdowns to clear this merchandise. The Company records a markdown reserve based on estimated future markdowns related to current inventory to clear slow-moving inventory. These markdowns may have an adverse impact on earnings, depending on the extent and amount of inventory affected. The markdown reserve is recorded as an increase to cost of goods sold in the Consolidated Statements of Comprehensive Income.

New Accounting Standards

In July 2012, the FASB issued Accounting Standards Update (ASU) 2012-02, *Intangibles Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment.* ASU 2012-02 allows an entity to first assess qualitative factors to determine whether it is necessary to perform a quantitative impairment test. Under these amendments, an entity would not be required to re-calculate the fair value of an indefinite-lived intangible asset unless the entity determines, based on qualitative assessment, that it is not more likely than not, the indefinite-lived intangible asset is impaired. The amendments include a number of events and circumstances for an entity to consider in conducting the qualitative assessment. The amendments are effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012; early adoption is permitted. The Company has opted for an early adoption of this ASU. The adoption of this guidance did not have a material impact on the Company s financial statements or disclosures.

In February 2013, the FASB issued ASU No. 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*. ASU No. 2013-02 requires presentation of reclassification adjustments from each component of accumulated other comprehensive income either in a single note or parenthetically on the face of the financial statements, for those amounts required to be reclassified into net income in their entirety in the same reporting period. For amounts that are not required to be reclassified in their entirety in the same reporting period, cross-reference to other disclosures is required. As permitted under ASU 2013-02, the Company elected to adopt this guidance beginning in the first quarter of 2013. There were no classification adjustments for the period ended March 30, 2013. The adoption of this guidance did not have a material impact on the Company s financial statements or disclosures.

2. Financial Instruments

The FASB-issued guidance establishes a framework for measuring fair value that is based on the inputs market participants use to determine fair value of an asset or liability and establishes a fair value hierarchy to prioritize those inputs. The guidance under this statement describes a hierarchy of three levels of input that may be used to measure fair value:

- Level 1 Inputs based on quoted prices in active markets for identical assets and liabilities.

- Level 2 Inputs other than Level 1 quoted prices, such as quoted prices for similar assets and liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

- Level 3 Unobservable inputs based on little market or no market activity and which are significant to the fair value of the assets and liabilities.

The Company s material financial instruments consist primarily of cash and cash equivalents, short-term investments, accounts receivable, accounts payable and accrued expenses. The fair

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values of cash, accounts receivable, accounts payable and accrued expenses are equal to their carrying values based on their liquidity.

Considerable judgment is required in interpreting market data to develop estimates of fair value. The fair value estimate presented herein is not necessarily indicative of the amount that the Company or the debt holders could realize in a current market exchange. The use of different assumptions and/or estimation methodologies may have a material effect on the estimated fair value.

Certificates of deposit, money market securities and tax-free municipal bonds with an initial maturity date of three months or less when purchased are classified as cash and cash equivalents on the accompanying unaudited Consolidated Balance Sheets. Municipal bonds and certificates of deposit with an initial maturity date greater than three months when purchased and a maturity of one year or less are classified as short-term investments on the accompanying unaudited Consolidated Balance Sheets. As of March 30, 2013, municipal bonds in the amount of $6.8 million and money market securities in the amount of $3.5 million were included in cash and cash equivalents.

Money market securities, which are short-term investments of excess cash, are classified as cash and cash equivalents on the accompanying unaudited Consolidated Balance Sheets.

The Company has determined the estimated fair value amounts of its financial instruments using available market information. The assets that are measured at fair value on a recurring basis for the thirteen weeks ended March 30, 2013 and March 31, 2012, respectively, include the following:

Description	**March 30, 2013**	**Quoted Prices in Active Markets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
		(in thousands)		
Municipal Bonds	$ 12,854	$	$ 12,854	$
Money Market Funds	3,464	3,464		
Certificates of Deposit	248	248		
Total	$ 16,566	$ 3,712	$ 12,854	$

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Description	March 31, 2012	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(in thousands)		
Municipal Bonds	$ 10,259	$	$ 10,259	$
Money Market Funds	7,655		7,655	
Certificates of Deposit	1,957	1,957		
Total	$ 19,871	$ 1,957	$ 17,914	$

3. Income Taxes

The provision for income taxes is based on the current estimate of the annual effective tax rate and is adjusted as necessary for discrete events occurring in a particular period. The effective income tax rate was 31.0% and 38.0% for the thirteen weeks ended March 30, 2013 and March 31, 2012, respectively. The decrease in the effective tax rate for the thirteen-week period ended March 30, 2013 was primarily the result of a discrete tax benefit in the 2012 Work Opportunity Tax Credit (WOTC) which was renewed in January 2013 and was retroactively applied to 2012; consequently, the WOTC was taken in the period in which the credit was enacted by Congress.

The Company recognizes income tax liabilities related to unrecognized tax benefits in accordance with FASB ASC 740, *Income Taxes*, guidance related to uncertain tax positions, and adjusts these liabilities when its judgment changes as the result of the evaluation of new information. The Company has no uncertain tax positions which would result in a related income tax liability as of March 30, 2013.

4. Related Parties

The Company leases office and warehouse space under a lease agreement dated October 1, 2006 with a company that is owned by former members of management and of the Board of Directors. Included in that group is Beth Angelo, former Chief Merchandising Officer and Director, who formally separated from the Company in February 2013 but is providing limited consultation services through August 2013. The lease expires on October 1, 2016. The Company incurred rent expense of $121,000 and $119,000 for the thirteen weeks ended March 30, 2013 and March 31, 2012, respectively, related to this lease.

5. Leases

The Company s retail stores and corporate offices are in leased facilities. Lease terms for retail stores generally range up to ten years and provide for escalations in base rents. The Company does not have obligations to renew the leases. Certain leases provide for contingent rentals based upon sales. Most leases also require additional payments covering real estate taxes, common area costs and insurance.

Future minimum rental commitments, by year and in the aggregate, under non-cancelable operating leases as of March 30, 2013, are as follows:

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Fiscal Year		(in thousands)
2013 remaining	$	18,854
2014		23,867
2015		22,074
2016		19,357
2017		14,684
Thereafter		19,965
Total	$	118,801

6. Debt

On January 20, 2012, the Company entered into a Line of Credit Agreement with Branch Banking and Trust Company that provides for a revolving line of credit facility in the amount of $5.0 million with an accordion feature that allows Branch Banking and Trust Company to increase the facility up to $20 million at its sole discretion. The facility had a maturity date of May 5, 2013 and bears interest at the one month LIBOR rate plus 1.35% per annum, as adjusted monthly on the first day of each month, with an all-in floor rate of 2.0%. The facility is secured by all the assets of the Company. The Line of Credit Agreement includes a financial covenant requiring the Company to have a Tangible Net Worth (as defined in the Line of Credit Agreement) of $30.0 million quarterly, and other customary covenants. As of March 30, 2013, the Company was in compliance with all covenants and had no outstanding borrowings under this line of credit facility.

On March 8, 2013, the Company renewed the Line of Credit Agreement; the renewed facility now has a maturity date of March 5, 2015. There were no significant changes to the terms or conditions from the original agreement dated January 20, 2012.

7. Stock-Based Compensation Plan

On May 24, 2012, the Company s stockholders approved an amendment and restatement of the Company s Amended and Restated 2006 Equity Incentive Plan (the Plan). The Plan as amended and restated (i) increases the number of shares available under the Plan by 400,000 shares; (ii) eliminates the element of the Plan s definition of change of control that previously included a discretionary determination by the Board of Directors that a change of control had occurred; (iii) modifies treatment of awards upon a change of control of the Company to provide that, if a successor assumes or replaces awards granted under the Plan, 50% of the unvested portion of an award will vest and the remaining portion will not be accelerated upon the change of control unless the participant s employment is also terminated; (iv) enhances the Plan s flexibility with respect to award types and adds individual limits for each award type; and (v) makes future awards under the Plan subject to any clawback or recoupment policy that the Company maintains from time to time.

Stock-based compensation expense, net of forfeitures of $660,000 and $305,000 for the thirteen weeks ended March 30, 2013 and March 31, 2012, respectively, is included in selling, general and administrative expenses, and $(378,000) and $87,000 for the thirteen weeks ended March 30, 2013 and March 31, 2012, respectively is included in cost of goods sold on the Company s Consolidated Statements of Comprehensive Income. The $378,000 decrease in stock-based compensation expense referenced above was a function of equity forfeitures resulting from the resignation of the Chief Merchandising Officer in February 2013. The Company did not capitalize any expense related to stock-based compensation.

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Option Awards

The fair value of each option grant for the thirteen weeks ended March 30, 2013 and March 31, 2012 was estimated on the grant date using the Black-Scholes option-pricing model with the following weighted-average assumptions, respectively:

	Thirteen Weeks Ended	
	March 30, 2013	March 31, 2012
Expected option term (1)	6.25 years	6.25 years
Expected volatility factor (2)	64.2%	66.2%
Risk-free interest rate (3)	1.1%	1.1%
Expected annual dividend yield	0%	0%

(1) Since there was not sufficient historical information for grants with similar terms, the simplified or plain-vanilla method of estimating option life was utilized.

(2) The stock volatility for each grant is measured using the weighted average of historical weekly price changes of certain peer companies common stock over the most recent period equal to the expected option life of the grant. The Company uses peer companies volatility because there is not sufficient historical data to calculate volatility since the Company has been public less than three years and the expected term is over six years. These peer companies represent other publicly traded retailers in the female fashion segment.

(3) The risk-free interest rate for periods equal to the expected term of the share option is based on the rate of U.S. Treasury securities with the same term as the option as of the grant date.

A summary of stock option information for the thirteen weeks ended March 30, 2013 is as follows:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term
Outstanding as of December 29, 2012	505,297	$ 13.21	
Granted	420,000	8.14	
Exercised			
Forfeited	(67,583)	16.82	
Outstanding as of March 30, 2013	857,714	$ 10.45	

Exercisable as of March 30, 2013	201,268	$ 10.05	8.1 years

A summary of the status of nonvested options awards as of March 30, 2013 and changes during the thirteen weeks ended March 30, 2013, are presented below:

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	Shares	Weighted-Average Grant-Date Fair Value
Nonvested as of December 29, 2012	331,832	$ 9.07
Granted	420,000	4.82
Vested	(27,803)	6.65
Forfeited	(67,583)	9.77
Nonvested as of March 30, 2013	656,446	$ 6.38

Total compensation cost related to nonvested stock option awards not yet recognized was $2.9 million as of March 30, 2013, and is expected to be recognized over a weighted-average remaining period of 3.5 years.

Restricted Stock Awards