Chefs' Warehouse, Inc.
Form 10-Q
November 04, 2011
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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 September 23, 2011

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: 001-35249

THE CHEFS' WAREHOUSE, INC.

(Exact name of registrant as specified in its charter)

Delaware	**20-3031526**
(State or other jurisdiction of	**(I.R.S. Employer**
incorporation or organization)	**Identification No.)**
100 East Ridge Road	
Ridgefield, Connecticut	**06877**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number, including area code: (203) 894-1345

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 ¨	Accelerated filer ¨
Non-accelerated filer x (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

Number of shares of common stock, par value $.01 per share, outstanding at November 1, 2011: 20,834,938

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THE CHEFS WAREHOUSE, INC.

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CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

Statements in this report regarding the business of The Chefs Warehouse, Inc. (the Company) that are not historical facts are forward-looking statements within the meaning of the Private Securities Litigation Reform Act, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that involve risks and uncertainties and are based on current expectations and management estimates; actual results may differ materially. Words such as anticipates, expects, intends, plans, believes, seeks, estimates variations of these words and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond our control, are difficult to predict and/or could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. The risks and uncertainties which could impact these statements include, but are not limited to, the Company s sensitivity to general economic conditions, including the current economic environment, changes in disposable income levels and consumer discretionary spending on food-away-from-home purchases; the Company s vulnerability to economic and other developments in the geographic markets in which it operates; the risks of supply chain interruptions due to lack of long-term contracts, severe weather or more prolonged climate change, work stoppages or otherwise; changes in the availability or cost of the Company s specialty food products; the ability to effectively price the Company s specialty food products and reduce the Company s expenses; the relatively low margins of the foodservice distribution industry and the Company s sensitivity to inflationary pressures; the Company s ability to successfully identify, obtain financing for and complete acquisitions of other foodservice distributors and to realize expected synergies from those acquisitions; increased fuel costs and expectations regarding the use of fuel surcharges; the loss of key members of the Company s management team and the Company s ability to replace such personnel; the strain on the Company s infrastructure and resources caused by its growth; and other risks and uncertainties included under the heading Risk Factors in our Registration Statement on Form S-1 originally filed April 12, 2011, as amended (Registration No. 333-173445).

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PART I FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

THE CHEFS WAREHOUSE, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

	September 23, 2011 (UNAUDITED)	December 24, 2010
	(In thousands, except share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,544	$ 1,978
Accounts receivable, net of allowance of $2,677 in 2011 and $2,400 in 2010	42,030	36,200
Inventories, net	19,260	16,441
Deferred taxes, net	1,559	1,651
Prepaid expenses and other current assets	4,650	3,608
Total current assets	69,043	59,878
Equipment and leasehold improvements, net	4,727	4,228
Software costs, net	348	373
Goodwill	16,447	11,479
Intangible assets, net	3,237	635
Deferred taxes	1,662	2,362
Other assets	1,512	3,717
Total assets	$ 96,976	$ 82,672
LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	$ 25,913	$ 23,563
Accrued liabilities	3,526	3,686
Accrued compensation	2,885	3,478
Current portion of long-term debt	6,000	16,945
Total current liabilities	38,324	47,672
Long-term debt, net of current portion	39,330	82,580
Other liabilities and deferred credits	924	1,232
Total liabilities	78,578	131,484
Commitments and contingencies		
Stockholders equity (deficit):		
Preferred Stock $0.01 par value, 5,000,000 shares authorized, no shares issued and outstanding September 23, 2011 and December 24, 2010		
Common Stock $0.01 par value, 100,000,000 shares authorized, 20,834,938 and 16,000,000 shares issued and outstanding September 23, 2011 and December 24, 2010, respectively	208	160
Additional paid in capital	19,844	(48,972)
Retained earnings (deficit)	(1,654)	
Stockholders equity (deficit)	18,398	(48,812)

Total liabilities and stockholders equity	$ 96,976	$ 82,672

See accompanying notes to condensed consolidated financial statements.

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THE CHEFS WAREHOUSE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(Amounts in thousands, except share and per share amounts)

	13 Week Period Ended	
	September 23, 2011	**September 24, 2010**
Net revenues	$ 101,681	$ 84,928
Cost of sales	75,051	62,865
Gross profit	26,630	22,063
Operating expenses	21,290	15,810
Operating profit	5,340	6,253
Interest expense	7,249	472
Gain on fluctuation of interest rate swap		(228)
(Loss) income before income taxes	(1,909)	6,009
Provision for income taxes (benefit) expense	(724)	1,600
Net (loss) income	$ (1,185)	$ 4,409
Deemed dividend accretion on Class A members units		(1,322)
Net (loss) income attributable to common stockholders	$ (1,185)	$ 3,087
Net (loss) income per share attributable to common stockholders:		
Basic	$ (0.06)	$ 0.14
Diluted	$ (0.06)	$ 0.13
Weighted average common shares outstanding:		
Basic	18,696,304	22,721,388
Diluted	18,696,304	23,356,322

See accompanying notes to condensed consolidated financial statements.

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THE CHEFS WAREHOUSE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(Amounts in thousands, except share and per share amounts)

	39 Week Period Ended	
	September 23, 2011	**September 24, 2010**
Net revenues	$ 284,118	$ 238,542
Cost of sales	209,199	176,552
Gross profit	74,919	61,990
Operating expenses	56,820	47,102
Operating income	18,099	14,888
Interest expense	14,042	1,612
Gain on fluctuation of interest rate swap	(81)	(658)
Loss on sale of assets	3	
Income before income taxes	4,135	13,934
Provision for income taxes	1,648	3,700
Net income	$ 2,487	$ 10,234
Deemed dividend accretion on Class A members units		(3,682)
Net income attributable to common stockholders	$ 2,487	$ 6,552
Net income per share attributable to common stockholders:		
Basic	$ 0.15	$ 0.29
Diluted	$ 0.15	$ 0.28
Weighted average common shares outstanding:		
Basic	16,547,077	22,596,440
Diluted	17,024,121	23,370,222

See accompanying notes to condensed consolidated financial statements.

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THE CHEFS WAREHOUSE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(Amounts in thousands)

	39 Week Period Ended September 23, 2011	39 Week Period Ended September 24, 2010
Cash flows from operating activities:		
Net income	$ 2,487	$ 10,234
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,211	1,137
Provision for allowance for doubtful accounts	930	809
Original issue discount amortization	2,127	
Deferred credits	(240)	(131)
Deferred taxes	792	
Unrealized gain on interest rate swap	(81)	(658)
Unrealized gain on forward contracts	(38)	
Accrual of paid in kind interest	1,825	
Amortization of deferred financing fees	645	233
Write off of deferred financing fees	2,860	
Stock compensation	1,939	
Loss on asset disposal	3	
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable	(6,760)	(2,981)
Inventories	(1,631)	(2,053)
Prepaid expenses and other current assets	(1,004)	(1,471)
Accounts payable and accrued liabilities	1,608	3,152
Other assets	(204)	(319)
Receivable from related party		190
Net cash provided by operating activities	6,469	8,142
Cash flows from investing activities:		
Capital expenditures	(1,475)	(1,003)
Cash paid for acquisitions	(8,908)	(3,738)
Proceeds from asset disposals	2	
Net cash used in investing activities	(10,381)	(4,741)
Cash flows from financing activities:		
Cash paid for Class C units		(173)
Proceeds from IPO	63,476	
Proceeds from new senior secured term loan	30,000	
Borrowings of debt		6,458
Payment of debt	(91,759)	(11,943)
Borrowings under revolving credit line	282,112	248,956
Payments under revolving credit line	(278,501)	(244,817)
Payment of deferred financing fees	(1,158)	
Surrender of shares to pay withholding taxes	(692)	
Distributions to stockholders		(1,597)

Net cash provided by (used in) financing activities		3,478		(3,116)
Net (decrease) increase in cash and cash equivalents		(434)		285
Cash and cash equivalents-beginning of period		1,978		875
Cash and cash equivalents-end of period	$	1,544	$	1,160
Supplemental cash flow disclosures:				
Cash paid for income taxes	$	1,716	$	4,370
Cash paid for interest	$	6,403	$	1,726
Noncash financing activity:				
Accretion of Class A units	$		$	3,682

See accompanying notes to condensed consolidated financial statements.

THE CHEFS WAREHOUSE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS, EXCEPT SHARE AMOUNTS AND PER SHARE DATA)

(Information as of September 23, 2011 and for the 13 and 39 weeks ended September 23, 2011 and September 24, 2010 is unaudited)

Note 1 Operations and Basis of Presentation

Description of Business and Basis of Presentation

The financial statements include the consolidated accounts of Chefs Warehouse Holdings, LLC, the predecessor of The Chefs Warehouse, Inc. (the Company), and its wholly-owned subsidiaries. Our quarterly periods end on the thirteenth Friday of each quarter. The Company operates in one segment, food product distribution, which is concentrated on the East and West Coasts of the United States. Our customer base consists primarily of menu-driven independent restaurants, fine dining establishments, country clubs, hotels, caterers, culinary schools and specialty food stores.

On July 27, 2011, we completed a reorganization in which Chefs Warehouse Holdings, LLC was converted into The Chefs Warehouse, Inc., a Delaware corporation (the Conversion). As part of the Conversion we issued 16,000,000 shares of common stock. Each holder of our Class B and Class C units received approximately 0.2942 shares of common stock for each unit of membership interest in Chefs Warehouse Holdings, LLC owned by them at the time of the Conversion. Of the total number of shares issued in the Conversion, 445,056 shares were restricted shares of our common stock issued upon conversion of our Class C units that had not vested as of the date we consummated the Conversion. The effects of this reorganization on our equity have been reflected for all periods presented retroactively.

On August 2, 2011, the Company completed the initial public offering (IPO) of shares of its common stock. The Company issued 4,666,667 shares in the offering, and certain existing stockholders sold an additional 5,683,333 shares, including 1,350,000 shares sold to the underwriters to cover over-allotments. The Company received net proceeds from the offering of approximately $63,476 (after the payment of underwriter discounts and commissions and offering expenses) that have been used, together with borrowings under the Company s new senior secured credit facilities, to repay all of the Company s loans outstanding under its former senior secured credit facilities and senior subordinated notes, including any accrued and unpaid interest, call premiums and unamortized original issue discount (OID).

Consolidation of Ownership

On October 22, 2010, the Company redeemed all of its authorized and outstanding Class A units for a redemption price of $68,250. The redemption price consisted of $45,821 of principal and accreted interest, as well as $22,429 of deemed equity value. The redemption price was calculated in line with the Chefs Warehouse Holdings, LLC s limited liability company agreement then in effect and was mutually agreed upon by all participating parties. The redemption resulted in the Class B and Class C unit holders of Chefs Warehouse Holdings, LLC increasing their ownership interests from 68.5% to 100%. The Class A units were retired at the time of redemption.

Unaudited Interim Financial Statements

The accompanying unaudited condensed consolidated financial statements and the related interim information contained within the notes to such condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and the applicable rules of the Securities and Exchange Commission (SEC) for interim information and quarterly reports on Form 10-Q. Accordingly, they do not include all the information and disclosures required by GAAP for complete financial statements. These unaudited condensed consolidated financial statements and related notes should be read in conjunction with the audited consolidated financial statements and notes for the fiscal year ended December 24, 2010 filed as part of the Company s Registration Statement on Form S-1 (Registration No. 333-173445), which was declared effective July 27, 2011 (See Note 9).

The unaudited condensed consolidated financial statements appearing in this Form 10-Q have been prepared on the same basis as the audited consolidated financial statements included in the Company s prospectus as filed with the SEC on July 28, 2011 and in the opinion of management include all normal recurring adjustments that are necessary for the fair statement of the Company s interim period results. The year-end condensed consolidated balance sheet data was derived from audited financial statements but does not include all disclosures required by GAAP. Due to seasonal fluctuations and other factors, the results of operations for the 13 weeks and 39 weeks ended September 23, 2011 are not necessarily indicative of the results to be expected for the full year.

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THE CHEFS WAREHOUSE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS, EXCEPT SHARE AMOUNTS AND PER SHARE DATA)

(Information as of September 23, 2011 and for the 13 and 39 weeks ended September 23, 2011 and September 24, 2010 is unaudited)

The preparation of financial statements in conformity with GAAP requires management to make significant 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 periods. Actual results could differ from management s estimates.

Consolidation

The Company s wholly-owned operating companies include the following: Dairyland USA Corporation (Dairyland), a New York corporation engaged in business as a distributor of dairy, meat, and specialty foods; Bel Canto Foods, LLC (a wholly-owned subsidiary of Dairyland), a New York limited liability company engaged in the business of importing primarily Mediterranean style food products; The Chefs Warehouse Mid-Atlantic, LLC, a Delaware limited liability company engaged in a business similar to Dairyland, primarily in Maryland and the District of Columbia; The Chefs Warehouse West Coast, LLC, a Delaware limited liability company engaged in a business similar to Dairyland, primarily in California and Nevada; and The Chefs Warehouse of Florida, LLC, a Delaware limited liability company engaged in a business similar to Dairyland, primarily in southern Florida. In addition to these operating companies, the Company also owns 100% of Chefs Warehouse Parent, LLC, a Delaware limited liability company which owns 100% of The Chefs Warehouse Mid-Atlantic, LLC, The Chefs Warehouse West Coast, LLC, and The Chefs Warehouse of Florida, LLC. All significant intercompany accounts and transactions have been eliminated.

Recently Issued Financial Accounting Standards

Business Combinations. In December 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2010-29, Disclosure of Supplementary Pro Forma Information for Business Combinations . This statement requires a public entity to disclose pro forma information for business combinations that occurred in the current reporting period. The disclosures include pro forma revenue and earnings of the combined entity for the current reporting period as though the acquisition date for all business combinations that occurred during the year had been as of the beginning of the annual reporting period. If comparative financial statements are presented, the pro forma revenue and earnings of the combined entity for the comparable prior reporting period should be reported as though the acquisition date for all business combinations that occurred during the current year had been as of the beginning of the comparable prior annual reporting period. ASU 2010-29 is effective for business combinations in which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 10, 2010. Our acquisition of Harry Wils & Co. (Harry Wils & Co.) in the second quarter of fiscal year 2011 was not material and, accordingly, stand alone financial statements for Harry Wils & Co. and pro forma financial statements giving effect to the acquisition are not required to be included in this Form 10-Q.

Fair Value Measurements. In May 2011, FASB issued ASU 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS . The amendments in this update change the wording used to describe the requirements in GAAP for measuring fair value and for disclosing information about fair value measurements. ASU 2011-04 is effective for interim and annual reporting periods beginning after December 15, 2011. The adoption of ASU 2011-04 is not expected to have a material effect on our financial statements.

Comprehensive Income. In June 2011, FASB issued ASU 2011-05, Presentation of Comprehensive Income . This statement eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders equity and requires the presentation of reclassification adjustments from other comprehensive income to net income on the face of the financial statements. This guidance is effective for fiscal years and interim periods beginning after December 15, 2011 and is not expected to have a material effect on our financial condition or results of operations.

Testing Goodwill for Impairment. In September 2011, FASB issued ASU 2011-08, Testing Goodwill for Impairment . This statement eliminates the need to perform first stage goodwill impairment testing if, through assessing qualitative factors, an entity determines that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount. This guidance is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted. The adoption of ASU 2011-08 is not expected to have a material effect on our financial statements.

THE CHEFS WAREHOUSE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS, EXCEPT SHARE AMOUNTS AND PER SHARE DATA)

(Information as of September 23, 2011 and for the 13 and 39 weeks ended September 23, 2011 and September 24, 2010 is unaudited)

Note 2 Earnings Per Share

The following table sets forth the computation of basic and diluted earnings (loss) per unit/share:

	13 Weeks Ended		39 Weeks Ended	
	September 23, 2011	September 24, 2010	September 23, 2011	September 24, 2010
Net (loss) income	$ (1,185)	$ 4,409	$ 2,487	$ 10,234
Deemed dividend accretion on Class A members units		(1,322)		(3,682)
Net (loss) income attributable to common shares/members units	$ (1,185)	$ 3,087	$ 2,487	$ 6,552
Net (loss) income per share/unit attributable to common stockholders/members:				
Basic	$ (0.06)	$ 0.14	$ 0.15	$ 0.29
Diluted	$ (0.06)	$ 0.13	$ 0.15	$ 0.28
Weighted average common shares/units outstanding (1):				
Basic	18,696,304	22,721,388	16,547,077	22,596,440
Diluted	18,696,304	23,356,322	17,024,121	23,370,222

(1) Adjusted to reflect effect of reorganization transaction completed on July 27, 2011 in which Chefs Warehouse Holdings, LLC was converted into The Chefs Warehouse, Inc. (See Note 9).

Reconciliation of earnings (loss) per common share/unit:

	13 Weeks Ended		39 Weeks Ended	
	September 23, 2011	September 24, 2010	September 23, 2011	September 24, 2010
Numerator:				
Net (loss) income attributable to common stockholders	$ (1,185)	$ 3,087	$ 2,487	$ 6,552
Denominator:				
Weighted average basic common shares/units outstanding	18,696,304	22,721,388	16,547,077	22,596,440
Dilutive effect of unvested common shares/units		634,934	477,044	773,782
	18,696,304	23,356,322	17,024,121	23,370,222

Weighted average diluted common shares/units outstanding

For the third quarter of 2011 a weighted average of 376,059 unvested shares was not included in fully diluted shares outstanding because they would have been anti-dilutive.

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THE CHEFS WAREHOUSE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS, EXCEPT SHARE AMOUNTS AND PER SHARE DATA)

(Information as of September 23, 2011 and for the 13 and 39 weeks ended September 23, 2011 and September 24, 2010 is unaudited)

Note 3 Derivatives

Derivatives are carried as assets or liabilities at their fair values in accordance with Accounting Standards Codification (ASC) 820, Fair Value Measurements . We have entered into two derivative contracts, neither of which qualifies for hedge accounting. The gains and losses on these instruments due to changes in fair value are recognized in our condensed consolidated statements of operations.

We are exposed to certain risks relating to our ongoing business operations. During the 13 weeks and 39 weeks ended September 23, 2011, the primary risks we managed using derivative instruments were foreign currency exchange rate risk and variable interest rate risk.

In prior years we entered into an interest rate swap agreement to hedge the exposure on our variable rate debt. This agreement expired in January 2011.

In January 2011, we entered into a foreign exchange collar contract to hedge our exposure to variability in the Euro/US Dollar exchange rate. As part of our business, we regularly import products from Europe that require payment in Euros. This contract potentially requires us to purchase and sell Euros throughout the year to pay for forecasted imports. During the 13 weeks and 39 weeks ended September 23, 2011, the collar was used to purchase 1.1 million and 1.9 million Euros, respectively.

Financial Statement Presentation

The effect of our derivative instruments on our condensed consolidated statements of operations for the 13 weeks and 39 weeks ended September 23, 2011 and September 24, 2010 was as follows:

		13 Weeks Ended		39 Weeks Ended	
		September 23, 2011	September 24, 2010	September 23, 2011	September 24, 2010
	Location of income (expense) recognized on derivative				
Derivatives not designated as hedging instruments:					
Foreign currency collars gain (loss)	Cost of sales	(206)		37	
Interest rate swaps	Gain on fluctuation of interest rate swap		228	81	658

Note 4 Fair Value Measurements

We account for certain assets and liabilities at fair value. We categorize each of our fair value measurements in one of the following three levels based on the lowest level input that is significant to the fair value measurement in its entirety:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets.

THE CHEFS WAREHOUSE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS, EXCEPT SHARE AMOUNTS AND PER SHARE DATA)

(Information as of September 23, 2011 and for the 13 and 39 weeks ended September 23, 2011 and September 24, 2010 is unaudited)

Level 2 Observable inputs other than quoted prices in active markets for identical assets and liabilities include the following:

a) quoted prices for similar assets in active markets;

b) quoted prices for identical or similar assets in inactive markets;

c) inputs other than quoted prices that are observable for the asset; and

d) inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset.

Level 3 Inputs to the valuation methodology are unobservable (i.e., supported by little or no market activity) and significant to the fair value measure.

Assets and Liabilities Measured at Fair Value

As of September 23, 2011 the only asset we had measured at fair value was our foreign exchange collar. Our interest rate swap was the only liability we had measured at fair value as of December 24, 2010. Both of these items are Level 2 derivatives that are measured at fair value on a recurring basis. As these instruments are not designated as hedges, the changes in the fair value are reflected in our condensed consolidated statements of operations. As of September 23, 2011 and December 24, 2010, our foreign exchange collar had a fair value of $83 and $0, respectively, which was reflected in prepaid expenses and other current assets. As of December 24, 2010, our interest rate swap had a fair value of $81 that was reflected in accrued liabilities. Assets acquired as part of business combinations are valued at fair value at the time of acquisition using certain Level 3 inputs.

Fair Value of Financial Instruments

The carrying amounts reported in our condensed consolidated balance sheets for accounts receivable, accounts payable and accrued liabilities approximate fair value due to the immediate to short-term maturity of these financial instruments. The fair values of the revolving credit facility and term loan approximated their book values as of September 23, 2011 and December 24, 2010, as these instruments had variable interest rates that reflected current market rates.

Note 5 Acquisitions

We account for acquisitions in accordance with ASC 805 Business Combinations . Assets acquired and liabilities assumed are recorded in the accompanying consolidated balance sheet at their estimated fair values as of the acquisition date.

On June 24, 2011, the Company completed its acquisition of certain of the assets of Harry Wils & Co., a specialty foodservice distribution company headquartered in the New York City metropolitan area. The operations of Harry Wils & Co. were immediately combined with our existing New York operations. We financed the purchase price for these assets with borrowings under our then-existing senior secured credit facilities. Our condensed consolidated statements of operations reflect $55 of legal fees in operating expenses related to the acquisition. Stand alone and pro forma financial information with respect to the acquisition of Harry Wils & Co. is not required to be included in these financial statements. We completed a valuation of the intangible assets of Harry Wils & Co. These assets were valued at fair value using Level 3 inputs. Goodwill for the Harry Wils & Co. acquisition will be amortized for tax purposes over a period of 15 years. Other intangible assets consist of customer relationships and will be amortized over 10.5 years.

On June 18, 2010, the Company completed its acquisition of Monique & Me, Inc., doing business as Culinaire Specialty Foods, Inc., based in Miami, Florida.

THE CHEFS WAREHOUSE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS, EXCEPT SHARE AMOUNTS AND PER SHARE DATA)

(Information as of September 23, 2011 and for the 13 and 39 weeks ended September 23, 2011 and September 24, 2010 is unaudited)

The table below details the assets and liabilities acquired as part of the acquisitions of Harry Wils & Co. as of June 24, 2011 and Monique & Me, Inc. as of June 18, 2010.

	Harry Wils & Co.	Monique & Me, Inc.
Current assets	$ 1,187	$ 1,324
Intangible assets other than goodwill	2,753	596
Goodwill	4,968	2,120
Current liabilities		(302)
Purchase price	$ 8,908	$ 3,738

The following table summarizes the changes in goodwill and other intangible assets during the current fiscal year:

	Goodwill	Other Intangibles
Balance as of December 24, 2010	$ 11,479	$ 635
Current year acquisitions	4,968	2,753
Current year amortization		(151)
Balance as of September 23, 2011	$ 16,447	$ 3,237

Amortization expense of intangible assets other than goodwill is expected to be $243, $353, $345, $345, and $342 for fiscal 2011, 2012, 2013, 2014, and 2015, respectively.

Note 6 Inventory

Inventory consists of finished product and is recorded on a first-in, first-out basis. Inventory is reflected net of reserves for shrinkage and obsolescence totaling $575 and $570 at September 23, 2011 and December 24, 2010, respectively.

Note 7 Equipment and Leasehold Improvements

Plant, equipment and leasehold improvements consisted of the following:

		As of	
	Useful Lives	September 23, 2011	December 24, 2010
Machinery and equipment	5-10 years	$ 5,463	$ 5,390
Computers, data processing and other equipment	3-7 years	3,363	2,821
Leasehold improvements	7-15 years	5,615	5,566
Furniture and fixtures	7 years	540	509

Vehicles	5 years	506	507
Other	7 years	85	85
Construction-in-process		696	32
		16,268	14,910
Less: accumulated depreciation and amortization		(11,541)	(10,682)
Equipment and leasehold improvements, net		$ 4,727	$ 4,228

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THE CHEFS WAREHOUSE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS, EXCEPT SHARE AMOUNTS AND PER SHARE DATA)

(Information as of September 23, 2011 and for the 13 and 39 weeks ended September 23, 2011 and September 24, 2010 is unaudited)

Depreciation expense on equipment and leasehold improvements was $291 and $266 for the 13 weeks ended September 23, 2011 and September 24, 2010, respectively, and $859 and $809 for the 39 weeks ended September 23, 2011 and September 24, 2010, respectively.

Capitalized software is recorded net of $1,019 of accumulated amortization. Depreciation expense on software was $44 and $62 for the 13 weeks ended September 23, 2011 and September 24, 2010, respectively, and $136 and $182 for the 39 weeks ended September 23, 2011 and September 24, 2010, respectively.

Note 8 Debt Obligations

Debt obligations as of September 23, 2011 and December 24, 2010 consisted of the following:

	September 23, 2011	December 24, 2010
Revolving credit facility	$ 15,830	$ 12,219
Term loan	29,500	73,750
Original issue discount-term loan		(2,127)
Note payable		183
Senior subordinated PIK note		15,500
Total debt obligations	45,330	99,525
Less: current installments	(6,000)	(16,945)
Total debt obligations excluding current installments	$ 39,330	$ 82,580

On August 2, 2011, Dairyland, The Chefs Warehouse Mid-Atlantic, LLC, Bel Canto Foods, LLC, The Chefs Warehouse West Coast, LLC, The Chefs Warehouse of Florida, LLC (each a Borrower and collectively, the Borrowers), the Company and Chefs Warehouse Parent, LLC (together with the Company, the Guarantors) entered into a senior secured credit facility (the New Credit Agreement) with the lenders from time to time party thereto, JPMorgan Chase Bank, N.A. (Chase), as Administrative Agent, and the other parties thereto.

The New Credit Agreement provides for a senior secured term loan facility (the Term Loan Facility) in the aggregate amount of up to $30,000 (the loans thereunder, the Term Loans) and a senior secured revolving loan facility (the Revolving Credit Facility and, together with the Term Loan Facility, the Credit Facilities) of up to an aggregate amount of $50,000 (the loans thereunder, the Revolving Credit Loans and, collectively with the Term Loans, the Loans), of which up to $2,000 is available for letters of credit and up to $3,000 is available for short-term borrowings on a swingline basis. The New Credit Agreement also provides that the Borrowers may, at their option, increase the aggregate amount of the Revolving Credit Facility in an amount up to $20,000 (but in not less than $10,000 increments) without the consent of any lenders not participating in such increase, subject to certain customary conditions and lenders committing to provide the increase in funding. There can be no assurance that additional funding will become available. Unutilized commitments under the Revolving Credit Facility portion of the New Credit Agreement are subject to a per annum fee of 0.375%. A fronting fee of 0.25% per annum is payable on the face amount of each letter of credit issued under the Credit Facilities.

On August 2, 2011, the Borrowers incurred $30,000 in borrowings under the Term Facility of the New Credit Agreement to repay existing indebtedness that certain Borrowers and Guarantors were refinancing in connection with our initial public offering. The final maturity of the Term Loans is August 2, 2015. Subject to adjustment for prepayments, we are required to make monthly principal payments on the Term Loans equal to $500, with the remaining balance due upon maturity.

On August 2, 2011, the Borrowers incurred approximately $14,000 in borrowings under the Revolving Credit Facility portion of the New Credit Agreement to repay existing indebtedness that certain Borrowers and Guarantors were refinancing in connection with our initial public offering. Going forward, borrowings under the Revolving Credit Facility portion of the New Credit Agreement will be used for Capital Expenditures (as defined in the New Credit Agreement), Permitted Acquisitions (as defined in the New Credit Agreement), working capital and general corporate purposes of the Borrowers. The commitments under the Revolving Credit Facility expire on August 2, 2015 and any Revolving Credit Loans then outstanding will be payable in full at that time.

THE CHEFS WAREHOUSE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS, EXCEPT SHARE AMOUNTS AND PER SHARE DATA)

(Information as of September 23, 2011 and for the 13 and 39 weeks ended September 23, 2011 and September 24, 2010 is unaudited)

The Credit Facilities are jointly and severally guaranteed by the Borrowers and the Guarantors, including us. In addition, the New Credit Agreement is secured pursuant to a Pledge and Security Agreement, dated as of August 2, 2011 , by first priority liens on substantially all of the Borrowers and each Guarantor s assets and includes a pledge of the equity interests of each of our subsidiaries.

Borrowings under the Credit Facilities will bear interest at our option of either (i) the Chase Bank floating rate plus the applicable margin of 0.25% for Revolving Credit Loans or 2.0% for Term Loans or (ii) in the case of Eurodollar Borrowings (as defined in the New Credit Agreement), the Adjusted LIBO Rate plus the applicable margin of 2.25% for Revolving Credit Loans or 4.0% for Term Loans. The Chase Bank floating rate means the prime rate of interest announced from time to time by Chase, changing when and as that prime rate changes; provided that such rate shall never be less than the adjusted one month LIBO Rate on such day. The LIBO Rate is the rate for Eurodollar deposits for a period equal to one, two, three, six or nine months (as selected by the Borrowers) appearing on Reuters Screen LIBOR01 Page (or any successor or substitute page of such service), two business days prior to the first day of the applicable interest period.

The New Credit Agreement includes negative covenants that limit, among other things, additional indebtedness, transactions with affiliates, additional liens, sales of assets, dividends, investments and advances, prepayments of debt, mergers and acquisitions. The New Credit Agreement also includes financial covenants that require (i) the ratio of our consolidated EBITDA (as defined in the New Credit Agreement) minus the unfinanced portion of capital expenditures to our consolidated Fixed Charges (as defined in the New Credit Agreement) on a trailing twelve month basis not be less than 1.15 to 1.00 and (ii) the ratio of the Company s consolidated total indebtedness to our consolidated EBITDA for the then trailing twelve months be greater than (A) 2.75 to 1.00 for any fiscal month ending in our 2011 or 2012 fiscal years, (B) 2.50 to 1.00 for any fiscal month ending in our 2013 fiscal year and (C) 2.25 to 1.00 for any fiscal month ending in our 2014 fiscal year or thereafter.

The New Credit Agreement also contains customary representations and warranties that must be accurate in order for the Borrowers to borrow under the Revolving Credit Facility. In addition, the New Credit Agreement contains customary events of default, including, but not limited to, payment defaults, breaches of representations and warranties, covenant defaults, defaults under other material debt, events of bankruptcy and insolvency, failure of any guaranty or security document supporting the Credit Facilities to be in full force and effect, and a change of control. If an event of default occurs and is continuing, the Borrowers may be required immediately to repay all amounts outstanding under the New Credit Agreement. Lenders holding at least 66 2/3% of the loans and commitments under the New Credit Agreement may elect to accelerate the maturity of the loans and/or terminate the commitments under the New Credit Agreement upon the occurrence and during the continuation of an event of default.

As of September 23, 2011, the Borrowers and Guarantors were in compliance with all debt covenants under the New Credit Agreement.

Note 9 Shareholders Equity

On July 27, 2011, we completed a reorganization in which Chefs Warehouse Holdings, LLC was converted into The Chefs Warehouse, Inc., a Delaware corporation. As part of the Conversion, we issued 16,000,000 shares of common stock, and each holder of our Class B and Class C units received approximately 0.2942 shares of common stock for each unit of membership interest in Chefs Warehouse Holdings, LLC owned by them at the time of the Conversion. Of the total number of shares issued in the Conversion, 445,056 shares were restricted shares of our common stock issued upon conversion of our Class C units that had not vested as of the date we consummated the Conversion.

On August 2, 2011, we completed the initial public offering of shares of our common stock. We issued 4,666,667 shares in the offering, and existing stockholders sold an additional 5,683,333 shares, including 1,350,000 shares sold to the underwriters to cover over-allotments. We received net proceeds from the offering of approximately $63,476 (after the payment of underwriter discounts and commissions and offering expenses) that have been used, together with borrowings under the New Credit Agreement , to repay all of our loans outstanding under our previous debt instruments, including any accrued and unpaid interest, call premiums and unamortized OID.

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THE CHEFS WAREHOUSE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS, EXCEPT SHARE AMOUNTS AND PER SHARE DATA)

(Information as of September 23, 2011 and for the 13 and 39 weeks ended September 23, 2011 and September 24, 2010 is unaudited)

On August 2, 2011, we granted restricted share awards totaling 206,666 shares to two employees. The awards were valued at $18.01 per share, representing the closing price of the Company s stock on August 2, 2011. Fifty percent of the awards (103,333 shares) vested immediately resulting in a compensation charge of $1,861 and the remainder of the awards, a total of 103,333 shares, will vest in equal amounts on each of the next four anniversary dates of the grant of which $78 was recognized as compensation expense for the 13 and 39 weeks ended September 23, 2011. The employees surrendered 38,395 of the vested shares to the Company to satisfy their payroll tax liabilities with respect to the portion of the award that vested immediately.

Note 10 Income Taxes

For fiscal year 2011, prior to the consummation of the Conversion, the Company and all of its subsidiaries elected to be taxed as a C corporation. Following consummation of the Conversion, the Company is a C corporation. For fiscal year 2010, certain subsidiaries of the Company were taxed as a C corporation. As part of the Class A unit redemption that occurred on October 22, 2010, the remaining subsidiaries of the Company elected to be taxed as a C corporation. These subsidiaries were taxed as a partnership for the first ten months of fiscal 2010, and then as a C corporation for the last two months of fiscal 2010. The income of the partnership is subject to tax at the limited liability company member level, with the exception of certain unincorporated business taxes.

At September 23, 2011 and December 24, 2010, the Company had no uncertain tax positions.

Note 11 Related Parties

The Company leases two warehouse facilities from related parties. These facilities are 100% owned by entities controlled by certain of the Company s stockholders and are deemed to be affiliates. One of the facilities is a distribution facility leased by Dairyland from The Chefs Warehouse Leasing Co., LLC. The Chefs Warehouse Leasing Co., LLC leases the distribution center from the New York City Industrial Development Agency. In connection with this sublease arrangement, Dairyland and two of the Company s other subsidiaries are required to act as conditional guarantors of The Chefs Warehouse Leasing Co., LLC s mortgage obligation on the distribution center. The mortgage payoff date is December 2029 and the potential obligation under this guarantee totaled $11,350 at September 23, 2011. On July 1, 2005 the Company entered into a consent and release agreement with the mortgagee in which the entity guarantors were conditionally released from their respective obligations. The Company and the entity guarantors continue to be in compliance with the specified conditions. The Chefs Warehouse Leasing Co., LLC has the ability to opt out of its lease agreement with the New York City Industrial Development Agency by giving 60 days notice. This action would cause the concurrent reduction in the term of the sublease with Dairyland to December 2014.

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is provided as a supplement to the accompanying financial statements and footnotes to help provide an understanding of our financial condition, changes in our financial condition and results of operations. The following discussion should be read in conjunction with information included in our prospectus filed with the SEC on July 28, 2011 in connection with our initial public offering. On July 27, 2011, we converted our company from a Delaware limited liability company, Chefs Warehouse Holdings, LLC, into a Delaware corporation, The Chefs Warehouse, Inc. Unless otherwise indicated, the terms Company , Chefs Warehouse , we , us and our refer to Chefs Warehouse Holdings, LLC and its subsidiaries prior to the conversion date an Chefs Warehouse, Inc. and its subsidiaries on or after the conversion date. All tabular dollar amounts are in thousands.

OVERVIEW

We are a premier distributor of specialty foods in six of the leading culinary markets in the United States. We offer more than 11,500 stock-keeping units (SKUs), ranging from high-quality specialty foods and ingredients to basic ingredients and staples. We serve more than 7,000 customer locations, primarily located in our six geographic markets across the United States, and the majority of our customers are independent restaurants and fine dining establishments. We believe several key differentiating factors of our business model have enabled us to execute our strategy consistently and profitably across our expanding customer base. These factors consist of a portfolio of distinctive and hard-to-find specialty food products, a highly trained and motivated sales force, strong sourcing capabilities, a fully integrated warehouse management system, a highly sophisticated distribution and logistics platform and a focused, seasoned management team. In recent years, our sales to existing and new customers have increased through the continued growth in demand for specialty food products in general; increased market share driven by our sophisticated and experienced sales professionals, our high-quality customer service and our extensive breadth and depth of product offerings, especially in specialty food products; the acquisition of other specialty food distributors; the expansion of our existing distribution centers; the construction of a new distribution center; and the import and sale of our proprietary brands. Through these efforts, we believe that we have been able to expand our customer base, enhance and diversify our product selections, broaden our geographic penetration and increase our market share.

RECENT ACQUISITIONS

On June 24, 2011, we purchased the inventory of Harry Wils & Co. and certain intangible assets, including Harry Wils & Co. s customer list and certain intellectual property. Harry Wils & Co. is a specialty foodservice distribution company headquartered in the New York City metropolitan area, and we believe that the purchase of these assets will allow us to increase the number of customers we service in the New York City metropolitan area. The purchase price paid to Harry Wils & Co. was approximately $7.7 million for the intangible assets, plus approximately $1.2 million for inventory on hand. We assumed no liabilities in connection with the transaction and have relocated the inventory purchased to our Bronx, New York distribution facility. We financed the purchase price for these assets with borrowings under our then-existing senior secured credit facilities.

On June 18, 2010, we acquired the assets of Monique & Me, Inc., doing business as Culinaire Specialty Foods, for cash consideration of $3.7 million, which provided us with an immediate platform for growth in the south Florida market.

Our Growth Strategies and Outlook

We continue to invest in our people, facilities and technology to achieve the following objectives and maintain our premier position within the specialty foodservice distribution market:

- sales and service territory expansion;
- operational excellence and high customer service levels;
- expanded purchasing programs and improved buying power;

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- product innovation and new product category introduction;
- operational efficiencies through system enhancements; and
- operating expense reduction through the centralization of general and administrative functions.

Our continued profitable growth has allowed us to improve upon our organization s infrastructure, open a new facility and pursue selective acquisitions. This improved infrastructure has allowed us to achieve higher operating margins. Over the last several years, we have increased our distribution capacity to approximately 371,640 square feet in seven facilities.

Key Factors Affecting Our Performance

Due to our focus on menu-driven independent restaurants, fine dining establishments, country clubs, hotels, caterers and specialty food stores, our results of operations are materially impacted by the success of the food-away-from-home industry in the United States, which is materially impacted by general economic conditions, discretionary spending levels and consumer confidence. When economic conditions deteriorate, as they did throughout the second half of 2007, all of 2008 and the first half of 2009, our customers businesses are negatively impacted as fewer people eat away from home and those that do spend less money. As economic conditions began to improve in the second half of 2009 and through the third quarter of 2011, our customers businesses began to improve, which likewise contributed to improvements in our business.

Food price costs also significantly impact our results of operations. Food price inflation, like that which we have experienced in the first half of 2011, may increase the dollar value of our sales because many of our products are sold at our cost plus a percentage markup. When the rate of inflation declines, however, the dollar value of our sales may fall despite our unit sales remaining constant or growing. For those of our products that we price on a fixed fee-per-case basis, our gross profit margins may be negatively affected in an inflationary environment, even though our gross revenues may be positively impacted. While we cannot predict whether inflation will continue at current levels, prolonged periods of inflation leading to cost increases above levels that we are able to pass along to our customers, either overall or in certain product categories, may have a negative impact on us and our customers, as elevated food costs can reduce consumer spending in the food-away-from-home market and may negatively impact our sales, gross margins and earnings.

The foodservice distribution industry is fragmented and consolidating. Over the past five years, we have supplemented our internal growth through selective strategic acquisitions. We believe that the consolidation trends in the foodservice distribution industry will continue to present acquisition opportunities for us, which may allow us to grow our business at a faster pace than we would otherwise be able to grow the business organically.

RESULTS OF OPERATIONS

The following table presents, for the periods indicated, certain income and expense items expressed as a percentage of net sales:

	13 Weeks Ended		39 Weeks Ended	
	September 23, 2011	September 24, 2010	September 23, 2011	September 24, 2010
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	73.8%	74.0%	73.6%	74.0%
Gross profit	26.2%	26.0%	26.4%	26.0%
Operating expenses	20.9%	18.6%	20.0%	19.7%
Operating income	5.3%	7.4%	6.4%	6.3%
Other expense (income):				
Interest expense	7.1%	0.6%	4.9%	0.7%
Gain on fluctuation of interest rate swap		(0.3)%		(0.3)%
Total other expense	7.1%	0.3%	4.9%	0.4%
(Loss) income before income taxes	(1.8)%	7.1%	1.5%	5.9%
(Benefit) provision for income taxes	(0.7)%	1.9%	0.6%	1.6%
Net (loss)income	(1.1)%	5.2%	0.9%	4.3%

Management evaluates the results of operations and cash flows using a variety of key performance indicators, including revenues compared to prior periods and internal forecasts, costs of our products and results of our cost-control initiatives, and operating cash use. These are discussed throughout the Results of Operations and Liquidity and Capital Resources sections of this Management Discussion and Analysis.

13 Weeks Ended September 23, 2011 Compared to 13 Weeks Ended September 24, 2010

Net Sales

Our net sales for the 13 weeks ended September 23, 2011 increased approximately 19.7%, or $16.8 million, to $101.7 million from $84.9 million for the 13 weeks ended September 24, 2010. Approximately $9.0 million of the increase can be attributed to organic growth. This is consistent with prior quarters. The remainder of the increase can be attributed to the Harry Wils & Co. acquisition, which was completed on June 24, 2011, and food cost inflation and a shift in the mix of the products our customers purchased from us. A combination of a shift in customers and product mix has resulted in sales of higher margin protein items. The product categories most impacted by inflation were dairy, meat, seafood and oils.

Gross Profit

Gross profit increased approximately 20.7%, or $4.5 million, to $26.6 million for the 13 weeks ended September 23, 2011, from $22.1 million for the 13 weeks ended September 24, 2010. Our gross profit as a percentage of net sales was 26.2% for the 13 weeks ended September 23, 2011 as compared to 26.0% for the 13 weeks ended September 24, 2010. The increase in gross profit as a percentage of net sales reflects improved margins on our sales of protein items driven by a shift in customer and product mix.

Operating Expenses

Total operating expenses increased by approximately 34.7%, or $5.5 million, to $21.3 million for the 13 weeks ended September 23, 2011, from $15.8 million for the 13 weeks ended September 24, 2010. The largest portion of the increase in operating costs is due to increased salary and benefits of $3.9 million, which includes a non-cash stock compensation charge of approximately $1.9 million. The additional $2 million increase in salary and benefit costs, is the result of an approximately

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10% increase in total headcount. The majority of the headcount increases came from our distribution and sales departments. These increases were required to service higher sales volumes primarily driven by the Harry Wils & Co. acquisition, as well as to support future growth. The remaining increase is comprised of, higher warehousing costs of $0.1 million and higher delivery costs of $1.1 million, primarily driven by increased fuel costs, due to a combination of increased usage and higher prices, as well as increased fleet rentals, higher bad debt expense of $0.1 million, amortization of intangibles due to the Harry Wils & Co. acquisition of $0.1 million, information technology costs as we implemented technology to help manage our customer relationships and other initiatives during 2011 of $0.2 million.

Operating Income

Operating income decreased approximately 14.6% to $5.3 million for the 13 weeks ended September 23, 2011, as compared to $6.3 million for the 13 weeks ended September 24, 2010. This decrease is primarily due to the employee stock compensation charge of $1.9 million, the impact of Hurricane Irene, which accounted for approximately $1.6 million in lost revenue and $400,000 of lost operating income, and increased operating expenses as discussed above.

Other Expense

Total other expense increased $7.0 million to $7.2 million for the 13 weeks ended September 23, 2011 from $244,000 for the 13 weeks ended September 24, 2010. This increase was attributable to the increase in interest expense for the 13 weeks ended September 23, 2011 to $7.2 million from $472,000 for the 13 weeks ended September 24, 2010. This increase in interest expense was primarily caused by the write off of deferred financing fees of $2.9 million, write-off of OID of $1.7 million and payment of a call premium totaling $827,000 associated with our refinancing of our senior secured credit facilities on August 2, 2011 in connection with our IPO. In addition, we incurred a significant increase in our total indebtedness and debt service costs beginning in the fourth quarter of 2010 as we financed the redemption of all of our outstanding Class A units held by our former private equity investors with borrowings under our then-existing senior secured notes and senior secured credit facilities.

Provision for Income Taxes

For the thirteen weeks ended September 23, 2011, we recorded a tax benefit at a rate of 38% as we were in a loss position for the quarter. For the 13 weeks ended September 24, 2010, our effective income tax rate was 26.6%. In 2010, we were in negotiations to redeem all of our Class A units. This anticipated redemption, and the tax assets recorded as a result, resulted in a significantly lower effective tax rate for the thirteen weeks ended September 24, 2010 than the statutory rate. The Company does not anticipate any similar tax benefits in the future.

Net Income

Reflecting the factors described above, net income decreased $5.6 million to a net loss of $1.2 million for the 13 weeks ended September 23, 2011, compared to net income of $4.4 million for the 13 weeks ended September 24, 2010.

39 Weeks Ended September 23, 2011 Compared to 39 Weeks Ended September 24, 2010

Net Sales

Our net sales for the 39 weeks ended September 23, 2011 increased approximately 19.1%, or $45.6 million, to $284.1 million from $238.5 million for the 39 weeks ended September 24, 2010. The acquisitions of Monique & Me, Inc. and Harry Wils & Co. contributed approximately $3.8 million and $5.4 million, respectively, to the year to date revenue increase. The increase in net sales was principally the result of increased case volume as well as increased revenue per case. Food cost inflation and changes in product mix, which together we, estimate contributed approximately 3.6% of our net sales improvement in the first 39 weeks of 2011. The product categories most impacted by inflation were dairy, meat, seafood and oils.

Gross Profit

Gross profit increased approximately 20.9%, or $12.9 million, to $74.9 million for the 39 weeks ended September 23, 2011, from $62.0 million for the 39 weeks ended September 24, 2010. Our gross profit as a percentage of net sales was 26.4% for the 39 weeks ended September 23, 2011 as compared to 26.0% for the 39 weeks ended September 24, 2010. The increase in gross

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profit as a percentage of net sales reflects improved margins on our sales of protein items driven by a shift in customer and product mix. Gross profit percentage was also positively impacted by a multi-year United States Customs rebate totaling $200,000 received in fiscal 2011. This rebate increased gross profit percentage by 10 bps.

Operating Expenses

Total operating expenses increased by approximately 20.6%, or $9.7 million, to $56.8 million for the 39 weeks ended September 23, 2011, from $47.1 million for the 39 weeks ended September 24, 2010. The largest portion of the increase in operating costs related to salary and benefits of $6.0 million, which includes a non-cash stock compensation charge of $1.9 million. The additional $4.1 million increase in salary and benefit costs, is the result of approximately a 10% increase in total headcount. The majority of the headcount increases came from the distribution and sales departments which were required to service higher sales volume primarily driven by the Harry Wils & Co. acquisition. The remaining increase was comprised of higher warehousing costs of $200,000, higher delivery costs of $2.3 million, primarily driven by increased fuel costs due to a combination of increased usage and higher prices as well as increased fleet rentals, higher bad debt expense of $120,000, increased employee recruiting costs of $135,000, costs to implement customer management technology of $240,000, and increased intangible amortization expense of $118,000 related to the acquisitions of Harry Wils & Co. and Monique & Me, Inc. Charitable contributions were $200,000 higher in 2011 as we cleared space in our New York warehouse to make room for the Harry Wils & Co. acquisition. Our Florida operation, which was acquired in June of 2010 contributed $850,000 to the overall increase in operating expenses. In addition, we settled a dispute with the New State Workers   Compensation Board for $116,000 during the second quarter of fiscal year 2011.

Operating Income

Operating income increased approximately 21.6% to $18.1 million for the 39 weeks ended September 23, 2011, as compared to $14.9 million for the 39 weeks ended September 24, 2010. This increase is reflective of higher sales levels and improved gross profit margins. Taking into account the employee stock compensation charge of $1.9 million and the $400,000 of lost operating income due to Hurricane Irene, operating income would have increased 37 percent.

Other Expense

Total other expense increased $13.0 million to $14.0 million for the 39 weeks ended September 23, 2011 from $1.0 million for the 39 weeks ended September 24, 2010. This increase was attributable to the increase in interest expense for the 39 weeks ended September 23, 2011 to $14.0 million from $1.6 million for the 39 weeks ended September 24, 2010. This increase in interest expense was primarily caused a significant increase in our total indebtedness and debt service costs beginning in the fourth quarter of 2010 as we financed the redemption of all of our outstanding Class A units held by our former private equity investors with borrowings under our senior secured notes and senior secured credit facilities. Also contributing to the increase in interest expense was the write-off of deferred financing fees and the OID associated with the refinancing of our senior secured credit facility in connection with our IPO and the call premium we paid in connection with the redemption of our senior subordinated notes in connection with our IPO.

Provision for Income Taxes

Our effective income tax rate was 39.9% and 26.6% for the 39 weeks ended September 23, 2011 and September 24, 2010, respectively. In 2010, the Company was in negotiations to redeem all of its Class A units. This anticipated redemption, and the tax assets recorded as a result, resulted in a significantly lower effective tax rate for 2010 than the statutory rate. The Company does not anticipate any similar tax benefits in the future.

Net Income

Reflecting the factors described above, net income decreased $7.7 million to $2.5 million for the 39 weeks ended September 23, 2011, compared to $10.2 million for the 39 weeks ended September 24, 2010.

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LIQUIDITY AND CAPITAL RESOURCES

We finance our day-to-day operations and growth primarily with cash flows from operations, borrowings under our senior secured credit facilities, operating leases, trade payables and bank indebtedness. We believe that our cash on hand and available credit through our existing revolving credit facility as discussed below is sufficient for our operations and planned capital expenditures over the next twelve months.

On August 2, 2011, Dairyland USA Corporation, The Chefs Warehouse Mid-Atlantic, LLC, Bel Canto Foods, LLC, The Chefs Warehouse West Coast, LLC, The Chefs Warehouse of Florida, LLC (each a Borrower and collectively, the Borrowers), the Company and Chefs Warehouse Parent, LLC (together with the Company, the Guarantors) entered into a senior secured credit facility (the New Credit Agreement) with the lenders from time to time party thereto, JPMorgan Chase Bank, N.A. (Chase), as Administrative Agent, and the other parties thereto.

The New Credit Agreement provides for a senior secured term loan facility (the Term Loan Facility) in the aggregate amount of up to $30,000,000 (the loans thereunder, the Term Loans) and a senior secured revolving loan facility (the Revolving Credit Facility and, together with the Term Loan Facility, the Credit Facilities) of up to an aggregate amount of $50,000,000 (the loans thereunder, the Revolving Credit Loans and, collectively with the Term Loans, the Loans), of which up to 2,000,000 is available for letters of credit and up to $3,000,000 is available for short-term borrowings on a swingline basis. The New Credit Agreement also provides that the Borrowers may, at their option, increase the aggregate amount of the Revolving Credit Facility in an amount up to $20,000,000 (but in not less than $10,000,000 increments) without the consent of any lenders not participating in such increase, subject to certain customary conditions and lenders committing to provide the increase in funding. There can be no assurance that additional funding will become available. Unutilized commitments under the Revolving Credit Facility portion of the New Credit Agreement are subject to a per annum fee of 0.375%. A fronting fee of 0.25% per annum is payable on the face amount of each letter of credit issued under the Credit Facilities.

On August 2, 2011, the Borrowers incurred $30,000,000 in borrowings under the Term Facility of the New Credit Agreement to repay existing indebtedness that certain Borrowers and Guarantors were refinancing in connection with the Company s initial public offering. The final maturity of the Term Loans is August 2, 2015. Subject to adjustment for prepayments, the Company is required to make monthly principal payments on the Term Loans equal to $500,000, with the remaining balance due upon maturity.

On August 2, 2011, the Borrowers incurred approximately $14,000,000 in borrowings under the Revolving Credit Facility portion of the New Credit Agreement to repay existing indebtedness that certain Borrowers and Guarantors were refinancing in connection with the Company s initial public offering. Going forward, borrowings under the Revolving Credit Facility portion of the New Credit Agreement will be used for Capital Expenditures (as defined in the New Credit Agreement), Permitted Acquisitions (as defined in the New Credit Agreement), working capital and general corporate purposes of the Borrowers. The commitments under the Revolving Credit Facility expire on August 2, 2015 and any Revolving Credit Loans then outstanding will be payable in full at that time.

The Credit Facilities are jointly and severally guaranteed by the Borrowers and the Guarantors, including the Company. In addition, the New Credit Agreement is secured pursuant to a Pledge and Security Agreement, dated as of August 2, 2011 , by first priority liens on substantially all of the Borrowers and each Guarantor s assets and includes a pledge of the equity interests of each of the Company s subsidiaries.

Borrowings under the Credit Facilities will bear interest at the Company s option of either (i) the Chase Bank floating rate plus the applicable margin of 0.25% for Revolving Credit Loans or 2.0% for Term Loans or (ii) in the case of Eurodollar Borrowings (as defined in the Credit Agreement) the Adjusted LIBO Rate plus the applicable margin of 2.25% for Revolving Credit Loans or 4.0% for Term Loans. The Chase Bank floating rate means the prime rate of interest announced from time to time by Chase, changing when and as that prime rate changes; provided that such rate shall never be less than the adjusted one month LIBO Rate on such day. The LIBO Rate is the rate for Eurodollar deposits for a period equal to one, two, three, six or nine months (as selected by the Borrowers) appearing on Reuters Screen LIBOR01 Page (or any successor or substitute page of such service), two business days prior to the first day of the applicable interest period.

The New Credit Agreement includes negative covenants that limit, among other things, additional indebtedness, transactions with affiliates, additional liens, sales of assets, dividends, investments and advances, prepayments of debt, mergers and acquisitions. The New Credit Agreement also includes financial covenants that require (i) the ratio of the Company s consolidated EBITDA (as defined in the New Credit Agreement) minus the unfinanced portion of capital expenditures to the Company s consolidated Fixed Charges (as defined in the New Credit Agreement) on a trailing twelve month basis not be less than 1.15 to 1.00 and (ii) the ratio of the Company s consolidated total indebtedness to the Company s consolidated EBITDA for the then trailing twelve months be greater than (A) 2.75 to 1.00 for any fiscal month ending in the Company s 2011 or 2012 fiscal years, (B) 2.50 to 1.00 for any fiscal month ending in the Company s 2013 fiscal year and (C) 2.25 to 1.00 for any fiscal month ending in the Company s 2014 fiscal year or thereafter.

The New Credit Agreement also contains customary representations and warranties that must be accurate in order for the Borrowers to borrow under the Revolving Credit Facility. In addition, the New Credit Agreement contains customary events of default, including, but not limited to, payment defaults, breaches of representations and warranties, covenant defaults, defaults under other material debt, events of bankruptcy and insolvency, failure of any guaranty or security document supporting the Credit Facilities to be in full force and effect, and a change of control. If an event of default occurs and is continuing, the Borrowers may be required immediately to repay all amounts outstanding under the New Credit Agreement. Lenders holding at least 66 2/3% of the loans and commitments under the New Credit Agreement may elect to accelerate the maturity of the loans and/or terminate the commitments under the New Credit Agreement upon the occurrence and during the continuation of an event of default.

Our capital expenditures, excluding cash paid for acquisitions, for the 39 weeks ended September 23, 2011 were approximately $1.5 million. We believe that our capital expenditures, excluding cash paid for acquisitions, for fiscal 2011 will be between $1.5 million and $2.0 million and for fiscal 2012 will be between $7.5 million and $10.0 million. The significant increase in projected capital expenditures in 2012 is being driven by the planned retrofitting of a new warehouse facility in the New York metropolitan area. We expect to finance the capital expenditures associated with the retrofitting of this facility, which we expect to range from $6.5 to $8.0 million through the planned incurrance of additional long term debt. Recurring capital expenditures will be financed with cash generated from operations and borrowings under our revolving credit facility. Our planned capital projects will provide both new and expanded facilities and improvements to our technology that we believe will produce increased efficiency and the capacity to continue to support the growth of our customer base. Future investments and acquisitions will be financed through either internally generated cash flow, borrowings under our new senior secured credit facilities negotiated at the time of the potential acquisition or issuance of our common stock.

Net cash provided by operations was $6.5 million for the 39 weeks ended September 23, 2011, a decrease of $1.6 million from the $8.1 million provided by operations for the 39 weeks ended September 24, 2010. The primary reasons for the decrease were $7.7 million less in net income and a $4.4 million increase in the use of cash from working capital. The $7.7 million decrease in net income was in part offset by $6.8 million of non-recurring non-cash related charges. These non cash charges consisted of $2.1 million of OIDamortitization, $1.8 million of non-cash interest expense and $2.9 million of write-offs of deferred financing fees, in each case associated with the refinancing of our debt obligations in connection with our IPO. In addition there was a non-cash charge of $1.9 million for stock compensation, a $400,000 increase in deferred finance fee amortization, and an $800,000 increase in deferred tax assets, as well as a $500,000 decrease in mark to market gains on derivative contracts. The $4.4 million increase in working capital was primarily due to a $3.6 million increase in trade accounts receivable and a $1.5 million decrease in trade payables offset by an $900,000 decrease in inventory and prepaid expenses.

Net cash used in investing activities was $10.4 million for the 39 weeks ended September 23, 2011, an increase of $5.7 million from the $4.7 million used in investing activities for the 39 weeks ended September 24, 2010. The increase was due to the acquisition of Harry Wils & Co. at a cash purchase price of $8.9 million during fiscal 2011 versus the acquisition of Monique & Me, Inc. at a cash purchase price of $3.7 million during fiscal 2010.

Net cash provided by financing activities was $3.5 million for the 39 weeks ended September 23, 2011, an increase of $6.6 million from the $3.1 million used in financing activities for the 39 weeks ended September 24, 2010. This increase resulted from proceeds of our IPO borrowings under our new senior secured credit facility net of payments we made to pay off borrowings under our senior secured credit facilities in place prior to our IPO and our senior subordinated notes.

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Commitments and Contingencies

The following schedule summarizes our contractual obligations and commercial commitments as of September 23, 2011:

	PAYMENTS DUE BY PERIOD				
	TOTAL	LESS THAN ONE YEAR	1-3 YEARS	3-5 YEARS	THEREAFTER
			(In thousands)		
Inventory purchase commitments	$ 16,489	$ 16,489	$	$	$
Indebtedness	$ 45,330	$ 6,000	$ 12,000	$ 27,330	$
Long-term non-capitalized leases	$ 26,940	$ 7,411	$ 11,368	$ 5,064	$ 3,097
Total	$ 88,759	$ 29,900	$ 23,368	$ 32,394	$ 3,097

The indebtedness and non-capitalized lease obligations shown above exclude interest payments due. A portion of the indebtedness obligations shown reflect the expiration of our senior secured credit facility, not necessarily the underlying individual borrowings. In addition, cash to be paid for income taxes is excluded from the table above.

One of our subsidiaries, Dairyland , subleases one of its distribution centers from an entity controlled by our founders, The Chefs Warehouse Leasing Co., LLC. The Chefs Warehouse Leasing Co., LLC leases the distribution center from the New York City Industrial Development Agency. In connection with this sublease arrangement, Dairyland and two of our other subsidiaries are required to act as conditional guarantors of The Chefs Warehouse Leasing Co., LLC s mortgage obligation on the distribution center. The mortgage payoff date is December 2029 and the potential obligation under this conditional guarantee totaled $11.3 million at September 23, 2011. On July 1, 2005 the Company entered into a consent and release agreement with the mortgagee in which the entity guarantors were conditionally released from their respective obligations. The Company and the entity guarantors continue to be in compliance with the specified conditions. The Chefs Warehouse Leasing Co., LLC has the ability to opt out of its lease agreement with the New York City Industrial Development Agency by giving 60 days notice. This action would cause the concurrent reduction in the term of the sublease with Dairyland to December 2014.

We had outstanding letters of credit of approximately $120,000 at both December 24, 2010 and September 23, 2011.

All of our assets are pledged as collateral to secure our borrowings under our senior secured credit facilities.

Seasonality

Generally, we do not experience any material seasonality. However, our sales and operating results may vary from quarter to quarter due to factors such as changes in our operating expenses, management s ability to execute our operating and growth strategies, personnel changes, demand for natural products, supply shortages and general economic conditions.

Inflation

Our profitability is dependent, among other things, on our ability to anticipate and react to changes in the costs of key operating resources, including food and other raw materials, labor, energy and other supplies and services. Substantial increases in costs and expenses could impact our operating results to the extent that such increases cannot be passed along to our customers. The impact of inflation on food, labor, energy and occupancy costs can significantly affect the profitability of our operations.

Critical Accounting Policies and Estimates

The preparation of our consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. The SEC has defined critical accounting policies as those that are both most important to the portrayal of our financial condition and results

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and require our most difficult, complex or subjective judgments or estimates. Based on this definition, we believe our critical accounting policies include the following: (i) determining our allowance for doubtful accounts, (ii) inventory valuation, with regard to determining our reserve for excess and obsolete inventory, (iii) valuing goodwill and intangible assets, and (iv) vendor rebates and other promotional incentives. For all financial statement periods presented, there have been no material modifications to the application of these critical accounting policies.

Allowance for Doubtful Accounts

We analyze customer creditworthiness, accounts receivable balances, payment history, payment terms and historical bad debt levels when evaluating the adequacy of our allowance for doubtful accounts. In instances where a reserve has been recorded for a particular customer, future sales to the customer are either conducted using cash-on-delivery terms or the account is closely monitored so that agreed-upon payments are received prior to orders being released. A failure to pay results in held or cancelled orders. Our accounts receivable balance was $ 42.0 million and $36.2 million, net of the allowance for doubtful accounts of $2.7 million and $2.4 million as of September 23, 2011, December 24, 2010, respectively.

Inventory Valuation

We maintain reserves for slow-moving and obsolete inventories. These reserves are primarily based upon inventory age plus specifically identified inventory items and overall economic conditions. A sudden and unexpected change in consumer preferences or change in overall economic conditions could result in a significant change in the reserve balance and could require a corresponding charge to earnings. We actively manage our inventory levels to minimize the risk of loss and have consistently achieved a relatively high level of inventory turnover.

Valuation of Goodwill and Intangible Assets

We are required to test goodwill for impairment at least annually and between annual tests if events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. We have elected to perform our annual tests for indications of goodwill impairment during the fourth quarter of each fiscal year. Based on future expected cash flows, we test for goodwill impairment at the consolidated level, as we have only a single reporting unit. The goodwill impairment analysis is a two-step test. The first step, used to identify potential impairment, involves comparing our estimated fair value to our carrying value, including goodwill. If our estimated fair value exceeds our carrying value, goodwill is considered not to be impaired. If the carrying value exceeds estimated fair value, there is an indication of potential impairment and the second step is performed to measure the amount of impairment. If required, the second step involves calculating an implied fair value of our goodwill. The implied fair value of goodwill is determined in a manner similar to the amount of goodwill calculated in a business combination, by measuring the excess of the estimated fair value, as determined in the first step, over the aggregate estimated fair values of the individual assets, liabilities and identifiable intangibles as if we were being acquired in a business combination. If the implied fair value of our goodwill exceeds the carrying value of our goodwill, there is no impairment. If the carrying value of our goodwill exceeds the implied fair value of our goodwill, an impairment charge is recorded for the excess.

In accordance with the aggregation criteria of ASC 280-10-50-11, we evaluate our goodwill on a consolidated basis using a discounted cash flow model, in which the key assumption is the projection of future earnings and cash flow. Any material adverse change in our business or operations could have a negative effect on our valuation and thus cause an impairment of our goodwill. As of December 24, 2010, our annual assessment indicated that we are not at risk of failing step one of the goodwill impairment test and no impairment of goodwill existed, as our fair value exceeded our carrying value. Total goodwill as of September 23, 2011 and December 24, 2010 was $16.4 million and $11.5 million, respectively.

Intangible assets with finite lives are tested for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Cash flows expected to be generated by the related assets are estimated over the assets useful lives based on updated projections. If the evaluation indicates that the carrying amount of the asset may not be recoverable, the potential impairment is measured based on a projected discounted cash flow model. There have been no events or changes in circumstances during 2011 indicating that the carrying value of our finite-lived intangible assets are not recoverable. Total finite-lived intangible assets as of September 23, 2011 and December 24, 2010 were $3.2 million and $0.6 million, respectively.

The assessment of the recoverability of goodwill and intangible assets will be impacted if estimated future cash flows are not achieved.

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Vendor Rebates and Other Promotional Incentives

We participate in various rebate and promotional incentives with our suppliers, including volume and growth rebates, annual incentives and promotional programs. In accounting for vendor rebates, we follow the guidance in ASC 605-50 (Emerging Issues Task Force, or EITF, No. 02-16, Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor , and EITF No. 03-10, Application of Issue No. 02-16 by Resellers to Sales Incentives Offered to Consumers by Manufacturers).

We generally record consideration received under these incentives as a reduction of cost of goods sold; however, in certain circumstances, we record marketing-related consideration as a reduction of marketing costs incurred. We may receive consideration in the form of cash and/or invoice deductions.

We record consideration that we receive for incentives, volume and growth rebates and annual incentives as a reduction of cost of goods sold. We systematically and rationally allocate the consideration for those incentives to each of the underlying transactions that results in progress by us toward earning the incentives. If the incentives are not probable and reasonably estimable, we record the incentives as the underlying objectives or milestones are achieved. We record annual incentives when we earn them, generally over the agreement period. We record consideration received to promote and sell the suppliers products as a reduction of our costs, as the consideration is typically a reimbursement of costs incurred by us. If we received consideration from the suppliers in excess of our costs, we record any excess as a reduction of cost of goods sold.

Management has discussed the development and selection of these critical accounting policies with our board of directors, and the board of directors has reviewed the above disclosure. Our financial statements contained other items that require estimation, but are not as critical as those discussed above. These other items include our calculations for bonus accruals, depreciation and amortization. Changes in estimates and assumptions used in these and other items could have an effect on our consolidated financial statements.

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ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

On August 2, 2011, the Borrowers and the Guarantors entered into the New Credit Agreement with the lenders from time to time party thereto, Chase, as Administrative Agent, and the other parties thereto.

The New Credit Agreement provides for a senior secured term loan facility (the Term Loan Facility) in the aggregate amount of up to $30.0 million (the loans thereunder, the Term Loans) and a senior secured revolving loan facility (the Revolving Credit Facility and, together with the Term Loan Facility, the Credit Facilities) of up to an aggregate amount of $50.0 million (the loans thereunder, the Revolving Credit Loans and, collectively with the Term Loans, the Loans), of which up to $2.0 million is available for letters of credit and up to $3.0 million is available for short-term borrowings on a swingline basis. The New Credit Agreement also provides that the Borrowers may, at their option, increase the aggregate amount of the Revolving Credit Facility in an amount up to $20.0 million (but in not less than $10.0 million increments) without the consent of any lenders not participating in such increase, subject to certain customary conditions and lenders committing to provide the increase in funding. There can be no assurance that additional funding will become available. Unutilized commitments under the Revolving Credit Facility portion of the New Credit Agreement are subject to a per annum fee of 0.375%. A fronting fee of 0.25% per annum is payable on the face amount of each letter of credit issued under the Credit Facilities.

On August 2, 2011, the Borrowers incurred $30.0 million in borrowings under the Term Facility of the New Credit Agreement to repay existing indebtedness that certain Borrowers and Guarantors were refinancing in connection with the Company s initial public offering. The final maturity of the Term Loans is August 2, 2015. Subject to adjustment for prepayments, the Company is required to make monthly principal payments on the Term Loans equal to $500,000, with the remaining balance due upon maturity.

On August 2, 2011, the Borrowers incurred approximately $14.0 million in borrowings under the Revolving Credit Facility portion of the New Credit Agreement to repay existing indebtedness that certain Borrowers and Guarantors were refinancing in connection with the Company s initial public offering. Going forward, borrowings under the Revolving Credit Facility portion of the New Credit Agreement will be used for Capital Expenditures (as defined in the New Credit Agreement), Permitted Acquisitions (as defined in the New Credit Agreement), working capital and general corporate purposes of the Borrowers. The commitments under the Revolving Credit Facility expire on August 2, 2015 and any Revolving Credit Loans then outstanding will be payable in full at that time.

Borrowings under the Credit Facilities will bear interest at the Company s option of either (i) the Chase Bank floating rate plus the applicable margin of 0.25% for Revolving Credit Loans or 2.0% for Term Loans or (ii) in the case of Eurodollar Borrowings (as defined in the New Credit Agreement), the Adjusted LIBO Rate plus the applicable margin of 2.25% for Revolving Credit Loans or 4.0% for Term Loans. The Chase Bank floating rate means the prime rate of interest announced from time to time by Chase, changing when and as that prime rate changes, provided that such rate shall never be less than the adjusted one month LIBO Rate on such day. The LIBO Rate is the rate for Eurodollar deposits for a period equal to one, two, three, six or nine months (as selected by the Borrowers) appearing on Reuters Screen LIBOR01 Page (or any successor or substitute page of such service), two business days prior to the first day of the applicable interest period.

As of September 23, 2011, we had an aggregate $45.3 million of indebtedness that bears interest at variable rates. A 100 basis point increase in market interest rates on our new senior secured credit facilities would decrease our after tax earnings by approximately $300,000 per annum, holding other variables constant.

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ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934, as amended (the Exchange Act) as of the end of the period covered by this Form 10-Q. The evaluation included certain internal control areas in which we have made and are continuing to make changes to improve and enhance controls. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Based on that evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the most recent fiscal period that may have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are involved in legal proceedings, claims and litigation arising out of the ordinary conduct of our business. Although we cannot assure the outcome, management presently believes that the result of such legal proceedings, either individually or in the aggregate, will not have a material adverse effect on our consolidated financial statements, and no material amounts have been accrued in our consolidated financial statements with respect to these matters.

ITEM 1A. RISK FACTORS

There have been no material changes with respect to the risk factors disclosed in our prospectus filed with the SEC on July 28, 2011.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

	Total Number of Shares Repurchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares That May Yet Be Purchased Under the Plans or Programs
June 25, 2011 to July 22, 2011				
July 23, 2011 to August 19, 2011	38,395	$ 18.01		
August 20, 2011 to September 23, 2011				
Total	38,395	$ 18.01		

(1) During the quarter ended September 23, 2011, 103,333 shares of restricted stock awarded to two of our key employees vested. We withheld 38,395 shares to satisfy tax withholding requirements for these two key employees.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. [REMOVED AND RESERVED]

ITEM 5. OTHER INFORMATION

None.

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ITEM 6. EXHIBITS

Exhibit No.	Description
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document*
101.SCH	XBRL Schema Document*
101.CAL	XBRL Calculation Linkbase Document*
101.LAB	XBRL Label Linkbase Document*
101.PRE	XBRL Presentation Linkbase Document*

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SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized on November 4, 2011.

THE CHEFS WAREHOUSE, INC.

(Registrant)

November 4, 2011	/s/ Kenneth Clark
Date	**Kenneth Clark**
	Chief Financial Officer
	(Principal Financial Officer and Principal
	Accounting Officer)

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* Users of this data are advised pursuant to Rule 406T of Regulation S-T that this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.