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

FORM 10-Q

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

For the quarterly period ended September 27, 2019

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 incorporation or organization)	**(I.R.S. Employer Identification No.)**

100 East Ridge Road
Ridgefield, Connecticut 06877
(Address of principal executive offices)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01	CHEF	Nasdaq

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Number of shares of common stock, par value $.01 per share, outstanding at October 29, 2019: 30,333,387

THE CHEFS' WAREHOUSE, INC.

FORM 10-Q

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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" and 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 following: our sensitivity to general economic conditions, including disposable income levels and changes in consumer discretionary spending; our ability to expand our operations in our existing markets and to penetrate new markets through acquisitions; we may not achieve the benefits expected from our acquisitions, which could adversely impact our business and operating results; we may have difficulty managing and facilitating our future growth; conditions beyond our control could materially affect the cost and/or availability of our specialty food products or center-of-the-plate products and/or interrupt our distribution network; our increased distribution of center-of-the-plate products, like meat, poultry and seafood, involves increased exposure to price volatility experienced by those products; our business is a low-margin business and our profit margins may be sensitive to inflationary and deflationary pressures; because our foodservice distribution operations are concentrated in certain culinary markets, we are susceptible to economic and other developments, including adverse weather conditions, in these areas; fuel cost volatility may have a material adverse effect on our business, financial condition or results of operations; our ability to raise capital in the future may be limited; we may be unable to obtain debt or other financing, including financing necessary to execute on our acquisition strategy, on favorable terms or at all; our business operations and future development could be significantly disrupted if we lose key members of our management team; and other risks and uncertainties included under the heading Risk Factors in our Annual Report on Form 10-K filed on March 1, 2019 with the Securities and Exchange Commission (the "SEC").

PART I FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

THE CHEFS' WAREHOUSE, INC.
CONSOLIDATED BALANCE SHEETS
(Amounts in thousands, except share data)

	September 27, 2019 (unaudited)	December 28, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 21,479	$ 42,410
Accounts receivable, net of allowance of $8,397 in 2019 and $7,460 in 2018	164,562	161,758
Inventories, net	122,225	112,614
Prepaid expenses and other current assets	17,172	11,953
Total current assets	325,438	328,735
Equipment, leasehold improvements and software, net	90,531	85,276
Operating lease right-of-use assets	131,675	—
Goodwill	197,731	184,280
Intangible assets, net	141,910	130,033
Other assets	3,614	4,074
Total assets	$ 890,899	$ 732,398
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 79,904	$ 87,799
Accrued liabilities	28,196	24,810
Short-term operating lease liabilities	17,834	—
Accrued compensation	12,088	12,872
Current portion of long-term debt	328	61
Total current liabilities	138,350	125,542
Long-term debt, net of current portion	282,041	278,169
Operating lease liabilities	123,961	—
Deferred taxes, net	10,824	9,601
Other liabilities and deferred credits	13,122	10,410
Total liabilities	568,298	423,722
Commitments and contingencies		
Stockholders' equity:		
Preferred Stock - $0.01 par value, 5,000,000 shares authorized, no shares issued and outstanding at September 27, 2019 and December 28, 2018	—	—
Common Stock, - $0.01 par value, 100,000,000 shares authorized, 30,288,630 and 29,968,483 shares issued and outstanding at September 27, 2019 and December 28, 2018, respectively	303	300
Additional paid in capital	209,868	207,326
Accumulated other comprehensive loss	(2,119)	(2,221)
Retained earnings	114,549	103,271
Total stockholders' equity	322,601	308,676
Total liabilities and stockholders' equity	$ 890,899	$ 732,398

See accompanying notes to the consolidated financial statements.

THE CHEFS' WAREHOUSE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(Unaudited)
(Amounts in thousands, except share and per share amounts)

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 27, 2019	September 28, 2018	September 27, 2019	September 28, 2018
Net sales	$ 396,880	$ 361,496	$ 1,165,327	$ 1,050,553
Cost of sales	294,887	269,503	866,670	785,798
Gross profit	101,993	91,993	298,657	264,755
Operating expenses	91,345	81,725	266,323	233,799
Operating income	10,648	10,268	32,334	30,956
Interest expense	4,517	4,676	13,913	15,036
Loss on asset disposal	24	—	64	30
Income before income taxes	6,107	5,592	18,357	15,890
Provision for income taxes	1,682	1,435	5,052	4,370
Net income	$ 4,425	$ 4,157	$ 13,305	$ 11,520
Other comprehensive income (loss):				
Foreign currency translation adjustments	(71)	(96)	102	(1,299)
Comprehensive income	$ 4,354	$ 4,061	$ 13,407	$ 10,221
Net income per share:				
Basic	$ 0.15	$ 0.14	$ 0.45	$ 0.40
Diluted	$ 0.15	$ 0.14	$ 0.45	$ 0.40
Weighted average common shares outstanding:				
Basic	29,549,308	29,080,929	29,511,143	28,458,972
Diluted	29,954,837	29,743,851	29,723,609	29,619,703

See accompanying notes to the consolidated financial statements.

THE CHEFS' WAREHOUSE, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Unaudited)
(Amounts in thousands, except share amounts)

	Common Stock		Additional Paid in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total
	Shares	Amount				
Balance December 28, 2018	**29,968,483**	**$ 300**	**$ 207,326**	**$ (2,221)**	**$ 103,271**	**$ 308,676**
Cumulative effect adjustment due to adoption of new accounting standard	—	—	—	—	(2,027)	(2,027)
Net income	—	—	—	—	1,134	1,134
Stock compensation	(23,680)	—	915	—	—	915
Exercise of stock options	20,383	—	412	—	—	412
Cumulative translation adjustment	—	—	—	55	—	55
Shares surrendered to pay tax withholding	(24,002)	—	(742)	—	—	(742)
Balance March 29, 2019	29,941,184	$ 300	$ 207,911	$ (2,166)	$ 102,378	$ 308,423
Net income	—	—	—	—	7,746	7,746
Stock compensation	346,915	3	1,085	—	—	1,088
Exercise of stock options	7,193	—	146	—	—	146
Cumulative translation adjustment	—	—	—	118	—	118
Shares surrendered to pay tax withholding	(3,928)	—	(126)	—	—	(126)
Balance June 28, 2019	30,291,364	$ 303	$ 209,016	$ (2,048)	$ 110,124	$ 317,395
Net income	—	—	—	—	4,425	4,425
Stock compensation	(3,045)	—	908	—	—	908
Exercise of stock options	3,836	—	77	—	—	77
Cumulative translation adjustment	—	—	—	(71)	—	(71)
Shares surrendered to pay tax withholding	(3,525)	—	(133)	—	—	(133)
Balance September 27, 2019	**30,288,630**	**$ 303**	**$ 209,868**	**$ (2,119)**	**$ 114,549**	**$ 322,601**
Balance December 29, 2017	**28,442,208**	**$ 284**	**$ 166,997**	**$ (1,549)**	**$ 82,869**	**$ 248,601**
Net income	—	—	—	—	544	544
Stock compensation	284,618	3	834	—	—	837
Cumulative translation adjustment	—	—	—	(922)	—	(922)
Shares surrendered to pay tax withholding	(20,100)	—	(472)	—	—	(472)
Balance March 30, 2018	28,706,726	$ 287	$ 167,359	$ (2,471)	$ 83,413	$ 248,588
Net income	—	—	—	—	6,819	6,819
Stock compensation	23,547	—	1,072	—	—	1,072
Cumulative translation adjustment	—	—	—	(281)	—	(281)
Shares surrendered to pay tax withholding	(4,200)	—	(99)	—	—	(99)
Balance June 29, 2018	28,726,073	$ 287	$ 168,332	$ (2,752)	$ 90,232	$ 256,099
Net income	—	—	—	—	4,157	4,157
Stock compensation	2,000	—	1,090	—	—	1,090
Conversion of subordinated notes	1,246,272	13	37,002	—	—	37,015
Cumulative translation adjustment	—	—	—	(96)	—	(96)
Shares surrendered to pay tax withholding	(4,147)	—	(120)	—	—	(120)
Balance September 28, 2018	**29,970,198**	**$ 300**	**$ 206,304**	**$ (2,848)**	**$ 94,389**	**$ 298,145**

See accompanying notes to the consolidated financial statements.

THE CHEFS' WAREHOUSE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(Amounts in thousands)

	Thirty-Nine Weeks Ended	
	September 27, 2019	**September 28, 2018**
Cash flows from operating activities:		
Net income	$ 13,305	$ 11,520
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	9,539	7,234
Amortization of intangible assets	9,485	8,949
Provision for allowance for doubtful accounts	3,277	2,811
Non-cash operating lease expense	1,790	454
Deferred taxes	2,003	561
Amortization of deferred financing fees	1,566	1,657
Stock compensation	2,911	2,999
Change in fair value of contingent earn-out liabilities	5,331	2,026
Loss on asset disposal	64	30
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable	(1,069)	(4,302)
Inventories	(7,588)	(4,336)
Prepaid expenses and other current assets	(5,163)	(148)
Accounts payable, accrued liabilities and accrued compensation	(9,185)	7,163
Other assets and liabilities	(2,721)	(3,112)
Net cash provided by operating activities	**23,545**	**33,506**
Cash flows from investing activities:		
Capital expenditures	(12,302)	(9,407)
Cash paid for acquisitions, net of cash received	(28,077)	(11,899)
Proceeds from asset disposals	—	30
Net cash used in investing activities	**(40,379)**	**(21,276)**
Cash flows from financing activities:		
Payment of debt, finance lease and other financing obligations	(1,793)	(49,359)
Payment of deferred financing fees	—	(877)
Proceeds from exercise of stock options	635	—
Surrender of shares to pay withholding taxes	(1,001)	(691)
Cash paid for contingent earn-out liability	(967)	—
Borrowings under asset based loan facility	—	47,100
Payments under asset based loan facility	(960)	—
Net cash used in financing activities	**(4,086)**	**(3,827)**
Effect of foreign currency on cash and cash equivalents	(11)	(50)
Net change in cash and cash equivalents	(20,931)	8,353
Cash and cash equivalents-beginning of period	42,410	41,504
Cash and cash equivalents-end of period	**$ 21,479**	**$ 49,857**

See accompanying notes to the consolidated financial statements.

THE CHEFS' WAREHOUSE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Amounts in thousands, except share and per share amounts)

Note 1 - Operations and Basis of Presentation

Description of Business and Basis of Presentation

The financial statements include the consolidated accounts of The Chefs' Warehouse, Inc. (the "Company"), and its wholly-owned subsidiaries. The Company's quarterly periods end on the thirteenth Friday of each quarter. Every six to seven years, the Company will add a fourteenth week to its fourth quarter to more closely align its year-end to the calendar year. The Company's business consists of three operating segments: East Coast, Midwest and West Coast that aggregate into one reportable segment, foodservice distribution, which is concentrated primarily in the United States. The Company's customer base consists primarily of menu-driven independent restaurants, fine dining establishments, country clubs, hotels, caterers, culinary schools, bakeries, patisseries, chocolatiers, cruise lines, casinos and specialty food stores.

Consolidation

The consolidated financial statements include all the accounts of the Company and its direct and indirect wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Unaudited Interim Financial Statements

The accompanying unaudited consolidated financial statements and the related interim information contained within the notes to such unaudited 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 consolidated financial statements and related notes should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the fiscal year ended December 28, 2018 filed as part of the Company's Annual Report on Form 10-K, as filed with the SEC on March 1, 2019.

The unaudited 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 Annual Report on Form 10-K, as filed with the SEC on March 1, 2019, 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 consolidated balance sheet data was derived from the 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 thirteen and thirty-nine weeks ended September 27, 2019 are not necessarily indicative of the results to be expected for the full year.

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.

Guidance Adopted in 2019

Leases: In February 2016, the Financial Accounting Standard Board ("FASB") issued guidance ("ASC 842") to increase the transparency and comparability among organizations by recognizing right-of-use assets ("ROU assets") and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The Company adopted ASC 842 on December 29, 2018, using an optional transition method that allows entities to initially apply the new lease standard at the adoption date. Under this approach, comparative periods are not restated. The Company adopted a package of practical expedients that allowed the Company to:

- apply hindsight in determining the lease term of its leases;
- not reassess whether any expired or existing contracts are or contain leases;
- not reassess the lease classification of any expired or existing leases; and
- not reassess initial direct costs for any existing leases.

The use of hindsight in assessing lease term resulted in a $2,027 cumulative effect adjustment to opening retained earnings. Adoption had a material impact on the Company's consolidated balance sheet as a result of recognizing ROU assets and lease liabilities for its operating leases of $118,031 and $126,309, respectively, but it did not materially impact the Company's consolidated statements of operations or debt covenants. There has been no significant change to the accounting for finance leases.

Comprehensive Income: In February 2018, the FASB issued guidance that permits a Company to reclassify the stranded tax effects in accumulated other comprehensive income resulting from the enactment of H.R. 1, originally known as the Tax Cuts and Jobs Act (the "Tax Act"), to retained earnings. The Company elected to not reclassify such amounts to retained earnings. The Company releases disproportionate tax effects from accumulated other comprehensive income as individual items are liquidated. The Company adopted this guidance on December 29, 2018 and adoption did not have a material impact on the Company's consolidated financial statements.

Implementation Costs Incurred in a Cloud Computing Arrangement Service Contract: In August 2018, the FASB issued guidance that aligns the requirements for capitalizing implementation costs incurred in a cloud computing arrangement service contract with the requirements for capitalizing implementation costs incurred to obtain or develop internal-use software. The Company adopted this guidance prospectively on December 29, 2018 and adoption did not have a material impact on the Company's consolidated financial statements.

Guidance Not Yet Adopted

Measurement of Credit Losses on Financial Instruments: In June 2016 and as further amended in November 2018, the FASB issued guidance which requires entities to use a forward-looking expected loss model to estimate credit losses. It also requires additional disclosure related to credit quality of trade and other receivables, including information related to management's estimate of credit allowances. The guidance is effective for fiscal years beginning after December 15, 2019. The Company expects to adopt this guidance when effective and adoption is not expected to have a material effect on the Company's consolidated financial statements.

Note 2 – Summary of Significant Accounting Policies

Revenue Recognition

Revenues from product sales are recognized at the point at which control of each product is transferred to the customer. The Company's contracts contain performance obligations which are satisfied when customers have physical possession of each product. The majority of customer orders are fulfilled within a day and customer payment terms are typically 20 to 60 days from delivery. Shipping and handling activities are costs to fulfill the Company's performance obligations. These costs are expensed as incurred and presented within operating expenses on the consolidated statements of operations. The Company offers certain sales incentives to customers in the form of rebates or discounts. These sales incentives are accounted as variable consideration. The Company estimates these amounts based on the expected amount to be provided to customers and records a corresponding reduction in revenue. The Company does not expect a significant reversal in the amount of cumulative revenue recognized. Sales tax billed to customers is not included in revenue but rather recorded as a liability owed to the respective taxing authorities at the time the sale is recognized.

The following table presents the Company's net sales disaggregated by principal product category:

	Thirteen Weeks Ended				Thirty-Nine Weeks Ended			
	September 27, 2019		September 28, 2018		September 27, 2019		September 28, 2018	
Center-of-the-Plate	$ 176,777	44.5%	$ 152,805	42.3%	$ 516,906	44.4%	$ 454,674	43.3%
Dry Goods	70,255	17.7%	65,269	18.1%	206,773	17.7%	185,244	17.6%
Pastry	53,579	13.5%	49,219	13.6%	160,316	13.8%	144,379	13.7%
Cheese and Charcuterie	40,500	10.2%	39,481	10.9%	117,073	10.0%	111,497	10.6%
Dairy and Eggs	27,480	6.9%	27,511	7.6%	81,765	7.0%	77,778	7.4%
Oils and Vinegars	20,487	5.2%	19,808	5.5%	60,117	5.2%	56,325	5.4%
Kitchen Supplies	7,802	2.0%	7,403	2.0%	22,377	1.9%	20,656	2.0%
Total	$ 396,880	100%	$ 361,496	100%	$ 1,165,327	100%	$ 1,050,553	100%

The Company determines its product category classification based on how the Company currently markets its products to its customers. The Company's definition of its principal product categories may differ from the way in which other companies present similar information.

Deferred Revenue

Certain customer arrangements in the Company's direct-to-consumer business, prepaid gift plans and gift card purchases, result in deferred revenues when cash payments are received in advance of performance. The Company recognizes revenue on its prepaid gift plans when control of each product is transferred to the customer. Performance obligations under the Company's prepaid gift plans are satisfied within a period of twelve months or less. Gift cards issued by the Company do not have expiration dates. The Company records a liability for unredeemed gift cards at the time gift cards are sold and the liability is relieved when the card is redeemed, the value of the card is escheated to the appropriate government agency, or through breakage. Gift card breakage is estimated based on the Company's historical redemption experience and expected trends in redemption patterns. Amounts recognized through breakage represent the portion of the gift card liability that is not subject to unclaimed property laws and for which the likelihood of redemption is remote. The Company recorded deferred revenues, reflected as *accrued liabilities* on the Company's consolidated balance sheets, of $1,030 and $1,496 as of September 27, 2019 and December 28, 2018, respectively.

Right of Return

The Company's standard terms and conditions provide customers with a right of return if the goods received are not merchantable. Customers are either issued a replacement order at no cost, or are issued a credit for the returned goods. The Company recorded a refund liability of $306 and $303 as of September 27, 2019 and December 28, 2018, respectively. Refund liabilities are reflected as *accrued liabilities* on the consolidated balance sheets. The Company recognized a corresponding asset of $189 and $191 as of September 27, 2019 and December 28, 2018, respectively, for its right to recover products from customers on settling its refund liabilities. This asset is reflected as *inventories*, *net* on the consolidated balance sheets.

Contract Costs

Sales commissions are expensed when incurred because the amortization period is one year or less. These costs are presented within *operating expenses* on the Company's consolidated statements of operations.

Leases

The Company leases various distribution centers, office facilities, vehicles and equipment. The Company determines if an arrangement contains a lease at contract inception. An arrangement is or contains a lease if the agreement identifies an asset, implicitly or explicitly, that the Company has the right to use over a period of time. If an arrangement contains a lease, the Company classifies the lease as either an operating lease or as a finance lease based on the five criteria defined in ASC 842.

Lease liabilities are recognized at commencement date based on the present value of the remaining lease payments over the lease term. The corresponding ROU asset is recognized for the same amount as the lease liability adjusted for any payments made at or before the commencement date, any lease incentives received, and any initial direct costs. The Company's lease agreements may include options to renew, extend or terminate the lease. These clauses are included in the initial measurement of the lease liability when at lease commencement the Company is reasonably certain that it will exercise such options. The discount rate used is based on the Company's incremental borrowing rate since the implicit rate in the Company's leases is not readily determinable.

Operating lease expense is recognized on a straight-line basis over the lease term and presented within *operating expenses* on the Company's consolidated statements of operations. Finance lease ROU assets are amortized on a straight-line basis over the shorter of the useful life of the asset or the lease term. Interest expense on the finance lease liability is recognized using the effective interest rate method and is presented within *interest expense* on the Company's consolidated statements of operations. Variable rent payments related to both operating and finance leases are expensed as incurred. The Company's variable lease payments primarily consists of real estate taxes, maintenance and usage charges. The Company made an accounting policy election to combine lease and non-lease components (maintenance, taxes and insurance) when measuring lease liabilities for vehicle and equipment leases.

The Company has elected to exclude short-term leases from the recognition requirements of ASC 842. A lease is short-term if, at the commencement date, it has a term of less than or equal to one year. Lease expense related to short-term leases is recognized on a straight-line basis over the lease term.

Note 3 – Net Income per Share

The following table sets forth the computation of basic and diluted net income per share:

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 27, 2019	September 28, 2018	September 27, 2019	September 28, 2018
Net income per share:				
Basic	$ 0.15	$ 0.14	$ 0.45	$ 0.40
Diluted	$ 0.15	$ 0.14	$ 0.45	$ 0.40
Weighted average common shares:				
Basic	29,549,308	29,080,929	29,511,143	28,458,972
Diluted	29,954,837	29,743,851	29,723,609	29,619,703

Reconciliation of net income per common share:

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 27, 2019	September 28, 2018	September 27, 2019	September 28, 2018
Numerator:				
Net income	$ 4,425	$ 4,157	$ 13,305	$ 11,520
Add effect of dilutive securities				
Interest on convertible notes, net of tax	—	26	—	358
Adjusted net income available to common shareholders	$ 4,425	$ 4,183	$ 13,305	$ 11,878
Denominator:				
Weighted average basic common shares outstanding	29,549,308	29,080,929	29,511,143	28,458,972
Dilutive effect of unvested common shares	405,529	313,229	212,466	221,411
Dilutive effect of convertible notes	—	349,693	—	939,320
Weighted average diluted common shares outstanding	29,954,837	29,743,851	29,723,609	29,619,703

Potentially dilutive securities that have been excluded from the calculation of diluted net income per common share because the effect is anti-dilutive are as follows:

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 27, 2019	September 28, 2018	September 27, 2019	September 28, 2018
Restricted share awards ("RSAs")	330,696	—	122,876	388
Convertible subordinated notes	91,053	—	91,053	—

Note 4 – Fair Value Measurements

Assets and Liabilities Measured at Fair Value

The Company's contingent earn-out liabilities are measured at fair value. These liabilities were estimated using Level 3 inputs. Long-term earn-out liabilities were $11,007 and $2,792 as of September 27, 2019 and December 28, 2018, respectively, and are reflected as *other liabilities and deferred credits* on the consolidated balance sheets. The remaining short-term earn-out liabilities are reflected as *accrued liabilities* on the consolidated balance sheets. The fair value of contingent consideration was determined based on a probability-based approach which includes projected results, percentage probability of occurrence and the application of a discount rate to present value the payments. A significant change in projected results, discount rate, or probabilities of occurrence could result in a significantly higher or lower fair value measurement. Changes in the fair value of contingent earn-out liabilities are reflected in *operating expenses* on the consolidated statements of operations. In May 2019, the Company fully settled its Del Monte earn-out liability for $200.

The following table presents the changes in Level 3 contingent earn-out liabilities:

	Del Monte	Fells Point	Bassian	Other Acquisitions	Total
Balance December 28, 2018	—	3,649	—	1,441	5,090
Acquisition value	—	—	7,450	479	7,929
Cash payments	(200)	—	—	(1,000)	(1,200)
Changes in fair value	200	3,710	372	1,049	5,331
Balance September 27, 2019	$ —	$ 7,359	$ 7,822	$ 1,969	$ 17,150

Fair Value of Financial Instruments

The following table presents the carrying value and fair value of the Company's convertible unsecured note. In estimating the fair value of the convertible unsecured note, the Company utilized Level 3 inputs including prevailing market interest rates to estimate the debt portion of the instrument and a Black Scholes valuation model to estimate the fair value of the conversion option. The Black Scholes model utilizes the market price of the Company's common stock, estimates of the stock's volatility and the prevailing risk-free interest rate in calculating the fair value estimate.

	September 27, 2019	
	Carrying Value	Fair Value
Convertible Unsecured Note	$ 4,000	$ 4,273

Note 5 – Acquisitions

Bassian

On February 25, 2019, pursuant to an asset purchase agreement, the Company acquired substantially all of the assets of Bassian Farms, Inc. and certain affiliated entities ("Bassian"), a specialty center-of-the-plate distributor based in northern California. The aggregate purchase price for the transaction was approximately $31,777, including $27,990 paid in cash at closing and the issuance of a $4,000 unsecured convertible note, partially offset by the settlement of a net working capital true-up. The Company will also pay additional contingent consideration, if earned, in the form of an earn-out amount which could total $9,000 over a four-year period. The payment of the earn-out liability is subject to the successful achievement of certain gross profit targets. The Company estimated the fair value of this contingent earn-out liability to be $7,822 and $7,450 as of September 27, 2019 and February 25, 2019, respectively. Subsequent to its initial valuation, the Company recorded measurement period adjustments that increased goodwill by $1,818 mainly due to a $3,370 increase in the fair value of the earn-out liability and a $1,441 increase in current liabilities, partially offset by a $3,085 increase in the fair value of other intangible assets.

Customer relationships, non-compete agreements and trademarks are valued at fair value using Level 3 inputs and are being amortized over 15, 5 and 10 years, respectively. Goodwill for the Bassian acquisition will be amortized over 15 years for tax purposes. The goodwill recorded primarily reflects the value of acquiring an established center-of-the-plate distributor to grow the Company's center-of-the-plate product category in the West Coast region, as well as any intangible assets that do not qualify for separate recognition. The Company recognized professional fees of $235 in *operating expenses* related to the Bassian acquisition. The Company reflected net sales of $14,850 and $35,213 for Bassian in its consolidated statement of operations for the thirteen and thirty-nine weeks ended September 27, 2019, respectively. The Company has determined that separate disclosure of Bassian earnings is impracticable due to the commencement of integration of the Bassian business into the Company's operations in the San Francisco market.

The table below sets forth the purchase price allocation of the Bassian acquisition:

	Bassian
Current assets	$ 6,657
Customer relationships	15,530
Trademarks	4,610
Non-compete agreements	1,000
Goodwill	13,065
Fixed assets	856
Other assets	10
Current liabilities	(2,501)
Earn-out liability	(7,450)
Total consideration	$ 31,777

Note 6 – Inventories

Inventories consist primarily of finished product. Our different entities record inventories using a mixture of first-in, first-out and average cost, which we believe approximates first-in, first-out. Inventories are reflected net of adjustments for shrinkage, excess and obsolescence totaling $1,870 and $1,921 at September 27, 2019 and December 28, 2018, respectively.

Note 7 – Equipment, Leasehold Improvements and Software

Equipment, leasehold improvements and software as of September 27, 2019 and December 28, 2018 consisted of the following:

	Useful Lives	September 27, 2019	December 28, 2018
Land	Indefinite	$ 1,170	$ 1,170
Buildings	20 years	1,325	1,292
Machinery and equipment	5-10 years	20,651	17,837
Computers, data processing and other equipment	3-7 years	13,168	11,244
Software	3-7 years	29,345	22,779
Leasehold improvements	1-40 years	69,515	60,565
Furniture and fixtures	7 years	3,337	3,268
Vehicles	5-7 years	4,041	2,769
Other	7 years	95	95
Construction-in-process		8,314	15,757
		150,961	136,776
Less: accumulated depreciation and amortization		(60,430)	(51,500)
Equipment, leasehold improvements and software, net		$ 90,531	$ 85,276

Construction-in-process at September 27, 2019 related primarily to the implementation of the Company’s ERP system and at December 28, 2018 related primarily to the implementation of the Company’s ERP system and the buildout of the Company’s headquarters in Ridgefield, CT. The buildout of the Company’s headquarters was completed during fiscal 2019. The rollout of its ERP system will continue through fiscal 2020.

The components of depreciation and amortization expense were as follows:

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 27, 2019	September 28, 2018	September 27, 2019	September 28, 2018
Depreciation expense, excluding finance leases	$ 2,473	$ 1,710	$ 6,595	$ 5,245
Software amortization	$ 926	$ 1,008	$ 2,746	$ 1,941

The net book value of equipment financed under finance leases at September 27, 2019 and December 28, 2018 was $1,633 and $52, respectively.

Note 8 – Goodwill and Other Intangible Assets

The changes in the carrying amount of goodwill are presented as follows:

Carrying amount as of December 28, 2018	$	184,280
Acquisitions		13,424
Foreign currency translation		27
Carrying amount as of September 27, 2019	$	197,731

Other intangible assets consist of customer relationships being amortized over a period ranging from four to twenty years, trademarks being amortized over a period of one to forty years, and non-compete agreements being amortized over a period of two to six years. Other intangible assets as of September 27, 2019 and December 28, 2018 consisted of the following:

September 27, 2019		**Gross Carrying Amount**		**Accumulated Amortization**		**Net Amount**
Customer relationships	$	135,217	$	(43,174)	$	92,043
Non-compete agreements		8,579		(7,407)		1,172
Trademarks		64,495		(15,800)		48,695
Total	$	208,291	$	(66,381)	$	141,910
December 28, 2018						
Customer relationships	$	119,488	$	(36,185)	$	83,303
Non-compete agreements		7,579		(7,251)		328
Trademarks		59,862		(13,460)		46,402
Total	$	186,929	$	(56,896)	$	130,033

The Company occasionally makes small, tuck-in acquisitions that are immaterial, both individually and in the aggregate. Therefore, increases in goodwill and gross intangible assets per the above tables may not agree to the increases of these assets as shown for specific acquisitions in Note 5 “Acquisitions.”

Amortization expense for other intangibles was $3,301 and $2,966 for the thirteen weeks ended September 27, 2019 and September 28, 2018, respectively, and $9,485 and $8,949 for the thirty-nine weeks ended September 27, 2019 and September 28, 2018, respectively.

Estimated amortization expense for other intangibles for the remainder of the fiscal year ending December 27, 2019 and each of the next four fiscal years and thereafter is as follows:

2019	$	3,271
2020		12,847
2021		12,843
2022		12,063
2023		11,035
Thereafter		89,851
Total	$	141,910

Note 9 – Debt Obligations

Debt obligations as of September 27, 2019 and December 28, 2018 consisted of the following:

	September 27, 2019	December 28, 2018
Senior secured term loan	$ 238,129	$ 239,745
Asset based loan facility	43,225	44,185
Convertible unsecured note	4,000	—
Finance lease and other financing obligations	1,645	193
Deferred finance fees and original issue discount	(4,630)	(5,893)
Total debt obligations	282,369	278,230
Less: current installments	(328)	(61)
Total debt obligations excluding current installments	$ 282,041	$ 278,169

Convertible Unsecured Note

On February 25, 2019, the Company issued a $4,000 convertible unsecured note (the “Note”), maturing on June 29, 2023, to Bassian Farms, Inc. (the “Holder”) as partial consideration in the Bassian acquisition. The interest rate charged on the Note is 4.5% per annum and increases to 5.0% after the two-year anniversary of the closing date. The Company may, in certain instances beginning eighteen months after issuance of the Note, redeem the Note in whole or in part for cash or convert the Note into shares of the Company’s common stock at the conversion price of $43.93 per share. After the two-year anniversary of the closing date, the Holder may convert the Note into shares of the Company’s common stock at the conversion price. Upon a change of control event, the Holder may convert the Note into shares of the Company’s common stock at the conversion price or redeem the Note for cash.

As of September 27, 2019, the Company was in compliance with all debt covenants and the Company had reserved $16,641 of the asset based loan facility (“ABL Facility”) for the issuance of letters of credit. As of September 27, 2019, funds totaling $90,135 were available for borrowing under the ABL Facility. The interest rates on the Company’s senior secured term loan and ABL Facility were 5.5% and 3.3%, respectively, at September 27, 2019.

Note 10 – Leases

The components of net lease cost were as follows:

	Thirteen Weeks Ended	Thirty-Nine Weeks Ended
	September 27, 2019	September 27, 2019
Operating lease cost	$ 7,010	$ 20,450
Finance lease cost:		
Amortization of right-of-use asset	85	198
Interest expense on lease liabilities	25	65
Total finance lease cost	$ 110	$ 263
Short-term lease cost	531	1,428
Variable lease cost	794	2,105
Sublease income	(119)	(490)
Total lease cost, net	$ 8,326	$ 23,756

Supplemental balance sheet information related to finance leases was as follows:

	Balance Sheet Location	September 27, 2019
Short-term finance lease liabilities	*Current portion of long-term debt*	$ 317
Long-term finance lease liabilities	*Long-term debt, net of current portion*	$ 1,316

The maturities of the Company's operating and finance lease liabilities for the remainder of the fiscal year ending December 27, 2019 and each of the next four fiscal years and thereafter were as follows:

	Operating Leases				Finance Leases
	Related Party Real Estate	**Third Party Real Estate**	**Vehicles and Equipment**	**Total**	**Vehicles and Equipment**
2019	$ 125	$ 3,323	$ 3,235	$ 6,683	$ 102
2020	365	13,373	11,592	25,330	406
2021	—	13,049	9,322	22,371	402
2022	—	12,976	7,282	20,258	386
2023	—	12,147	4,787	16,934	323
Thereafter	—	108,736	2,352	111,088	282
Total	$ 490	$ 163,604	$ 38,570	$ 202,664	$ 1,901
Less interest				(60,869)	(268)
Present value				$ 141,795	$ 1,633

At September 27, 2019, the weighted-average lease term for operating and finance leases was 13.9 years and 5.0 years, respectively. At September 27, 2019, the weighted-average discount rate for operating and finance leases was 6.3% and 5.6%, respectively.

As of September 27, 2019, the Company is contractually obligated to make payments of approximately $5,800, related to several vehicle leases that have not commenced. Accordingly, the Company has not recognized ROU assets or lease liabilities associated with these leases.

The Company's future minimum lease payments as of December 28, 2018, in accordance with legacy lease accounting standards, under non-cancelable operating and finance lease agreements were as follows:

	Operating Leases	**Finance Leases**
2019	$ 24,666	$ 56
2020	23,047	55
2021	19,918	50
2022	17,838	42
2023	14,876	4
Thereafter	47,330	—
Total minimum lease payments	$ 147,675	207
Less interest		(49)
Present value of capital lease obligations		$ 158

Note 11 – Stockholders' Equity

Equity Incentive Plan

On May 17, 2019, the Company's stockholders approved the 2019 Omnibus Equity Incentive Plan (the "2019 Plan"). Concurrently, the 2011 Omnibus Equity Incentive Plan (the "2011 Plan") was terminated and any shares remaining available for new grants under the 2011 Plan share reserve were extinguished. The purpose of the 2019 Plan is to promote the interests of the Company and its stockholders by (i) attracting and retaining key officers, employees and directors of, and consultants to, the Company and its Subsidiaries and Affiliates; (ii) motivating such individuals by means of performance-related incentives to achieve long-range performance goals; (iii) enabling such individuals to participate in the long-term growth and financial success of the Company; (iv) encouraging ownership of stock in the Company by such individuals; and (v) linking their compensation to the long-term interests of the Company and its stockholders.

The 2019 Plan is administered by the Compensation and Human Capital Committee (the "Committee") of the Board of Directors and allows for the issuance of stock options, stock appreciation rights ("SARs"), RSAs, restricted share units, performance awards, or other stock-based awards. Stock option exercise prices are fixed by the Committee but shall not be less than the fair market value of a common share on the date of the grant of the option, except in the case of substitute awards. Similarly, the grant price of an SAR may not be less than the fair market value of a common share on the date of the grant. The Committee will determine the expiration date of each stock option and SAR, but in no case shall the stock option or SAR be exercisable after the expiration of ten years from the date of the grant. The 2019 Plan provides for 2,600,000 shares available for grant.

The following table reflects the activity of RSAs during the thirty-nine weeks ended September 27, 2019:

	Shares	Weighted Average Grant Date Fair Value
Unvested at December 28, 2018	526,730	$ 20.60
Granted	375,383	34.43
Vested	(113,423)	21.44
Forfeited	(55,193)	20.46
Unvested at September 27, 2019	733,497	$ 27.56

The Company granted 375,383 RSAs to its employees and directors at a weighted average grant date fair value of $34.43 during the thirty-nine weeks ended September 27, 2019. These awards are a mix of time and performance-based grants that generally vest over a one- to five-year period. The Company recognized expense totaling $908 and $940 on its RSAs during the thirteen weeks ended September 27, 2019 and September 28, 2018, respectively, and $2,797 and $2,548 during the thirty-nine weeks ended September 27, 2019 and September 28, 2018, respectively.

At September 27, 2019, the total unrecognized compensation cost for unvested RSAs was $10,784 and the weighted-average remaining period was approximately 2.5 years. Of this total, $6,778 related to RSAs with time-based vesting provisions and $4,006 related to RSAs with performance-based vesting provisions. At September 27, 2019, the weighted-average remaining period for time-based vesting and performance-based vesting RSAs were approximately 2.7 years and 2.1 years, respectively.

The following table summarizes stock option activity during the thirty-nine weeks ended September 27, 2019:

	Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value	Weighted Average Remaining Contractual Term (in years)
Outstanding December 28, 2018	191,808	$ 20.23	$ 2,129	7.2
Granted	—	—		
Exercised	(31,412)	20.23		
Canceled/Forfeited	—	—		
Outstanding and vested at September 27, 2019	160,396	$ 20.23	$ 3,134	6.5
Exercisable at September 27, 2019	160,396	$ 20.23	$ 3,134	6.5

The stock options fully vested during the first quarter of fiscal 2019. The Company recognized expense of $0 and $150 on stock options during the thirteen weeks ended September 27, 2019 and September 28, 2018, respectively, and $114 and $451 during the thirty-nine weeks ended September 27, 2019 and September 28, 2018, respectively.

As of September 27, 2019, there were 2,231,236 shares available for grant under the 2019 Plan. No share-based compensation expense related to the Company's RSAs or stock options has been capitalized.

Note 12 – Related Parties

The Company follows the guidance in Accounting Standards Codification Topic ASC 850, "Related Party Disclosure", which requires the disclosure of material related party transactions other than compensation arrangements, expense allowances, or other similar items that occur in the ordinary course of business.

The Chefs' Warehouse Mid-Atlantic, LLC, a subsidiary of the Company, leases a distribution facility that is 100% owned by entities controlled by Christopher Pappas, the Company's chairman, president and chief executive officer, and John Pappas, the Company's vice chairman and one of its directors, and are deemed to be affiliates of these individuals. Expense related to this facility totaled $108 and $134 during the thirteen weeks ended September 27, 2019 and September 28, 2018, respectively, and $325 and $400 during the thirty-nine weeks ended September 27, 2019 and September 28, 2018, respectively. This lease was amended during the first quarter of fiscal 2019 and expires on September 30, 2020.

Note 13 – Supplemental Disclosures of Cash Flow Information

	Thirty-Nine Weeks Ended			
	September 27, 2019		September 28, 2018	
Supplemental cash flow disclosures:				
Cash paid for income taxes, net of cash received	$	6,045	$	3,905
Cash paid for interest, net of cash received	$	12,477	$	13,928
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating expenses	$	18,575	$	—
Operating cash flows from finance leases	$	65	$	—
ROU assets obtained in exchange for lease liabilities:				
Operating leases	$	154,330	$	—
Finance leases	$	1,820	$	—
Other non-cash investing and financing activities:				
Convertible notes issued for acquisitions	$	4,000	$	37,015
Contingent earn-out liabilities for acquisitions	$	7,929	$	767

Note 14 – Subsequent Events

On October 25, 2019, the Company paid $3,000 to the former owners of Fells Point related to their successful attainment of the targeted EBITDA in their earn-out agreement.

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 consolidated 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 Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on March 1, 2019. Unless otherwise indicated, the terms "Company", "Chefs' Warehouse", "we", "us" and "our" refer to The Chefs' Warehouse, Inc. and its subsidiaries.

OVERVIEW

We are a premier distributor of specialty foods in eight of the leading culinary markets in the United States. We offer more than 55,000 SKUs, ranging from high-quality specialty foods and ingredients to basic ingredients and staples and center-of-the-plate proteins. We serve more than 34,000 customer locations, primarily located in our 16 geographic markets across the United States and Canada, and the majority of our customers are independent restaurants and fine dining establishments. As a result of our acquisition of Allen Brothers, Inc. ("Allen Brothers"), we also sell certain of our center-of-the-plate products directly to consumers.

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, an extensive selection of center-of-the-plate proteins, 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 and center-of-the-plate products in general; increased market share driven by our large percentage of sophisticated and experienced sales professionals, our high-quality customer service and our extensive breadth and depth of product offerings; the acquisition of other specialty food and center-of-the-plate distributors; the expansion of our existing distribution centers; our entry into new distribution centers; 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 February 25, 2019, pursuant to an asset purchase agreement, we acquired substantially all of the assets of Bassian Farms, Inc. and certain affiliated entities ("Bassian"), a specialty center-of-the-plate distributor based in northern California. The aggregate purchase price for the transaction was approximately $31.8 million consisting of $28.0 million in cash paid at closing and the issuance of a $4.0 million unsecured convertible note, partially offset by the settlement of a net working capital true-up. The Company will also pay additional contingent consideration, if earned, in the form of an earn-out amount which could total $9.0 million over a four-year period.

Our Growth Strategies and Outlook

We continue to invest in our people, facilities and technology in an effort 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;
- 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 growth has allowed us to improve upon our organization's infrastructure, open new distribution facilities and pursue selective acquisitions. Over the last several years, we have increased our distribution capacity to approximately 1.7 million square feet in 29 distribution facilities at September 27, 2019 and have invested significantly in acquisitions, infrastructure and management.

Key Factors Affecting Our Performance

Due to our focus on menu-driven independent restaurants, fine dining establishments, country clubs, hotels, caterers, culinary schools, bakeries, patisseries, chocolatiers, cruise lines, casinos 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 and Canada, which is materially impacted by general economic conditions, weather, discretionary spending levels and consumer confidence. When economic conditions deteriorate, our customers' businesses are negatively impacted as fewer people eat away-from-home and those who do spend less money. As economic conditions begin to improve, our customers' businesses historically have likewise improved, which contributes to improvements in our business. Likewise, the direct-to-consumer business of our Allen Brothers subsidiary is significantly dependent on consumers' discretionary spending habits, and weakness or uncertainty in the economy could lead to consumers buying less from Allen Brothers.

Volatile food costs may have a direct impact upon our profitability. Prolonged periods of product cost inflation may have a negative impact on our profit margins and results of operations to the extent we are unable to pass on all or a portion of such product cost increases to our customers. In addition, product cost inflation may negatively impact consumer discretionary spending decisions within our customers' establishments, which could adversely impact our sales. Conversely, our profit levels may be negatively impacted during periods of product cost deflation even though our gross profit as a percentage of sales may remain relatively constant. However, some of our products, particularly certain of our center-of-the-plate items, are priced on a "cost plus" markup, which helps mitigate the negative impact of deflation.

Given our wide selection of product categories, as well as the continuous introduction of new products, we can experience shifts in product sales mix that have an impact on net sales and gross profit margins. This mix shift is most significantly impacted by the introduction of new categories of products in markets that we have more recently entered, the shift in product mix resulting from acquisitions, as well as the continued growth in item penetration on higher velocity items such as dairy products.

The foodservice distribution industry is fragmented but consolidating, and 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:

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 27, 2019	**September 28, 2018**	**September 27, 2019**	**September 28, 2018**
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	74.3%	74.6%	74.4%	74.8%
Gross profit	25.7%	25.4%	25.6%	25.2%
Operating expenses	23.0%	22.6%	22.9%	22.3%
Operating income	2.7%	2.8%	2.7%	2.9%
Other expense (income):				
Interest and other expense	1.1%	1.3%	1.2%	1.4%
Income before income taxes	1.6%	1.5%	1.5%	1.5%
Provision for income taxes	0.4%	0.4%	0.4%	0.4%
Net income	1.2%	1.1%	1.1%	1.1%

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

Thirteen Weeks Ended September 27, 2019 Compared to Thirteen Weeks Ended September 28, 2018

Net Sales

Net sales for the thirteen weeks ended September 27, 2019 increased approximately 9.8%, or $35.4 million, to $396.9 million from $361.5 million for the thirteen weeks ended September 28, 2018. Organic growth contributed $16.2 million, or 4.5% to sales growth in the quarter. The remaining sales growth of $19.2 million, or 5.3%, resulted from acquisitions. Organic case count grew approximately 3.2% in our specialty category with unique customers and placements growth at 3.9% and 3.1%, respectively, compared to the prior year quarter. Pounds sold in our center-of-the-plate category increased approximately 0.9% compared to the prior year quarter. Estimated inflation was 2.5% in our specialty category and 1.5% in our center-of-the-plate category compared to the prior year quarter.

Gross Profit

Gross profit increased approximately 10.9%, or $10.0 million, to $102.0 million for the thirteen weeks ended September 27, 2019 from $92.0 million for the thirteen weeks ended September 28, 2018. Gross profit margin increased approximately 25 basis points to 25.7% from 25.4%. Gross margins increased 24 basis points in the Company's specialty category and increased 54 basis points in the Company's center-of-the-plate category compared to the prior year quarter.

Operating Expenses

Total operating expenses increased by approximately 11.8%, or $9.6 million, to $91.3 million for the thirteen weeks ended September 27, 2019 from $81.7 million for the thirteen weeks ended September 28, 2018. Total operating expenses includes charges for changes in the fair value of certain contingent earn-out liabilities of $2.5 million and $1.8 million for the thirteen weeks ended September 27, 2019 and September 28, 2018, respectively. As a percentage of net sales, operating expenses were 23.0% in the third quarter of 2019 compared to 22.6% in the third quarter of 2018, an increase of 40 basis points. The primary drivers of the increase in the ratio of operating expenses to sales were the earn-out adjustments and a 42 basis point increase in warehouse costs, primarily related to our investment in Texas and our new facility in Los Angeles, partially offset by lower distribution expenses as a percentage of sales versus the third quarter of 2018.

Operating Income

Operating income for the thirteen weeks ended September 27, 2019 was $10.6 million compared to $10.3 million for the thirteen weeks ended September 28, 2018. The increase in operating income was driven primarily by increased gross profit, offset in part by higher operating expenses, as discussed above. As a percentage of net sales, operating income was 2.7% in the third quarter of 2019 compared to 2.8% in the third quarter of 2018.

Interest and Other Expense

Interest and other expense decreased to $4.5 million for the thirteen weeks ended September 27, 2019 compared to $4.7 million for the thirteen weeks ended September 28, 2018 due to lower effective interest rates charged on the Company's outstanding debt.

Provision for Income Taxes

For the thirteen weeks ended September 27, 2019, we recorded an effective income tax rate of 27.5%. For the thirteen weeks ended September 28, 2018, our effective income tax rate was 25.7%.

Net Income

Reflecting the factors described above, net income was $4.4 million for the thirteen weeks ended September 27, 2019, compared to net income of $4.2 million for the thirteen weeks ended September 28, 2018.

Thirty-Nine Weeks Ended September 27, 2019 Compared to Thirty-Nine Weeks Ended September 28, 2018

Net Sales

Net sales for the thirty-nine weeks ended September 27, 2019 increased approximately 10.9%, or $114.8 million, to $1,165.3 million from $1,050.6 million for the thirty-nine weeks ended September 28, 2018. Organic growth contributed $48.8 million or 4.6% to sales growth in the period. The remaining sales growth of $66.0 million, or 6.3% resulted from acquisitions. Organic case count grew approximately 3.5%, in our specialty category. In addition, growth in unique customers and placements grew 4.8% and 3.8%, respectively, compared to the prior year period. Pounds sold in our center-of-the-plate category increased 1.6% compared to the prior year period. Estimated inflation was 2.2% in our specialty category and 1.6% in our center-of-the-plate category compared to the prior year period.

Gross Profit

Gross profit increased approximately 12.8%, or $33.9 million, to $298.7 million for the thirty-nine weeks ended September 27, 2019, from $264.8 million for the thirty-nine weeks ended September 28, 2018. Gross profit margin increased approximately 43 basis points to 25.6% from 25.2%. Gross margins increased 12 basis points in the Company's specialty category and increased 95 basis points in the Company's center-of-the-plate category compared to the prior year period.

Operating Expenses

Total operating expenses increased by approximately 13.9%, or $32.5 million, to $266.3 million for the thirty-nine weeks ended September 27, 2019 from $233.8 million for the thirty-nine weeks ended September 28, 2018. Total operating expenses are inclusive of non-cash charges for changes in the fair value of certain contingent earn-out liabilities of $5.3 million and $2.0 million for the thirty-nine weeks ended September 27, 2019 and September 28, 2018, respectively. As a percentage of net sales, operating expenses were 22.9% in the current period compared to 22.3% in the prior year period. The 60 basis point increase in the Company's operating expense ratio is primarily driven by the earn-out adjustments and a 25 basis point increase in warehouse costs, primarily related to our investment in Texas and our new facility in Los Angeles .

Operating Income

Operating income for the thirty-nine weeks ended September 27, 2019 was $32.3 million compared to $31.0 million for the thirty-nine weeks ended September 28, 2018. The increase in operating income was driven primarily by increased gross profit, offset in part by higher operating expenses, as discussed above. As a percentage of net sales, operating income was 2.7% for the thirty-nine weeks ended September 27, 2019 compared to 2.9% for the thirty-nine weeks ended September 28, 2018.

Interest and Other Expense

Interest and other expense decreased to $14.0 million for the thirty-nine weeks ended September 27, 2019 compared to $15.1 million for the thirty-nine weeks ended September 28, 2018 due to lower effective interest rates charged on the Company's outstanding debt and the conversion of the $36.8 million of convertible subordinated notes during the third quarter of 2018.

Provision for Income Taxes

For the thirty-nine weeks ended September 27, 2019 and September 28, 2018, we recorded an effective income tax rate of 27.5%.

Net Income

Reflecting the factors described above, net income was $13.3 million for the thirty-nine weeks ended September 27, 2019, compared to net income of $11.5 million for the thirty-nine weeks ended September 28, 2018.

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 and other indebtedness, equity financing, operating leases and trade payables.

Senior Secured Term Loan Credit Facility

On June 22, 2016, Chefs' Warehouse Parent, LLC ("CW Parent") and Dairyland USA Corporation ("Dairyland"), as co-borrowers, and The Chefs' Warehouse, Inc. (the "Company") and certain other subsidiaries of the Company, as guarantors, entered into a credit agreement (the "Term Loan Credit Agreement") with a group of lenders for which Jefferies Finance LLC ("Jefferies") acts as administrative agent and collateral agent. The Term Loan Credit Agreement provides for a senior secured term loan B facility (the "Term Loan Facility") in an aggregate amount of $305.0 million with a $50.0 million six-month delayed draw term loan facility (the "DDTL"; the loans outstanding under the Term Loan Facility (including the DDTL), the "Term Loans").
On June 27, 2016, the Company drew $14.0 million from the DDTL to help pay fund the acquisition of M.T. Food Service, Inc. On September 14, 2016, the Company entered into an amendment to the Term Loan Credit Agreement under which the remaining portion of the DDTL was terminated, the Company's interest rate schedule was modified and the Company repaid $25.0 million of the outstanding balance of the Term Loans. Additionally, the Term Loan Facility includes an accordion which permits the Company to request that the lenders extend additional Term Loans in an aggregate principal amount of up to $50.0 million (less the aggregate amount of certain indebtedness incurred to finance acquisitions) plus an unlimited amount subject to the Company's consolidated Total Leverage Ratio not exceeding 4.90:1.00 on a pro forma basis. Borrowings under the Term Loan Facility were used to repay the Company's senior secured notes, as well as the prior term loan and revolving credit facility. Remaining funds will be used for capital expenditures, permitted acquisitions, working capital and general corporate purposes of the Company.

On December 13, 2017, the Company completed a repricing of the Term Loan Facility to reduce the Applicable Rate (as defined in the Term Loan Credit Agreement) from 475 basis points to 400 basis points over LIBOR. In connection with the repricing, the Company paid debt financing costs of $0.8 million which were capitalized as deferred financing charges. On July 6, 2018, the Company made a $47.1 million prepayment and is no longer required to make quarterly amortization payments on the Term Loan Facility. On November 16, 2018, the Company completed a repricing of the Term Loan Facility to reduce the Applicable Rate from 400 basis points to 350 basis points over LIBOR. In connection with the repricing, the Company paid debt financing costs of $0.6 million which were capitalized as deferred financing charges. The Company wrote off unamortized deferred financing fees of $1.1 million as a result of this repricing.

The interest rates per annum applicable to Term Loans, will be, at the co-borrowers' option, equal to either a base rate or an adjusted LIBOR rate for one, two, three, six or (if consented to by the lenders) twelve-month interest periods chosen by the Company, in each case plus an applicable margin percentage. The interest rate on this facility at September 27, 2019 was 5.9% and the final maturity of the Term Loan Facility is June 22, 2022.

The Term Loan Facility contains customary affirmative covenants, negative covenants (including restrictions, subject to customary exceptions, on incurring debt or liens, paying dividends, repaying subordinated and junior lien debt, disposing assets, and making investments and acquisitions), and events of default for a term loan B facility of this type, as more particularly described in the Term Loan Credit Agreement. As of September 27, 2019, the Company was in compliance with all debt covenants under the Term Loan Facility.

Asset Based Loan Facility

On June 29, 2018, the Company entered into a credit agreement (the "ABL Credit Agreement") with a group of lenders for which BMO Harris Bank, N.A. acts as administrative agent. The ABL Credit Agreement provides for an asset based loan facility (the "ABL Facility") in the aggregate amount of up to $150.0 million. Availability under the ABL Facility will be limited to a borrowing base equal to the lesser of: (i) the aggregate amount of commitments or (ii) the sum of specified percentages of eligible receivables and eligible inventory, minus certain availability reserves. The co-borrowers under the ABL Facility are entitled on one or more occasions, subject to the satisfaction of certain conditions, to request an increase in the commitments under the ABL Facility in an aggregate principal amount of up to $25.0 million. The ABL Facility matures on the earlier of June 29, 2023 and 90 days prior to the maturity date of the Company's Term Loan Facility.

The interest rates per annum applicable to loans, other than swingline loans, under the ABL Facility will be, at the co-borrowers' option, equal to either a base rate or an adjusted LIBOR rate for one, two, three, six or (if consented to by the lenders) twelve-month, interest periods chosen by the Company, in each case plus an applicable margin percentage. The Company will pay certain recurring fees with respect to the ABL Facility, including fees on the unused commitments of the lenders. The ABL Facility contains customary affirmative covenants, negative covenants and events of default as more particularly described in the ABL Credit Agreement. The ABL Facility will require compliance with a minimum consolidated fixed charge coverage ratio of 1:1 if the amount of availability under the ABL Facility falls below the greater of $10.0 million or 10% of the borrowing base. Borrowings under the ABL Facility will be used, and are expected to be used, for capital expenditures, permitted acquisitions, working capital and general corporate purposes of the Company. On July 6, 2018, the Company borrowed $47.1 million under the ABL Facility and made an equivalent prepayment on its senior secured term loan. There was $43.2 million outstanding under the ABL Facility as of September 27, 2019, bearing an interest rate of 3.3%.

As of September 27, 2019, the Company was in compliance with all debt covenants under the ABL Facility and the Company had reserved $16.6 million of the ABL Facility for the issuance of letters of credit. As of September 27, 2019, funds totaling $90.1 million were available for borrowing under the ABL Facility.

Convertible Unsecured Note

On February 25, 2019, the Company issued a $4.0 million convertible unsecured note (the "Note"), maturing on June 29, 2023, to Bassian Farms, Inc. (the "Holder") as partial consideration in the Bassian acquisition. The interest rate charged on the Note is 4.5% per annum and increases to 5.0% after the two-year anniversary of the closing date. The Company may, in certain instances beginning eighteen months after issuance of the Note, redeem the Note in whole or in part for cash or convert the Note into shares of the Company's common stock at the conversion price of $43.93 per share. After the two-year anniversary of the closing date, the Holder may convert the Note into shares of the Company's common stock at the conversion price. Upon a change of control event, the Holder may convert the Note into shares of the Company's common stock at the conversion price or redeem the Note for cash.

Liquidity

We anticipate capital expenditures, excluding cash paid for acquisitions, for fiscal 2019 will be in the range of $18.0 million to $20.0 million down from our original estimate of $24.0 million to $26.0 million due to changes in the timing of certain planned expansions of our distribution facilities. Recurring capital expenditures will be financed with cash generated from operations and borrowings under our ABL 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 senior secured credit facilities in place at the time of the potential investment or acquisition or through the issuance of equity or debt securities, including, but not limited to, longer-term, fixed-rate debt securities and shares of our common stock.

Cash Flows

Net cash provided by operations was $23.5 million for the thirty-nine weeks ended September 27, 2019, a decrease of $10.0 million from the $33.5 million provided by operations for the thirty-nine weeks ended September 28, 2018. The primary reasons for the decrease was a decrease in cash from working capital changes, partially offset by increased cash generated from net income. The decrease in cash provided by changes in working capital was primarily due to a decrease in cash from *accounts payable* changes, *prepaid expense and other current assets* changes and *inventories* changes of $16.3 million, $5.0 million and $3.3 million, respectively, partially offset by an increase in cash from *accounts receivable* changes of $3.2 million. The primary cause for the increase in cash generated from net income was as an increase in operating income and lower interest expense.

Net cash used in investing activities was $40.4 million for the thirty-nine weeks ended September 27, 2019, an increase of $19.1 million from the net cash used in investing activities of $21.3 million for the thirty-nine weeks ended September 28, 2018. The increase in net cash used was primarily due to more cash paid for acquisitions and capital expenditures.

Net cash used in financing activities was $4.1 million for the thirty-nine weeks ended September 27, 2019, an increase of $0.3 million from the $3.8 million used in financing activities for the thirty-nine weeks ended September 28, 2018. This increase was primarily due to the payment of contingent earn-out obligations during the third quarter of 2019, partially offset by lower principal payments on our debt as a result of the $47.1 million prepayment we made in the third quarter of 2018, partially offset by the $1.0 million principal payment we made on the ABL Facility during the second quarter of 2019.

Seasonality

Excluding our direct-to-consumer business, we generally 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 our products, supply shortages, weather patterns and general economic conditions.

Our direct-to-consumer business is subject to seasonal fluctuations, with direct-to-consumer center-of-the-plate protein sales typically higher during the holiday season in our fourth quarter; accordingly, a disproportionate amount of operating cash flows from this portion of our business is generated by our direct-to-consumer business in the fourth quarter of our fiscal year. Despite a significant portion of these sales occurring in the fourth quarter, there are operating expenses, principally advertising and promotional expenses, throughout the year.

Inflation

Our profitability is dependent on, among other things, 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 and deflation on food, labor, energy and occupancy costs can significantly affect the profitability of our operations.

Off-Balance Sheet Arrangements

As of September 27, 2019, we did not have any off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K.

Critical Accounting Policies and Estimates

The preparation of the Company’s consolidated financial statements requires it 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 the Company’s financial condition and results and require its 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 inventory balance adjustments for excess and obsolete inventory, (iii) valuing goodwill and intangible assets, (iv) vendor rebates and other promotional incentives, (v) self-insurance reserves, and (vi) accounting for income taxes and (vii) contingent earn-out liabilities. There have been no material changes to our critical accounting policies and estimates as compared to our critical accounting policies and estimates described in the Form 10-K filed with the SEC on March 1, 2019.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

As of September 27, 2019, we had an aggregate $281.4 million of indebtedness outstanding under the Term Loan and ABL Facility that bore interest at variable rates. A 100 basis point increase in market interest rates would decrease our after tax earnings by approximately $2.0 million per annum, holding other variables constant.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company, under the supervision and with the participation of its management, including the Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's "disclosure controls and procedures" (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of September 27, 2019.

Changes in Internal Control over Financial Reporting

We have implemented new internal controls to ensure we adequately evaluated our contracts and properly assessed the impact of the new accounting standard related to leases on our financial statements as a result of its adoption on December 29, 2018. There were no other changes in our internal control over financial reporting during the quarter ended September 27, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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 has been no material changes with respect to the risk factors disclosed in our Annual Report on Form 10-K filed with the SEC on March 1, 2019.

ITEM 2. ISSUER PURCHASES OF EQUITY SECURITIES

	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 29, 2019 to July 26, 2019	—	$ —	—	—
July 27, 2019 to August 23, 2019	3,293	37.52	—	—
August 24, 2019 to September 27, 2019	232	31.97	—	—
Total	3,525	$ 37.73	—	—

(1) During the thirteen weeks ended September 27, 2019, we withheld 3,525 shares of our common stock to satisfy tax withholding requirements upon the vesting of restricted shares of our common stock awarded to our officers and key employees.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit No.	Description
10.1	The Chefs' Warehouse, Inc. 2019 Omnibus Equity Incentive Plan.*
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 – the instance document does not appear on the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document.

* Compensatory Plan or Arrangement

SIGNATURES

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 October 30, 2019.

	THE CHEFS' WAREHOUSE, INC.
	(Registrant)
Date: October 30, 2019	/s/ James Leddy
	James Leddy
	Chief Financial Officer
	(Principal Financial Officer)
Date: October 30, 2019	/s/ Timothy McCauley
	Timothy McCauley
	Chief Accounting Officer
	(Principal Accounting Officer)

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THE CHEFS' WAREHOUSE, INC.
2019 OMNIBUS EQUITY INCENTIVE PLAN

Section 1. Purpose.

This plan shall be known as the "The Chefs' Warehouse, Inc. 2019 Omnibus Equity Incentive Plan" (as amended from time to time, the "Plan"). The purpose of the Plan is to promote the interests of The Chefs' Warehouse, Inc. (the "Company") and its stockholders by (i) attracting and retaining key officers, employees and directors of, and consultants to, the Company and its Subsidiaries and Affiliates; (ii) motivating such individuals by means of performance-related incentives to achieve long-range performance goals; (iii) enabling such individuals to participate in the long-term growth and financial success of the Company; (iv) encouraging ownership of stock in the Company by such individuals; and (v) linking their compensation to the long-term interests of the Company and its stockholders.

Section 2. Definitions.

As used in the Plan, the following terms shall have the meanings set forth below:

2.1 "Affiliate" means (i) any entity that, directly or indirectly, is controlled by the Company, (ii) any entity in which the Company has a significant equity interest, and (iii) an affiliate of the Company, as defined in Rule 12b-2 promulgated under Section 12 of the Exchange Act.

2.2 "Award" means any Option, Stock Appreciation Right, Restricted Share Award, Restricted Share Unit, Performance Award, or Other Stock-Based Award granted under the Plan, whether singly, in combination or in tandem, to a Participant by the Committee (or the Board) pursuant to such terms, conditions, restrictions and/or limitations, if any, as the Committee (or the Board) may establish.

2.3 "Award Agreement" means any written agreement, contract or other instrument or document evidencing any Award, which may, but need not, be executed or acknowledged by a Participant.

2.4 "Board" means the Board of Directors of the Company.

2.5 "Cause" means, unless otherwise defined in the applicable Award Agreement, (i) the engaging by the Participant in willful misconduct that is injurious to the business, financial condition or reputation of the Company or its Subsidiaries or Affiliates, or (ii) the embezzlement or misappropriation of funds or property of the Company or its Subsidiaries or Affiliates by the Participant. For purposes of this paragraph, no act, or failure to act, on the Participant's part shall be considered "willful" unless done, or omitted to be done, by the Participant not in good faith and without reasonable belief that the Participant's action or omission was in the best interest of the Company. Any determination of Cause for purposes of the Plan or any Award shall be made by the Committee in its sole discretion. Any such determination shall be final and binding on a Participant.

2.6 “Change in Control” means, unless otherwise provided in the applicable Award Agreement, the happening of one of the following:

(a) any person or entity, including a “group” as defined in Section 13(d)(3) of the Exchange Act, other than the Company or a wholly-owned Subsidiary thereof or any employee benefit plan of the Company or any of its Subsidiaries, becomes the beneficial owner of the Company’s securities having 35% or more of the combined voting power of the then outstanding securities of the Company that may be cast for the election of directors of the Company (other than as a result of an issuance of securities initiated by the Company in the ordinary course of business); or

(b) as the result of, or in connection with, any cash tender or exchange offer, merger or other business combination, sale of assets or contested election, or any combination of the foregoing transactions, less than a majority of the combined voting power of the then outstanding securities of the Company or any successor corporation or entity entitled to vote generally in the election of the directors of the Company or such other corporation or entity after such transaction are held in the aggregate by the holders of the Company’s securities entitled to vote generally in the election of directors of the Company immediately prior to such transaction; or

(c) during any period of two consecutive years, individuals who at the beginning of any such period constitute the Board cease for any reason to constitute at least a majority thereof, unless the election, or the nomination for election by the Company’s stockholders, of each director of the Company first elected during such period was approved by a vote of at least two-thirds of the directors of the Company then still in office who were directors of the Company at the beginning of any such period.

Notwithstanding the foregoing, unless otherwise provided in the applicable Award Agreement, with respect to Awards subject to Section 409A of the Code, a Change in Control shall mean a “change in the ownership of the Company,” a “change in the effective control of the Company,” or a “change in the ownership of a substantial portion of the assets of the Company” as such terms are defined in Section 1.409A-3(i)(5) of the Treasury Regulations.

2.7 “Code” means the Internal Revenue Code of 1986, as amended from time to time.

2.8 “Committee” means a committee of the Board composed of not less than two Non-Employee Directors, each of whom shall be (i) a “non-employee director” for purposes of Exchange Act Section 16 and Rule 16b-3 thereunder and (ii) “independent” within the meaning of the listing standards of the Nasdaq Stock Market.

2.9 “Consultant” means any consultant to the Company or its Subsidiaries or Affiliates.

2.10 “Director” means a member of the Board.

2.11 “Disability” means, unless otherwise defined in the applicable Award Agreement, a disability that would qualify as a total and permanent disability under the Company’s then current long-term disability plan. With respect to Awards subject to Section 409A of the Code, unless otherwise defined in the applicable Award Agreement, the term “Disability” shall have the meaning set forth in Section 409A of the Code.

2.12 “Early Retirement” means, unless otherwise provided in an Award Agreement, retirement with the express consent of the Committee at or before the time of such retirement, from active employment with the Company and any Subsidiary or Affiliate prior to age 65, in accordance with any applicable early retirement policy of the Company then in effect or as may be approved by the Committee.

2.13 “Effective Date” has the meaning provided in Section 15.1 of the Plan.

2.14 “Employee” means a current or prospective officer or employee of the Company or of any Subsidiary or Affiliate.

2.15 “Exchange Act” means the Securities Exchange Act of 1934, as amended from time to time.

2.16 “Fair Market Value” with respect to the Shares, means, for purposes of a grant of an Award as of any date, (i) the reported closing sales price of the Shares on the Nasdaq Stock Market, or any other such market or exchange as is the principal trading market for the Shares, on such date, or in the absence of reported sales on such date, the closing sales price on the immediately preceding date on which sales were reported or (ii) in the event there is no public market for the Shares on such date, the fair market value as determined, in good faith and by the reasonable application of a reasonable valuation method (as applicable), by the Committee in its sole discretion, and for purposes of a sale of a Share as of any date, the actual sales price on that date.

2.17 “Good Reason” means, unless otherwise provided in an Award Agreement, (i) a material reduction in a Participant’s position, authority, duties or responsibilities following a Change in Control as compared to such level immediately prior to a Change in Control, (ii) any material reduction in a Participant’s annual base salary as in effect immediately prior to a Change in Control; (iii) the relocation of the office at which the Participant is to perform the majority of his or her duties following a Change in Control to a location more than 30 miles from the location at which the Participant performed such duties prior to the Change in Control; or (iv) the failure by the Company or its successor to continue to provide the Participant with benefits substantially similar in aggregate value to those enjoyed by the Participant under any of the Company’s pension, life insurance, medical, health and accident or disability plans in which Participant was participating immediately prior to a Change in Control, unless the Participant is offered participation in other comparable benefit plans generally available to similarly situated employees of the Company or its successor after the Change in Control.

2.18 "Grant Price" means the price established at the time of grant of an SAR pursuant to Section 6 used to determine whether there is any payment due upon exercise of the SAR.

2.19 "Incentive Stock Option" means an option to purchase Shares from the Company that is granted under Section 6 of the Plan and that is intended to meet the requirements of Section 422 of the Code or any successor provision thereto.

2.20 "Non-Employee Director" means a member of the Board who is not an officer or employee of the Company or any Subsidiary or Affiliate.

2.21 "Non-Qualified Stock Option" means an option to purchase Shares from the Company that is granted under Sections 6 or 10 of the Plan and is not intended to be an Incentive Stock Option.

2.22 "Normal Retirement" means, unless otherwise defined in the applicable Award Agreement, retirement of a Participant from active employment with the Company or any of its Subsidiaries or Affiliates on or after such Participant's 65th birthday.

2.23 "Option" means an Incentive Stock Option or a Non-Qualified Stock Option.

2.24 "Option Price" means the purchase price payable to purchase one Share upon the exercise of an Option.

2.25 "Other Stock-Based Award" means any Award granted under Sections 9 or 10 of the Plan. For purposes of the share counting provisions of Section 4.1 hereof, an Other Stock-Based Award that is not settled in cash shall be treated as (i) an Option Award if the amounts payable thereunder will be determined by reference to the appreciation of a Share, and (ii) a Restricted Share Award if the amounts payable thereunder will be determined by reference to the full value of a Share.

2.26 "Outside Director" means, with respect to the grant of an Award, a member of the Board then serving on the Committee.

2.27 "Participant" means any Employee, Director, Consultant or other person who receives an Award under the Plan.

2.28 "Performance Award" means any Award granted under Section 8 of the Plan. For purposes of the share counting provisions of Section 4.1 hereof, a Performance Award that is not settled in cash shall be treated as (i) an Option Award if the amounts payable thereunder will be determined by reference to the appreciation of a Share, and (ii) a Restricted Share Award if the amounts payable thereunder will be determined by reference to the full value of a Share.

2.29 "Person" means any individual, corporation, partnership, limited liability company, association, joint-stock company, trust, unincorporated organization, government or political subdivision thereof or other entity.

2.30 "Registration Date" means the time that the registration statement on Form S-1 of Chefs' Warehouse Holdings, LLC, predecessor to the Company, becomes effective.

2.31 "Restricted Share" means any Share granted under Sections 7 to 10 of the Plan.

2.32 "Restricted Share Unit" means any unit granted under Sections 7 to 10 of the Plan.

2.33 "Retirement" means Normal or Early Retirement.

2.34 "SEC" means the Securities and Exchange Commission or any successor thereto.

2.35 "Section 16" means Section 16 of the Exchange Act and the rules promulgated thereunder and any successor provision thereto as in effect from time to time.

2.36 "Separation from Service" or **"Separates from Service"** shall have the meaning ascribed to such term pursuant to Section 409A of the Code and the regulations promulgated thereunder.

2.37 "Shares" means shares of the common stock, par value $0.01 per share, of the Company.

2.38 "Share Reserve" has the meaning set forth in Section 4.1 hereof.

2.39 "Specified Employee" has the meaning ascribed to such term pursuant to Section 409A of the Code and the regulations promulgated thereunder.

2.40 "Stock Appreciation Right" or **"SAR"** means a stock appreciation right granted under Sections 6, 8 or 10 of the Plan that entitles the holder to receive, with respect to each Share encompassed by the exercise of such SAR, the amount determined by the Committee and specified in an Award Agreement. In the absence of such a determination, the holder shall be entitled to receive, with respect to each Share encompassed by the exercise of such SAR, the excess of the Fair Market Value of such Share on the date of exercise over the Grant Price.

2.41 "Subsidiary" means any Person (other than the Company) of which 50% or more of its voting power or its equity securities or equity interest is owned directly or indirectly by the Company.

2.42 "Substitute Awards" means Awards granted solely in assumption of, or in substitution for, outstanding awards previously granted by a company acquired by the Company or with which the Company combines.

Section 3. Administration.

3.1 *Authority of Committee*. The Plan shall be administered by a Committee, which shall be appointed by and serve at the pleasure of the Board; provided, however, with respect to Awards to Outside Directors, all references in the Plan to the Committee shall be deemed to be references to the Board. Subject to the terms of the Plan and applicable law, and in addition to other express powers and authorizations conferred on the Committee by the Plan, the Committee shall have full power and authority in its discretion (and in accordance with Section 409A of the Code with respect to Awards subject thereto) to: (i) designate Participants; (ii) determine eligibility for participation in the Plan and decide all questions concerning eligibility for and the amount of Awards under the Plan; (iii) determine the type or types of Awards to be granted to a Participant; (iv) determine the number of Shares to be covered by, or with respect to which payments, rights or other matters are to be calculated in connection with Awards; (v) determine the timing, terms, and conditions of any Award; (vi) accelerate the time at which all or any part of an Award may be settled or exercised;(vii) determine whether, to what extent, and under what circumstances Awards may be settled or exercised in cash, Shares, other securities, other Awards or other property, or canceled, forfeited or suspended and the method or methods by which Awards may be settled, exercised, canceled, forfeited or suspended; (viii) determine whether, to what extent, and under what circumstances cash, Shares, other securities, other Awards, other property, and other amounts payable with respect to an Award shall be deferred either automatically or at the election of the holder thereof or of the Committee; (ix) grant Awards as an alternative to, or as the form of payment for grants or rights earned or payable under, other bonus or compensation plans, arrangements or policies of the Company or a Subsidiary or Affiliate; (x) grant Substitute Awards on such terms and conditions as the Committee may prescribe, subject to compliance with the Incentive Stock Option rules under Section 422 of the Code and the nonqualified deferred compensation rules under Section 409A of the Code, where applicable; (xi) make all determinations under the Plan concerning any Participant's Separation from Service with the Company or a Subsidiary or Affiliate, including whether such separation occurs by reason of Cause, Good Reason, Disability, Retirement, or in connection with a Change in Control and whether a leave constitutes a Separation from Service; (xii) interpret and administer the Plan and any instrument or agreement relating to, or Award made under, the Plan; (xiii) except to the extent prohibited by Section 6.2, amend or modify the terms of any Award at or after grant with the consent of the holder of the Award; (xiv) establish, amend, suspend or waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; and (xv) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the Plan, subject to the exclusive authority of the Board under Section 13 hereunder to amend or terminate the Plan.

3.2 *Committee Discretion Binding*. Unless otherwise expressly provided in the Plan, all designations, determinations, interpretations, and other decisions under or with respect to the Plan or any Award shall be within the sole discretion of the Committee, may be made at any time and shall be final, conclusive, and binding upon all Persons, including the Company, any Subsidiary or Affiliate, any Participant and any holder or beneficiary of any Award. A Participant or other holder of an Award may contest a decision or action by the Committee with respect to such person or Award only on the grounds that such decision or action was arbitrary or capricious or was unlawful, and any review of such decision or action shall be limited to determining whether the Committee's decision or action was arbitrary or capricious or was unlawful.

3.3 *Delegation*. Subject to the terms of the Plan and applicable law, the Committee may delegate to one or more officers or managers of the Company or of any Subsidiary or Affiliate, or to a Committee of such officers or managers, the authority, subject to such terms and limitations as the Committee shall determine, to grant Awards to or to cancel, modify or waive rights with respect to, or to alter, discontinue, suspend or terminate Awards held by Participants who are not officers or directors of the Company for purposes of Section 16 or who are otherwise not subject to such Section.

3.4 *No Liability*. No member of the Board or Committee shall be liable for any action taken or determination made in good faith with respect to the Plan or any Award granted hereunder.

Section 4. Shares Available For Awards.

4.1 *Shares Available*. Subject to the provisions of Section 4.2 below, the maximum aggregate number of Shares which may be issued pursuant to all Awards after the Effective Date of the Plan is 2,600,000 Shares (the "Share Reserve"). The number of Shares with respect to which Incentive Stock Options may be granted shall be no more than 2,600,000 Shares. Each Share issued pursuant to an Option shall reduce the Share Reserve by one (1) share. Each Share subject to a redeemed portion of a SAR shall reduce the Share Reserve by one (1) share. Each Share issued pursuant to a Restricted Stock Award or a Restricted Stock Unit Award shall reduce the Share Reserve by one (1) share. If any Award granted under the Plan (whether before or after the Effective Date of the Plan) shall expire, terminate, be settled in cash (in whole or in part) or otherwise be forfeited or canceled for any reason before it has vested or been exercised in full, the Shares subject to such Award shall, to the extent of such expiration, cash settlement, forfeiture, or termination, again be available for Awards under the Plan, in accordance with this Section 4.1. The Committee may make such other determinations regarding the counting of Shares issued pursuant to the Plan as it deems necessary or advisable, provided that such determinations shall be permitted by law. Notwithstanding the foregoing, if an Option or SAR is exercised, in whole or in part, by tender of Shares or if the Company's tax withholding obligation is satisfied by withholding Shares, the number of Shares deemed to have been issued under the Plan for purposes of the limitation set forth in this Section 4.1 shall be the number of Shares that were subject to the Option or SAR or portion thereof, and not the net number of Shares actually issued and any SARs to be settled in Shares shall be counted in full against the number of Shares available for issuance under the Plan, regardless of the number of shares issued upon the settlement of the SAR. Any Shares that again become available for grant pursuant to this Section shall be added back as (i) one (1) Share if such Shares were subject to Options or Stock Appreciation Rights granted under the Plan, and (ii) as one (1) Share if such Shares were subject to Awards other than Options or Stock Appreciation Rights granted under the Plan. Notwithstanding the foregoing and subject to adjustment as provided in Section 4.2 hereof, no Participant may receive Options or SARs under the Plan in any calendar year that, taken together, relate to more than 200,000 Shares.

4.2 *Adjustments*. Without limiting the Committee's discretion as provided in Section 12 hereof, in the event that the Committee determines that any dividend or other distribution (whether in the form of cash, Shares, other securities or other property, and other than a normal cash dividend), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of Shares or other securities of the Company, issuance of warrants or other rights to purchase Shares or other securities of the Company, or other similar corporate transaction or event affects the Shares, then the Committee shall, in an equitable and proportionate manner as determined by the Committee (and, as applicable, in such manner as is consistent with 422 and 409A of the Code and the regulations thereunder) either: (i) adjust any or all of (1) the aggregate number of Shares or other securities of the Company (or number and kind of other securities or property) with respect to which Awards may be granted under the Plan; (2) the number of Shares or other securities of the Company (or number and kind of other securities or property) subject to outstanding Awards under the Plan, provided that the number of Shares subject to any Award shall always be a whole number; (3) the grant or exercise price with respect to any Award under the Plan, and (4) the limits on the number of Shares or Awards that may be granted to Participants under the Plan in any calendar year; (ii) provide for an equivalent award in respect of securities of the surviving entity of any merger, consolidation or other transaction or event having a similar effect; or (iii) make provision for a cash payment to the holder of an outstanding Award. Any such adjustments to outstanding Awards shall be effected in a manner that precludes the material enlargement of rights and benefits under such Awards.

4.3 *Substitute Awards*. Any Shares issued by the Company as Substitute Awards in connection with the assumption or substitution of outstanding grants from any acquired corporation shall not reduce the Shares available for Awards under the Plan.

4.4 *Sources of Shares Deliverable Under Awards*. Any Shares delivered pursuant to an Award may consist, in whole or in part, of authorized and unissued Shares or of issued Shares which have been reacquired by the Company.

Section 5. Eligibility.

Any Employee, Director or Consultant shall be eligible to be designated a Participant; provided, however, that Outside Directors shall only be eligible to receive Awards granted consistent with Section 10.

Section 6. Stock Options And Stock Appreciation Rights.

6.1 *Grant*. Subject to the provisions of the Plan, the Committee shall have sole and complete authority to determine the Participants to whom Options and SARs shall be granted, the number of Shares subject to each Award, the exercise price and the conditions and limitations applicable to the exercise of each Option and SAR. An Option may be granted with or without a related SAR. An SAR may be granted with or without a related Option. The grant of an Option or SAR shall occur when the Committee by resolution, written consent or other appropriate action determines to grant such Option or SAR for a particular number of Shares to a particular Participant at a particular Option Price or Grant Price, as the case may be, or such later date as the Committee shall specify in such resolution, written consent or other appropriate action. The Committee shall have the authority to grant Incentive Stock Options and to grant Non-Qualified

Stock Options. In the case of Incentive Stock Options, the terms and conditions of such grants shall be subject to and comply with Section 422 of the Code, as from time to time amended, and any regulations implementing such statute. To the extent the aggregate Fair Market Value (determined at the time the Incentive Stock Option is granted) of the Shares with respect to which all Incentive Stock Options are exercisable for the first time by an Employee during any calendar year (under all plans described in Section 422(d) of the Code of the Employee's employer corporation and its parent and Subsidiaries) exceeds $100,000, such Options shall be treated as Non-Qualified Stock Options.

6.2 *Price*. The Committee in its sole discretion shall establish the Option Price at the time each Option is granted and the Grant Price at the time each SAR is granted. Except in the case of Substitute Awards, the Option Price of an Option may not be less than the Fair Market Value of a Share on the date of grant of such Option, and the Grant Price of an SAR may not be less than the Fair Market Value of a Share on the date of grant of such SAR. In the case of Substitute Awards or Awards granted in connection with an adjustment provided for in Section 4.2 hereof in the form of Options or SARS, such grants shall have an Option Price (or Grant Price) per Share that is intended to maintain the economic value of the Award that was replaced or adjusted as determined by the Committee. Notwithstanding the foregoing and except as permitted by the provisions of Section 4.2 hereof, the Committee shall not have the power to (i) amend the terms of previously granted Options to reduce the Option Price of such Options, (ii) amend the terms of previously granted SARs to reduce the Grant Price of such SARs, (iii) cancel such Options and grant substitute Options with a lower Option Price than the cancelled Options, or (iv) cancel such SARs and grant substitute SARs with a lower Grant Price than the cancelled SARs, in each case without the approval of the Company's stockholders.

6.3 *Term*. Subject to the Committee's authority under Section 3.1 and the provisions of Section 6.6, each Option and SAR and all rights and obligations thereunder shall expire on the date determined by the Committee and specified in the Award Agreement. The Committee shall be under no duty to provide terms of like duration for Options or SARs granted under the Plan. Notwithstanding the foregoing, but subject to Section 6.4(a) hereof, no Option or SAR shall be exercisable after the expiration of ten (10) years from the date such Option or SAR was granted.

6.4 *Exercise*.

(a) Subject to Section 14.3, each Option and SAR shall be exercisable at such times and subject to such terms and conditions as the Committee may, in its sole discretion, specify in the applicable Award Agreement or thereafter. The Committee shall have full and complete authority to determine, subject to Section 6.6 herein, whether an Option or SAR will be exercisable in full at any time or from time to time during the term of the Option or SAR, or to provide for the exercise thereof in such installments, upon the occurrence of such events and at such times during the term of the Option or SAR as the Committee may determine. An Award Agreement may provide that the period of time over which an Option, other than an Incentive Stock Option, or SAR may be exercised shall be automatically extended if on the scheduled expiration of such Award, the Participant's exercise of such Award would, in the reasonable judgment of the Company, violate applicable securities law or would be prohibited by a Company "blackout" policy; provided, however, that during the extended exercise period the Option or SAR may only be exercised to the extent such Award was exercisable in accordance with its terms immediately prior to such scheduled expiration date; provided further, however, that such extended exercise period shall end not later than thirty (30) days after the exercise of such Option or SAR first would no longer violate such laws or policy.

(b) The Committee may impose such conditions with respect to the exercise of Options or SARs, including without limitation, any relating to the application of federal, state or foreign securities laws or the Code, as it may deem necessary or advisable. The exercise of any Option granted hereunder shall be effective only at such time as the sale of Shares pursuant to such exercise will not violate any state or federal securities or other laws.

(c) An Option or SAR may be exercised in whole or in part at any time, with respect to whole Shares only, within the period permitted thereunder for the exercise thereof, and shall be exercised by written notice of intent to exercise the Option or SAR, delivered to the Company at its principal office, and payment in full to the Company at the direction of the Committee of the amount of the Option Price for the number of Shares with respect to which the Option is then being exercised.

(d) Payment of the Option Price shall be made in (i) cash or cash equivalents, (ii) at the discretion of the Committee, by transfer, either actually or by attestation, to the Company of unencumbered Shares previously acquired by the Participant, valued at the Fair Market Value of such Shares on the date of exercise (or next succeeding trading date, if the date of exercise is not a trading date), together with any applicable withholding taxes, such transfer to be upon such terms and conditions as determined by the Committee, (iii) by a combination of (i) or (ii), or (iv) by any other method approved or accepted by the Committee in its sole discretion, including, if the Committee so determines, (x) a cashless (broker-assisted) exercise or (y) withholding Shares (net-exercise) otherwise deliverable to the Participant pursuant to the Option having an aggregate Fair Market Value at the time of exercise equal to the total Option Price. Until the optionee has been issued the Shares subject to such exercise, he or she shall possess no rights as a stockholder with respect to such Shares. The Company reserves, at any and all times in the Company's sole discretion, the right to establish, decline to approve or terminate any program or procedures for the exercise of Options by means of a method set forth in subsection (iv) above, including with respect to one or more Participants specified by the Company notwithstanding that such program or procedures may be available to other Participants.

(e) At the Committee's discretion, the amount payable as a result of the exercise of an SAR may be settled in cash, Shares or a combination of cash and Shares. A fractional Share shall not be deliverable upon the exercise of a SAR but a cash payment will be made in lieu thereof.

6.5 *Separation from Service*. Except as otherwise provided in the applicable Award Agreement, an Option or SAR may be exercised only to the extent that it is then exercisable, and if at all times during the period beginning with the date of granting such Award and ending on the date of exercise of such Award the Participant is an Employee, Non-Employee Director or Consultant, and shall terminate immediately upon a Separation from Service by the Participant. An Option or SAR shall cease to become exercisable upon a Separation from Service of the holder thereof. Notwithstanding the foregoing provisions of this Section 6.5 to the contrary, the Committee may determine in its discretion that an Option or SAR may be exercised following any such Separation from Service, whether or not exercisable at the time of such separation; provided, however, that in no event may an Option or SAR be exercised after the expiration date of such Award specified in the applicable Award Agreement, except as provided in Section 6.4(a).

6.6 *Ten Percent Stock Rule*. Notwithstanding any other provisions in the Plan, if at the time an Option is otherwise to be granted pursuant to the Plan, the optionee or rights holder owns directly or indirectly (within the meaning of Section 424(d) of the Code) Shares of the Company possessing more than ten percent (10%) of the total combined voting power of all classes of Stock of the Company or its parent or Subsidiary or Affiliate corporations (within the meaning of Section 422(b)(6) of the Code), then any Incentive Stock Option to be granted to such optionee or rights holder pursuant to the Plan shall satisfy the requirement of Section 422(c)(5) of the Code, and the Option Price shall be not less than one hundred ten percent (110%) of the Fair Market Value of the Shares of the Company, and such Option by its terms shall not be exercisable after the expiration of five (5) years from the date such Option is granted.

Section 7. Restricted Shares And Restricted Share Units.

7.1 *Grant*.

(a) Subject to the provisions of the Plan, the Committee shall have sole and complete authority to determine the Participants to whom Restricted Shares and Restricted Share Units shall be granted, the number of Restricted Shares and/or the number of Restricted Share Units to be granted to each Participant, the duration of the period during which, and the conditions under which, the Restricted Shares and Restricted Share Units may be forfeited to the Company, and the other terms and conditions of such Awards. The Restricted Share and Restricted Share Unit Awards shall be evidenced by Award Agreements in such form as the Committee shall from time to time approve, which agreements shall comply with and be subject to the terms and conditions provided hereunder and any additional terms and conditions established by the Committee that are consistent with the terms of the Plan.

(b) Each Restricted Share and Restricted Share Unit Award made under the Plan shall be for such number of Shares as shall be determined by the Committee and set forth in the Award Agreement containing the terms of such Restricted Share or Restricted Share Unit Award. Such agreement shall set forth a period of time (not less than one year) during which the grantee must remain in the continuous employment (or other service-providing capacity) of the Company in order for the forfeiture and transfer restrictions to lapse. If the Committee so determines, the restrictions may lapse during such restricted period in installments with respect to specified portions of the Shares covered by the Restricted Share or Restricted Share Unit Award. The Award Agreement may also, in the discretion of the Committee, set forth performance or other conditions that will subject the Shares to forfeiture and transfer restrictions. The Committee may, at its discretion, waive all or any part of the restrictions applicable to any or all outstanding Restricted Share and Restricted Share Unit Awards.

7.2 *Delivery of Shares and Transfer Restrictions*.

(a) At the time a Restricted Share Award is granted, a certificate representing the number of Shares awarded thereunder shall be registered in the name of the grantee. Such certificate shall be held by the Company or any custodian appointed by the Company for the account of the grantee subject to the terms and conditions of the Plan, and shall bear such a legend setting forth the restrictions imposed thereon as the Committee, in its discretion, may determine. The foregoing to the contrary notwithstanding, the Committee may, in its discretion, provide that a Participant's ownership of Restricted Shares prior to the lapse of any transfer restrictions or any other applicable restrictions shall, in lieu of such certificates, be evidenced by a "book entry" (*i.e*., a computerized or manual entry) in the records of the Company or its designated agent in the name of the Participant who has received such Award, and confirmation and account statements sent to the Participant with respect to such book-entry Shares may bear the restrictive legend referenced in the preceding sentence. Such records of the Company or such agent shall, absent manifest error, be binding on all Participants who receive Restricted Share Awards evidenced in such manner. The holding of Restricted Shares by the Company or such an escrow holder, or the use of book entries to evidence the ownership of Restricted Shares, in accordance with this Section 7.2(a), shall not affect the rights of Participants as owners of the Restricted Shares awarded to them, nor affect the restrictions applicable to such shares under the Award Agreement or the Plan, including the transfer restrictions.

(b) Unless otherwise provided in the applicable Award Agreement, the grantee shall have all rights of a stockholder with respect to the Restricted Shares, including the right to receive dividends and the right to vote such Shares, subject to the following restrictions: (i) the grantee shall not be entitled to delivery of the stock certificate until the expiration of the restricted period and the fulfillment of any other restrictive conditions set forth in the Award Agreement with respect to such Shares; (ii) none of the Shares may be sold, assigned, transferred, pledged, hypothecated or otherwise encumbered or disposed of during such restricted period or until after the fulfillment of any such other restrictive conditions; (iii) except as otherwise determined by the Committee at or after grant, all of the Shares shall be forfeited and all rights of the grantee to such Shares shall terminate, without further obligation on the part of the Company, unless the grantee remains in the continuous employment of the Company for the entire restricted period in relation to which such Shares were granted and unless any other restrictive conditions relating to the Restricted Share Award are met; and (iv) dividends declared and paid on

Restricted Shares during such restricted period shall be retained by the Company and paid to the grantee upon the satisfaction of the continuous employment and any other restrictive conditions relating to such Restricted Shares. Restricted Share Units shall be subject to similar transfer restrictions as Restricted Share Awards, except that no Shares are actually awarded to a Participant who is granted Restricted Share Units on the date of grant, and such Participant shall have no rights of a stockholder with respect to such Restricted Share Units until the restrictions set forth in the applicable Award Agreement have lapsed.

7.3 *Termination of Restrictions*. At the end of the restricted period and provided that any other restrictive conditions of the Restricted Share Award are met, or at such earlier time as otherwise determined by the Committee, all restrictions set forth in the Award Agreement relating to the Restricted Share Award or in the Plan shall lapse as to the Restricted Shares subject thereto, and a stock certificate for the appropriate number of Shares, free of the restrictions and restricted stock legend, shall be delivered to the Participant or the Participant's beneficiary or estate, as the case may be (or, in the case of book-entry Shares, such restrictions and restricted stock legend shall be removed from the confirmation and account statements delivered to the Participant or the Participant's beneficiary or estate, as the case may be, in book-entry form).

7.4 *Payment of Restricted Share Units*. Each Restricted Share Unit shall have a value equal to the Fair Market Value of a Share. Restricted Share Units may be paid in cash, Shares, other securities or other property, as determined in the sole discretion of the Committee, upon the lapse of the restrictions applicable thereto, or otherwise in accordance with the applicable Award Agreement. The applicable Award Agreement shall specify whether a Participant will be entitled to receive dividend equivalent rights in respect of Restricted Share Units at the time of any payment of dividends to stockholders on Shares. If the applicable Award Agreement specifies that a Participant will be entitled to dividend equivalent rights, (i) the amount of any such dividend equivalent right shall equal the amount that would be payable to the Participant as a stockholder in respect of a number of Shares equal to the number of vested Restricted Share Units then credited to the Participant, and (ii) any such dividend equivalent right shall be paid in accordance with the Company's payment practices as may be established from time to time and as of the date on which such dividend would have been payable in respect of outstanding Shares (and in accordance with Section 409A of the Code with regard to Awards subject thereto); provided, that no dividend equivalents shall be paid on Restricted Share Units that have not vested and such dividend equivalents shall instead accumulate and be paid upon vesting of the Restricted Share Units to which they relate. Except as otherwise determined by the Committee at or after grant, Restricted Share Units may not be sold, assigned, transferred, pledged, hypothecated or otherwise encumbered or disposed of, and all Restricted Share Units and all rights of the grantee to such Restricted Share Units shall terminate, without further obligation on the part of the Company, unless the grantee remains in continuous employment of the Company for the entire restricted period in relation to which such Restricted Share Units were granted and unless any other restrictive conditions relating to the Restricted Share Unit Award are met.

Section 8. Performance Awards.

8.1 *Grant*. The Committee shall have sole and complete authority to determine the Participants who shall receive a Performance Award, which shall consist of a right that is (i) denominated in cash or Shares (including but not limited to Restricted Shares and Restricted Share Units), (ii) valued, as determined by the Committee, in accordance with the achievement of such performance goals during such performance periods as the Committee shall establish, and (iii) payable at such time and in such form as the Committee shall determine.

8.2 *Terms and Conditions*. Subject to the terms of the Plan and any applicable Award Agreement, the Committee shall determine the performance goals to be achieved during any performance period, the length of any performance period, the amount of any Performance Award and the amount and kind of any payment or transfer to be made pursuant to any Performance Award, and may amend specific provisions of the Performance Award; provided, however, that such amendment may not adversely affect existing Performance Awards made within a performance period commencing prior to implementation of the amendment.

8.3 *Payment of Performance Awards*. Performance Awards may be paid in a lump sum or in installments following the close of the performance period or, in accordance with the procedures established by the Committee, on a deferred basis. Separation from Service prior to the end of any performance period, other than for reasons of death or Disability, will result in the forfeiture of the Performance Award, and no payments will be made. Notwithstanding the foregoing, the Committee may in its discretion, waive any performance goals and/or other terms and conditions relating to a Performance Award. A Participant's rights to any Performance Award may not be sold, assigned, transferred, pledged, hypothecated or otherwise encumbered or disposed of in any manner, except by will or the laws of descent and distribution, and/or except as the Committee may determine at or after grant.

Section 9. Other Stock-Based Awards.

The Committee shall have the authority to determine the Participants who shall receive an Other Stock-Based Award, which shall consist of any right that is (i) not an Award described in Sections 6 and 7 above and (ii) an Award of Shares or an Award denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, Shares (including, without limitation, securities convertible into Shares), as deemed by the Committee to be consistent with the purposes of the Plan. Subject to the terms of the Plan and any applicable Award Agreement, the Committee shall determine the terms and conditions of any such Other Stock-Based Award.

Section 10. Non-Employee Director And Outside Director Awards.

10.1 The Board may provide that all or a portion of a Non-Employee Director's annual retainer, meeting fees and/or other awards or compensation as determined by the Board, be payable (either automatically or at the election of a Non-Employee Director) in the form of Non-Qualified Stock Options, Restricted Shares, Restricted Share Units and/or Other Stock-Based Awards, including unrestricted Shares. The Board shall determine the terms and conditions of any such Awards, including the terms and conditions which shall apply upon a termination of the Non-Employee Director's service as a member of the Board, and shall have full power and authority in its discretion to administer such Awards, subject to the terms of the Plan and applicable law.

10.2 The Board may also grant Awards to Outside Directors pursuant to the terms of the Plan, including any Award described in Sections 6, 7 and 9 above. With respect to such Awards, all references in the Plan to the Committee shall be deemed to be references to the Board.

Section 11. Separation from Service.

The Committee shall have the full power and authority to determine the terms and conditions that shall apply to any Award upon a Separation from Service with the Company, its Subsidiaries and Affiliates, including a separation from the Company with or without Cause, by a Participant voluntarily, or by reason of death, Disability, Early Retirement or Retirement, and may provide such terms and conditions in the Award Agreement or in such rules and regulations as it may prescribe.

Section 12. Change In Control.

12.1 *Certain Terminations*. Unless otherwise provided by the Committee, or in an Award Agreement or by a contractual agreement between the Company and a Participant, if, within one year following a Change in Control, a Participant Separates from Service with the Company (or its successor) by reason of (a) death; (b) Disability; (c) Normal Retirement or Early Retirement; (d) for Good Reason by the Participant; or (e) involuntary termination by the Company for any reason other than for Cause, all outstanding Awards of such Participant shall vest, become immediately exercisable and payable and have all restrictions lifted. For purposes of an Award subject to Section 409A of the Code, Good Reason shall exist only if (i) the Participant notifies the Company of the event establishing Good Reason within 90 days of its initial existence, (ii) the Company is provided 30 days to cure such event and (iii) the Participant Separates from Service with the Company (or its successor) within 180 days of the initial occurrence of the event.

12.2 *Accelerated Vesting*. The Committee may (in accordance with Section 409A, to the extent applicable), in its discretion, provide in any Award Agreement, or, in the event of a Change in Control, may take such actions as it deems appropriate to provide, for the acceleration of the exercisability, vesting and/or settlement in connection with such Change in Control of each or any outstanding Award or portion thereof and Shares acquired pursuant thereto upon such conditions (if any), including termination of the Participant's service prior to, upon, or following such Change in Control, to such extent as the Committee shall determine. In the event of a Change of Control, and without the consent of any Participant, the Committee may, in its discretion, provide that for a period of at least fifteen (15) days prior to the Change in Control, any Options or Stock Appreciation Rights shall be exercisable as to all Shares subject thereto and that upon the occurrence of the Change in Control, such Stock Options or Stock Appreciation Rights shall terminate and be of no further force and effect.

12.3 *Assumption, Continuation or Substitution*. In the event of a Change in Control, the surviving, continuing, successor, or purchasing corporation or other business entity or parent thereof, as the case may be (the "Acquiror"), may (in accordance with Section 409A, to the extent applicable), without the consent of any Participant, either assume or continue the Company's rights and obligations under each or any Award or portion thereof outstanding immediately prior to the Change in Control or substitute for each or any such outstanding Award or portion thereof a substantially equivalent award with respect to the Acquiror's stock, as applicable; provided, that in the event of such an assumption, the Acquiror must grant the rights set forth in Section 12.1 to the Participant in respect of such assumed Awards. For purposes of this Section, if so determined by the Committee, in its discretion, an Award denominated in Shares shall be deemed assumed if, following the Change in Control, the Award (as adjusted, if applicable, pursuant to Section 4.2 hereof) confers the right to receive, subject to the terms and conditions of the Plan and the applicable Award Agreement, for each Share subject to the Award immediately prior to the Change in Control, the consideration (whether stock, cash, other securities or property or a combination thereof) to which a holder of a share of Stock on the effective date of the Change in Control was entitled; provided, however, that if such consideration is not solely common stock of the Acquiror, the Committee may, with the consent of the Acquiror, provide for the consideration to be received upon the exercise or settlement of the Award, for each Share subject to the Award, to consist solely of common stock of the Acquiror equal in Fair Market Value to the per share consideration received by holders of Shares pursuant to the Change in Control. Any Award or portion thereof which is neither assumed or continued by the Acquiror in connection with the Change in Control nor exercised or settled as of the time of consummation of the Change in Control shall terminate and cease to be outstanding effective as of the time of consummation of the Change in Control.

12.4 *Cash-Out of Awards*. The Committee may (in accordance with Section 409A, to the extent applicable), in its discretion at or after grant and without the consent of any Participant, determine that, upon the occurrence of a Change in Control, each or any Award or a portion thereof outstanding immediately prior to the Change in Control and not previously exercised or settled shall be canceled in exchange for a payment with respect to each vested Share (and each unvested Share, if so determined by the Committee) subject to such canceled Award in (i) cash, (ii) stock of the Company or of a corporation or other business entity a party to the Change in Control, or (iii) other property which, in any such case, shall be in an amount having a Fair Market Value equal to the Fair Market Value of the consideration to be paid per Share in the Change in Control, reduced by the exercise or purchase price per share, if any, under such Award (which payment may, for the avoidance of doubt, be $0, in the event the per share exercise or purchase price of an Award is greater than the per share consideration in connection with the Change in Control). In the event such determination is made by the Committee, the amount of such payment (reduced by applicable withholding taxes, if any), if any, shall be paid to Participants in respect of the vested portions of their canceled Awards as soon as practicable following the date of the Change in Control and may be paid in respect of the unvested portions of their canceled Awards in accordance with the vesting schedules applicable to such Awards.

12.5 *Performance Awards*. The Committee may (in accordance with Section 409A, to the extent applicable), in its discretion at or after grant, provide that in the event of a Change in

Control, (i) any outstanding Performance Awards relating to performance periods ending prior to the Change in Control which have been earned but not paid shall become immediately payable, (ii) all then-in-progress performance periods for Performance Awards that are outstanding shall end, and either (A) any or all Participants shall be deemed to have earned an award equal to the relevant target award opportunity for the performance period in question, or (B) at the Committee's discretion, the Committee shall determine the extent to which performance criteria have been met with respect to each such Performance Award, if at all, and (iii) the Company shall cause to be paid to each Participant such partial or full Performance Awards, in cash, Shares or other property as determined by the Committee, within thirty (30) days of such Change in Control, based on the Change in Control consideration, which amount may be zero if applicable. In the absence of such a determination, any Performance Awards relating to performance periods that will not have ended as of the date of a Change in Control shall be terminated and canceled for no further consideration.

Section 13. Amendment And Termination.

13.1 *Amendments to the Plan*. The Board may amend, alter, suspend, discontinue or terminate the Plan or any portion thereof at any time (and in accordance with Section 409A of the Code with regard to Awards subject thereto); provided that no such amendment, alteration, suspension, discontinuation or termination shall be made without stockholder approval if such approval is necessary to comply with any tax or regulatory requirement for which or with which the Board deems it necessary or desirable to comply.

13.2 *Amendments to Awards*. Subject to the restrictions of Section 6.2, the Committee may waive any conditions or rights under, amend any terms of or alter, suspend, discontinue, cancel or terminate, any Award theretofore granted, prospectively or retroactively in time (and in accordance with Section 409A of the Code with regard to Awards subject thereto); provided that any such waiver, amendment, alteration, suspension, discontinuance, cancellation or termination that would materially and adversely affect the rights of any Participant or any holder or beneficiary of any Award theretofore granted shall not to that extent be effective without the consent of the affected Participant, holder or beneficiary.

13.3 *Adjustments of Awards Upon the Occurrence of Certain Unusual or Nonrecurring Events*. The Committee is hereby authorized to make equitable and proportionate adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events (and shall make such adjustments for the events described in Section 4.2 hereof) affecting the Company, any Subsidiary or Affiliate, or the financial statements of the Company or any Subsidiary or Affiliate, or of changes in applicable laws, regulations or accounting principles.

Section 14. General Provisions.

14.1 *Limited Transferability of Awards*. Except as otherwise provided in the Plan, an Award Agreement or by the Committee at or after grant, no Award shall be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by a Participant, except by will or the laws of descent and distribution. No transfer of an Award by will or by laws of descent and distribution shall be effective to bind the Company unless the Company shall have been furnished with written notice thereof and an authenticated copy of the will and/or such other evidence as the Committee may deem necessary or appropriate to establish the validity of the transfer. No transfer of an Award for value shall be permitted under the Plan.

14.2 *Dividend Equivalents*. In the sole and complete discretion of the Committee, an Award may provide the Participant with dividends or dividend equivalents, payable in cash, Shares, other securities or other property on a deferred basis. Dividends or dividend equivalents with respect to Performance Awards shall be accumulated until, and shall be paid only to the extent that, such Award is earned and vested based on the satisfaction of the applicable performance measures and time-based vesting restrictions. Dividends or dividend equivalents with respect to Awards that are subject to time-based vesting restrictions shall be accumulated until, and shall be paid only to the extent that, such Awards vest in accordance with their terms. All dividends or dividend equivalents may, at the Committee's discretion, accrue interest or be invested into additional Shares. Notwithstanding the foregoing, with respect to an Award subject to Section 409A of the Code, the payment, deferral or crediting of any dividends or dividend equivalents shall conform to the requirements of Section 409A of the Code.

14.3 *Minimum Vesting*. All Awards shall be subject to a minimum time-based vesting or performance period, as applicable, of not less than one year from the grant date, except in the case of a Substitute Award made in replacement of an award that is already fully vested or scheduled to vest in less than one year from the grant date of such Substitute Award. Notwithstanding the foregoing, up to 5% of the total shares authorized for issuance under the Plan pursuant to Section 4.1 (as adjusted, if applicable, pursuant to Section 4.2) may provide for a vesting period or performance period of less than one year following the grant date.

14.4 *Compliance with Section 409A of the Code*. No Award (or modification thereof) shall provide for deferral of compensation that does not comply with Section 409A of the Code unless the Committee, at the time of grant, specifically provides that the Award is not intended to comply with Section 409A of the Code. Notwithstanding any provision of the Plan to the contrary, if one or more of the payments or benefits received or to be received by a Participant pursuant to an Award would cause the Participant to incur any additional tax or interest under Section 409A of the Code, the Committee may reform such provision to maintain to the maximum extent practicable the original intent of the applicable provision without violating the provisions of Section 409A of the Code. In addition, if a Participant is a Specified Employee at the time of his or her Separation from Service, any payments with respect to any Award subject to Section 409A of the Code to which the Participant would otherwise be entitled by reason of such Separation from Service shall be made on the date that is six months after the Participant's Separation from Service (or, if earlier, the date of the Participant's death). Although the Company intends to administer the Plan so that Awards will be exempt from, or will comply with, the requirements of Section 409A of the Code, the Company does not warrant that any Award under the Plan will qualify for favorable tax treatment under Section 409A of the Code or any other provision of federal, state, local or foreign law. The Company shall not be liable to any Participant for any tax, interest, or penalties that Participant might owe as a result of the grant, holding, vesting, exercise, or payment of any Award under the Plan.

14.5 *No Rights to Awards*. No Person shall have any claim to be granted any Award, and there is no obligation for uniformity of treatment of Participants or holders or beneficiaries of Awards. The terms and conditions of Awards need not be the same with respect to each Participant.

14.6 *Recoupment*. Notwithstanding anything in the Plan to the contrary, all Awards granted under the Plan and any payments made under the Plan shall be subject to clawback or recoupment as permitted or mandated by applicable law, rules, regulations or Company policy as enacted, adopted or modified from time to time. For the avoidance of doubt, this provision shall apply to any gains realized upon exercise or settlement of an Award.

14.7 *Share Certificates*. All certificates for Shares or other securities of the Company or any Subsidiary or Affiliate delivered under the Plan pursuant to any Award or the exercise thereof shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations and other requirements of the SEC or any state securities commission or regulatory authority, any stock exchange or other market upon which such Shares or other securities are then listed, and any applicable Federal or state laws, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

14.8 *Tax Withholding*. A Participant may be required to pay to the Company or any Subsidiary or Affiliate and the Company or any Subsidiary or Affiliate shall have the right and is hereby authorized to withhold from any Award, from any payment due or transfer made under any Award or under the Plan, or from any compensation or other amount owing to a Participant the amount (in cash, Shares, other securities, other Awards or other property) of any applicable withholding or other tax-related obligations in respect of an Award, its exercise or any other transaction involving an Award, or any payment or transfer under an Award or under the Plan and to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes. The Committee may provide for additional cash payments to holders of Options to defray or offset any tax arising from the grant, vesting, exercise or payment of any Award. Without limiting the generality of the foregoing, the Committee may in its discretion permit a Participant to satisfy or arrange to satisfy, in whole or in part, the tax obligations incident to an Award by: (a) electing to have the Company withhold Shares or other property otherwise deliverable to such Participant pursuant to the Award (provided, however, that the amount of any Shares so withheld shall not exceed the amount necessary to satisfy required federal, state local and foreign withholding obligations using the minimum statutory withholding rates for federal, state, local and/or foreign tax purposes, including payroll taxes, that are applicable to supplemental taxable income) and/or (b) tendering to the Company Shares owned by such Participant (or by such Participant and his or her spouse jointly) and purchased or held for the requisite period of time as may be required to avoid the Company’s or the Affiliates’ or Subsidiaries’ incurring an adverse accounting charge, based, in each case, on the Fair Market Value of the Shares on the payment date as determined by the Committee. All such elections shall be irrevocable, made in writing, signed by the Participant, and shall be subject to any restrictions or limitations that the Committee, in its sole discretion, deems appropriate.

14.9 *Award Agreements*. Each Award hereunder shall be evidenced by an Award Agreement that shall be delivered to the Participant and may specify the terms and conditions of the Award and any rules applicable thereto. In the event of a conflict between the terms of the Plan and any Award Agreement, the terms of the Plan shall prevail. The Committee shall, subject to applicable law, determine the date an Award is deemed to be granted. The Committee or, except to the extent prohibited under applicable law, its delegate(s) may establish the terms of agreements or other documents evidencing Awards under the Plan and may, but need not, require as a condition to any such agreement's or document's effectiveness that such agreement or document be executed by the Participant, including by electronic signature or other electronic indication of acceptance, and that such Participant agree to such further terms and conditions as specified in such agreement or document. The grant of an Award under the Plan shall not confer any rights upon the Participant holding such Award other than such terms, and subject to such conditions, as are specified in the Plan as being applicable to such type of Award (or to all Awards) or as are expressly set forth in the agreement or other document evidencing such Award.

14.10 *No Limit on Other Compensation Arrangements*. Nothing contained in the Plan shall prevent the Company or any Subsidiary or Affiliate from adopting or continuing in effect other compensation arrangements, which may, but need not, provide for the grant of Options, Restricted Shares, Restricted Share Units, Other Stock-Based Awards or other types of Awards provided for hereunder.

14.11 *No Right to Employment*. The grant of an Award shall not be construed as giving a Participant the right to be retained in the employ of the Company or any Subsidiary or Affiliate. Further, the Company or a Subsidiary or Affiliate may at any time dismiss a Participant from employment, free from any liability or any claim under the Plan, unless otherwise expressly provided in an Award Agreement.

14.12 *No Rights as Stockholder*. Subject to the provisions of the Plan and the applicable Award Agreement, no Participant or holder or beneficiary of any Award shall have any rights as a stockholder with respect to any Shares to be distributed under the Plan until such person has become a holder of such Shares.

14.13 *Governing Law*. The validity, construction and effect of the Plan and any rules and regulations relating to the Plan and any Award Agreement shall be determined in accordance with the laws of the State of Delaware without giving effect to conflicts of laws principles.

14.14 *Severability*. If any provision of the Plan or any Award is, or becomes, or is deemed to be invalid, illegal or unenforceable in any jurisdiction or as to any Person or Award, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to the applicable laws, or if it cannot be construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction, Person or Award and the remainder of the Plan and any such Award shall remain in full force and effect.

14.15 *Other Laws*. The Committee may refuse to issue or transfer any Shares or other consideration under an Award if, acting in its sole discretion, it determines that the issuance or transfer of such Shares or such other consideration might violate any applicable law or regulation (including applicable non-U.S. laws or regulations) or entitle the Company to recover the same under Exchange Act Section 16(b), and any payment tendered to the Company by a Participant, other holder or beneficiary in connection with the exercise of such Award shall be promptly refunded to the relevant Participant, holder or beneficiary.

14.16 *No Trust or Fund Created*. Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Subsidiary or Affiliate and a Participant or any other Person. To the extent that any Person acquires a right to receive payments from the Company or any Subsidiary or Affiliate pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Company or any Subsidiary or Affiliate.

14.17 *No Fractional Shares*. No fractional Shares shall be issued or delivered pursuant to the Plan or any Award, and the Committee shall determine whether cash, other securities or other property shall be paid or transferred in lieu of any fractional Shares or whether such fractional Shares or any rights thereto shall be canceled, terminated or otherwise eliminated.

14.18 *Headings*. Headings are given to the sections and subsections of the Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Plan or any provision thereof.

Section 15. Term Of The Plan.

15.1 *Effective Date*. The Plan shall be effective upon the later to occur of (i) its adoption by the Board or (ii) immediately prior to the Registration Date (the “Effective Date”).

15.2 *Expiration Date*. No new Awards shall be granted under the Plan after the tenth (10th) anniversary of the Effective Date. Unless otherwise expressly provided in the Plan or in an applicable Award Agreement, any Award granted hereunder may, and the authority of the Board or the Committee to amend, alter, adjust, suspend, discontinue or terminate any such Award or to waive any conditions or rights under any such Award shall, continue after the tenth (10th) anniversary of the Effective Date.

Exhibit 31.1

CERTIFICATIONS

I, Christopher Pappas, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Chefs' Warehouse, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and Rule 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: October 30, 2019

/s/ Christopher Pappas

By: Christopher Pappas
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, James Leddy, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Chefs' Warehouse, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and Rule 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: October 30, 2019

/s/ James Leddy

By: James Leddy
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

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

In connection with the quarterly report of The Chefs' Warehouse, Inc. (the "Company") on Form 10-Q for the quarter ended September 27, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christopher Pappas, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 30, 2019	By:	/s/ Christopher Pappas
		Christopher Pappas
		Chairman, President and Chief Executive Officer
		(Principal Executive Officer)

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

Exhibit 32.2

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

In connection with the quarterly report of The Chefs' Warehouse, Inc. (the "Company") on Form 10-Q for the quarter ended September 27, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James Leddy, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 30, 2019	By:	/s/ James Leddy
		James Leddy
		Chief Financial Officer
		(Principal Financial Officer)

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.