SHOE CARNIVAL INC
Form 10-K/A
June 30, 2015
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K/A

(Amendment No. 1)

(Mark One)

[X]	**Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
	For the fiscal year ended: **January 31, 2015**
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: 0-21360

Shoe Carnival, Inc.

(Exact name of registrant as specified in its charter)

Indiana	**35-1736614**
(State or other jurisdiction of incorporation or organization)	*(IRS Employer Identification Number)*
7500 East Columbia Street Evansville, IN	**47715**
(Address of principal executive offices)	*(Zip code)*

(812) 867-6471

(Registrant's telephone number, including area code)

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

Common Stock, $.01 par value	**The NASDAQ Stock Market LLC**
(Title of Each Class)	*(Name of Each Exchange on Which Registered)*

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

[ ] Yes [X] No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

[ ] Yes [X] No

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.

[X] Yes [ ] No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

[X] Yes [ ] No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

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

[ ] Large accelerated filer [X] Accelerated filer [ ] Non-accelerated filer [ ] Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

[ ] Yes [X] No

The aggregate market value of the voting stock held by non-affiliates of the registrant based on the last sale price for such stock at August 2, 2014 (the last business day of the registrant's most recently completed second fiscal quarter) was approximately $260,278,596 (assuming solely for the purposes of this calculation that all Directors and executive officers of the registrant are "affiliates").

Number of Shares of Common Stock, $.01 par value, outstanding at April 3, 2015 was 20,479,912.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information contained in the Definitive Proxy Statement for the Annual Meeting of Shareholders of the Registrant to be held on June 11, 2015 is incorporated by reference into PART III hereof.

Explanatory Note

Shoe Carnival, Inc. (“we,” “us” and “our”) is filing Amendment No. 1 on Form 10-K/A (this “Amendment”) to our Annual Report on Form 10-K for the fiscal year ended January 31, 2015, as filed with the Securities and Exchange Commission on April 16, 2015 (the “Original Filing”), solely to provide the conformed signature of our independent registered public accounting firm that was inadvertently omitted from the Reports of Independent Registered Public Accounting Firm contained in Part II, Item 8 and Part II, Item 9A of the Original Filing and the Consent of Independent Registered Public Accounting Firm filed as an exhibit to the Original Filing. We had received a manually signed copy of these reports and the consent prior to filing the Original Filing. This Amendment also includes currently dated certifications from each of our Chief Executive Officer and our Chief Financial Officer, as required by Rule 12b-15 of the Securities Exchange Act of 1934, as amended, for amendments to an Annual Report on Form 10-K.

This Amendment should be read in conjunction with the Original Filing. Except as specifically noted above, this Amendment does not amend, modify or update any financial statements or other disclosures contained in the Original Filing. Accordingly, the Original Filing continues to speak as of the date of the Original Filing, and this Amendment does not reflect events occurring after the Original Filing on April 16, 2015.

TABLE OF CONTENTS

PART II

ITEM 8. **FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Shoe Carnival, Inc.
Evansville, Indiana

We have audited the accompanying consolidated balance sheets of Shoe Carnival, Inc. and subsidiaries (the "Company") as of January 31, 2015 and February 1, 2014, and the related consolidated statements of income, shareholders' equity, and cash flows for the three years in the period ended January 31, 2015. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Shoe Carnival, Inc. and subsidiaries as of January 31, 2015 and February 1, 2014, and the results of their operations and their cash flows for each of the three years in the period ended January 31, 2015, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of January 31, 2015, based on the criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 16, 2015 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Indianapolis, Indiana

April 16, 2015

3

Shoe Carnival, Inc.
Consolidated Balance Sheets
(In thousands, except share data)

	January 31, 2015	February 1, 2014
Assets		
Current Assets:		
Cash and cash equivalents	$61,376	$48,253
Accounts receivable	2,928	4,337
Merchandise inventories	287,877	284,801
Deferred income taxes	957	1,208
Other	5,991	3,916
Total Current Assets	359,129	342,515
Property and equipment – net	101,294	90,193
Deferred income taxes	4,227	3,426
Other noncurrent assets	366	717
Total Assets	$465,016	$436,851
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts payable	$67,999	$62,671
Accrued and other liabilities	15,123	14,988
Total Current Liabilities	83,122	77,659
Deferred lease incentives	29,908	24,430
Accrued rent	10,505	9,224
Deferred compensation	9,901	8,232
Other	382	434
Total Liabilities	133,818	119,979
Shareholders' Equity:		
Common stock, $.01 par value, 50,000,000 shares authorized, 20,673,234 and 20,482,185 shares issued, respectively	207	205
Additional paid-in capital	67,389	66,600
Retained earnings	270,686	250,070
Treasury stock, at cost, 380,890 and 114 shares, respectively	(7,084)	(3)
Total Shareholders' Equity	331,198	316,872
Total Liabilities and Shareholders' Equity	$465,016	$436,851

See notes to consolidated financial statements.

Shoe Carnival, Inc.
Consolidated Statements of Income
(In thousands, except per share data)

	January 31, 2015	February 1, 2014	February 2, 2013
Net sales	$940,162	$884,785	$854,998
Cost of sales (including buying, distribution and occupancy costs)	666,483	625,468	597,521
Gross profit	273,679	259,317	257,477
Selling, general and administrative expenses	231,826	215,650	208,983
Operating income	41,853	43,667	48,494
Interest income	(14)	(12)	(32)
Interest expense	165	173	273
Income before income taxes	41,702	43,506	48,253
Income tax expense	16,175	16,635	18,915
Net income	$25,527	$26,871	$29,338
Net income per share:			
Basic	$1.27	$1.33	$1.44
Diluted	$1.27	$1.32	$1.43
Weighted average shares:			
Basic	19,777	19,926	19,911
Diluted	19,791	19,947	19,972

See notes to consolidated financial statements.

5

Shoe Carnival, Inc.
Consolidated Statements of Shareholders' Equity
(In thousands)

	Common Stock Issued	Common Stock Treasury	Amount	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Total
Balance at January 28, 2012	20,478	(391)	$ 205	$ 67,574	$ 222,235	$ (6,330)	$ 283,684
Stock option exercises		233		(1,598)		3,817	2,219
Dividends paid ($1.15 per share)					(23,460)		(23,460)
Stock-based compensation income tax benefit				1,402			1,402
Employee stock purchase plan purchases		11		16		185	201
Restricted stock awards	(13)	244		(4,561)		4,561	0
Shares surrendered by employees to pay taxes on restricted stock		(2)				(41)	(41)
Purchase of common stock for Treasury		(219)				(4,675)	(4,675)
Stock-based compensation Expense				3,700			3,700
Net income					29,338		29,338
Balance at February 2, 2013	20,465	(124)	205	66,533	228,113	(2,483)	292,368
Stock option exercises	6	1		54		15	69
Dividends ($0.24 per share)					(4,914)		(4,914)
Stock-based compensation income tax benefit				199			199
Employee stock purchase plan purchases	5	5		113		96	209
Restricted stock awards	6	164		(3,322)		3,322	0
Shares surrendered by employees to pay taxes on restricted stock		(46)				(953)	(953)
Stock-based compensation expense				3,023			3,023
Net income					26,871		26,871
Balance at February 1, 2014	20,482	0	205	66,600	250,070	(3)	316,872
Stock option exercises	6	(4)		1		76	77
Dividends ($0.24 per share)					(4,911)		(4,911)
Stock-based compensation income tax benefit				68			68
Employee stock purchase plan purchases	2	(9)		37		173	210
Restricted stock awards	183	(13)	2J	(260)		258	0
Shares surrendered by employees to pay taxes on restricted stock		2				(55)	(55)

Purchase of common stock for Treasury		405				(7,533)	(7,533)
Stock-based compensation expense				943			943
Net income					25,527		25,527
Balance at January 31, 2015	20,673	381	$ 207	$ 67,389	$ 270,686	$ (7,084)	$ 331,198

See notes to consolidated financial statements.

6

Shoe Carnival, Inc.
Consolidated Statements of Cash Flows
(In thousands)

	January 31, 2015	February 1, 2014	February 2, 2013
Cash Flows From Operating Activities			
Net income	$25,527	$26,871	$29,338
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	20,063	17,428	15,955
Stock-based compensation	1,064	3,295	4,049
Net loss on retirement and impairment of assets	1,104	1,180	628
Deferred income taxes	(550)	(721)	(3,347)
Lease incentives	8,307	8,112	7,189
Other	(1,070)	405	(566)
Changes in operating assets and liabilities:			
Accounts receivable	1,409	(2,135)	470
Merchandise inventories	(3,076)	(12,519)	(34,627)
Accounts payable and accrued liabilities	6,838	(4,158)	9,269
Other	(1,962)	862	(2,508)
Net cash provided by operating activities	57,654	38,620	25,850
Cash Flows From Investing Activities			
Purchases of property and equipment	(33,543)	(30,966)	(25,977)
Proceeds from sale of property and equipment	836	0	0
Proceeds from note receivable	250	200	200
Net cash used in investing activities	(32,457)	(30,766)	(25,777)
Cash Flow From Financing Activities			
Proceeds from issuance of stock	287	278	2,420
Dividends paid	(4,828)	(4,867)	(23,460)
Excess tax benefits from stock-based compensation	55	185	837
Purchase of common stock for treasury	(7,533)	0	(4,675)
Shares surrendered by employees to pay taxes on restricted stock	(55)	(953)	(41)
Net cash used in financing activities	(12,074)	(5,357)	(24,919)
Net increase (decrease) in cash and cash equivalents	13,123	2,497	(24,846)
Cash and cash equivalents at beginning of year	48,253	45,756	70,602
Cash and Cash Equivalents at End of Year	$61,376	$48,253	$45,756
Supplemental disclosures of cash flow information:			
Cash paid during year for interest	$166	$179	$270
Cash paid during year for income taxes	$17,618	$16,892	$22,793
Capital expenditures incurred but not yet paid	$1,596	$2,034	$1,562

See notes to consolidated financial statements.

Shoe Carnival, Inc.
Notes to Consolidated Financial Statements

Note 1 – Organization and Description of Business

Our consolidated financial statements include the accounts of Shoe Carnival, Inc. and its wholly-owned subsidiaries SCHC, Inc. and Shoe Carnival Ventures, LLC, and SCLC, Inc., a wholly-owned subsidiary of SCHC, Inc. (collectively referred to as "we", "our" or "us"). All intercompany accounts and transactions have been eliminated. Our primary activity is the sale of footwear and related products through our retail stores in 33 states within the continental United States and in Puerto Rico. We also offer online shopping on our e-commerce site at www.shoecarnival.com.

Note 2 – Summary of Significant Accounting Policies

Fiscal Year

Our fiscal year is a 52/53 week year ending on the Saturday closest to January 31. Unless otherwise stated, references to years 2014, 2013, and 2012 relate respectively to the fiscal years ended January 31, 2015, February 1, 2014, and February 2, 2013. Fiscal year 2012 consisted of 53 weeks and the other fiscal years consisted of 52 weeks.

Use of Estimates in the Preparation of Consolidated Financial Statements

The preparation of our consolidated financial statements in conformity with generally accepted accounting principles in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities as of the financial statement reporting date in addition to the reported amounts of certain revenues and expenses for the reporting period. The assumptions used by management in future estimates could change significantly due to changes in circumstances and actual results could differ from those estimates.

Cash and Cash Equivalents

We had cash and cash equivalents of $61.4 million at January 31, 2015 and $48.3 million at February 1, 2014. Credit and debit card receivables and receivables due from a third-party totaling $7.0 million and $4.4 million were included in cash equivalents at January 31, 2015 and February 1, 2014, respectively. Credit and debit card receivables generally settle within three days; receivables due from a third-party generally settle within 15 days.

We consider all short-term investments with an original maturity date of three months or less to be cash equivalents. As of January 31, 2015, and February 1, 2014, all invested cash was held in a money market account. While investments are not considered by management to be at significant risk, they could be impacted if the underlying financial institutions fail or are subject to other adverse conditions in the financial markets. To date, we have experienced no loss or lack of access to either invested cash or cash held in our bank accounts.

Fair Value of Financial Instruments and Non-Financial Assets

Our financial assets as of January 31, 2015 and February 1, 2014 included cash and cash equivalents. The carrying value of cash and cash equivalents approximates fair value due to its short-term nature. We did not have any financial liabilities measured at fair value for these periods. Non-financial assets measured at fair value included on our consolidated balance sheet as of January 31, 2015 and February 1, 2014 were those long-lived assets for which an impairment charge has been recorded. We did not have any non-financial liabilities measured at fair value for these periods. See Note 3 – “Fair Value Measurements” for further discussion.

Shoe Carnival, Inc.

Notes to Consolidated Financial Statements – continued

Merchandise Inventories and Cost of Sales

Merchandise inventories are stated at the lower of cost or market (LCM) using the first-in, first-out (FIFO) method. For determining market value, we estimate the future demand and related sale price of merchandise contained in inventory as of the balance sheet date. The stated value of merchandise inventories contained on our consolidated balance sheets also includes freight, certain capitalized overhead costs and reserves. Factors considered in determining if our inventory is properly stated at LCM includes, among others, recent sale prices, the length of time merchandise has been held in inventory, quantities of various styles held in inventory, seasonality of merchandise, expected consideration to be received from our vendors and current and expected future sales trends. We reduce the value of our inventory to its estimated net realizable value where cost exceeds the estimated future selling price. Material changes in the factors previously noted could have a significant impact on the actual net realizable value of our inventory and our reported operating results.

Cost of sales includes the cost of merchandise sold, buying, distribution, and occupancy costs, inbound freight expense, provision for inventory obsolescence, inventory shrink and credits and allowances from merchandise vendors. Cost of sales related to our e-commerce orders include charges paid to a third party service provider in addition to the freight expense for delivering merchandise to our customer.

Property and Equipment-Net

Property and equipment is stated at cost. Depreciation and amortization of property, equipment and leasehold improvements are taken on the straight-line method over the shorter of the estimated useful lives of the assets or the applicable lease terms. Lives used in computing depreciation and amortization range from two to twenty years. Expenditures for maintenance and repairs are charged to expense as incurred. Expenditures that materially increase values, improve capacities or extend useful lives are capitalized. Upon sale or retirement, the costs and related accumulated depreciation or amortization are eliminated from the respective accounts and any resulting gain or loss is included in operations.

We periodically evaluate our long-lived assets if events or circumstances indicate the carrying value may not be recoverable. The carrying value of long-lived assets is considered impaired when the carrying value of the assets exceeds the expected future cash flows to be derived from their use. Assets are grouped, and the evaluation performed, at the lowest level for which there are identifiable cash flows, which is generally at a store level. If the estimated future cash flows for a store are determined to be less than the carrying value of the store’s assets, an impairment loss is recorded for the difference between estimated fair value and carrying value. Assets subject to impairment are adjusted to estimated fair value and, if applicable, an impairment loss is recorded in selling, general and administrative expenses. We estimate the fair value of our long-lived assets using store specific cash flow assumptions discounted by a rate commensurate with the risk involved with such assets while incorporating marketplace assumptions. Our assumptions and estimates used in the evaluation of impairment, including current and future economic trends for stores, are subject to a high degree of judgment. If actual operating results or market conditions differ from those anticipated, the carrying value of certain of our assets may prove unrecoverable and we may incur additional impairment charges in the future. Our evaluations resulted in the recording of non-cash impairment charges of $1,000,000, $947,000 and $425,000 in fiscal years 2014, 2013 and 2012, respectively.

Insurance Reserves

We self-insure a significant portion of our workers' compensation, general liability and employee health care costs and also maintain insurance in each area of risk, protecting us from individual and aggregate losses over specified dollar values. We review the liability reserved for our self-insured portions on a quarterly basis, taking into consideration a number of factors, including historical claims experience, severity factors, statistical trends and, in certain instances, valuation assistance provided by independent third parties. Self-insurance reserves include estimates of claims filed, carried at their expected ultimate settlement value, and claims incurred but not yet reported. As of January 31, 2015 and February 1, 2014, our self-insurance reserves totaled $2.9 million for both years. While we believe that the recorded amounts are adequate, there can be no assurance that changes to

9

Shoe Carnival, Inc.

Notes to Consolidated Financial Statements – continued

management's estimates will not occur due to limitations inherent in the estimating process. If actual results are not consistent with our estimates or assumptions, we may be exposed to losses or gains that could be material.

Deferred Lease Incentives

All cash incentives received from landlords are recorded as deferred income and amortized over the life of the lease on a straight-line basis as a reduction of rental expense.

Accrued Rent

We are party to various lease agreements, which require scheduled rent increases over the initial lease term. Rent expense for such leases is recognized on a straight-line basis over the initial lease term beginning the earlier of the start date of the lease or when we take possession of the property. The difference between rent based upon scheduled monthly payments and rent expense recognized on a straight-line basis is recorded as accrued rent.

Revenue Recognition

Revenue from sales of merchandise at our store locations is recognized at the time of sale. We record revenue from our e-commerce sales, including shipping and handling fees, based on an estimated customer receipt date. Our sales are recorded exclusive of sales tax. In the regular course of business, we offer our customers sales incentives including coupons, discounts, and free merchandise. Sales are recorded net of such incentives and returns and allowances. If an incentive involves free merchandise, that merchandise is recorded as a zero sale and the cost is included in cost of sales. Gift card revenue is recognized at the time of redemption.

Consideration Received From a Vendor

Consideration is primarily received from merchandise vendors. Consideration is either recorded as a reduction of the price paid for the vendor's products and recorded as a reduction of our cost of sales or if the consideration represents a reimbursement of a specific, incremental and identifiable cost then it is recorded as an offset to the same financial statement line item.

Consideration received from our vendors includes co-operative advertising/promotion, margin assistance, damage allowances and rebates earned for a specific level of purchases over a defined period. Consideration principally takes the form of credits that we can apply against trade amounts owed.

Consideration received after the related merchandise has been sold is recorded as an offset to cost of sales in the period negotiations are finalized. For consideration received on merchandise still in inventory, the allowance is recorded as a reduction to the cost of on-hand inventory and recorded as a reduction of our cost of sales at the time of sale. Allowances received from vendors representing a reimbursement of specific, incremental and identifiable costs are offset to the same financial statement line item. Should the allowances received exceed the incremental cost then the excess consideration is recorded as a reduction to the cost of on-hand inventory and allocated to cost of sales in future periods utilizing an average inventory turn rate.

Store Opening and Start-up Costs

Non-capital expenditures, such as advertising, payroll and supplies, incurred prior to the opening of a new store are charged to expense in the period they are incurred.

Advertising Costs

Print, television, radio, outdoor and digital media costs are generally expensed when incurred. Internal production costs are expensed when incurred and external production costs are expensed in the period the advertisement first

Shoe Carnival, Inc.

Notes to Consolidated Financial Statements – continued

takes place. Advertising expenses included in selling, general and administrative expenses were $41.6 million, $37.6 million and $37.4 million in fiscal years 2014, 2013 and 2012, respectively.

Stock-Based Compensation

We recognize compensation expense for stock-based awards based on the fair value of the awards. Stock-based awards may include stock options, stock appreciation rights, and restricted stock awards under our stock-based compensation plans. Additionally, we recognize stock-based compensation expense for the discount on shares sold to employees through our employee stock purchase plan. This discount represents the difference between the market price and the employee purchase price. Stock-based compensation expense is included in selling, general and administrative expense.

We apply an estimated forfeiture rate in calculating the stock-based compensation expense for the period. Forfeiture estimates are adjusted periodically based on the extent to which actual forfeitures differ, or are expected to differ, from previous estimates.

Segment Information

We have identified each retail store and our e-commerce store as individual operating segments. Our operating segments have been aggregated and are reported as one reportable segment based on the similar nature of products sold, merchandising and distribution processes involved, target customers and economic characteristics.

Income Taxes

We compute income taxes using the asset and liability method, under which deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of our assets and liabilities. Deferred tax assets are reduced, if necessary, by a valuation allowance to the extent future realization of those tax benefits are uncertain. We account for uncertain tax positions in accordance with current authoritative guidance and report a liability for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return. We recognize interest expense and penalties, if any, related to uncertain tax positions in income tax expense.

Shoe Carnival, Inc.

Notes to Consolidated Financial Statements – continued

Net Income Per Share

The following table sets forth the computation of basic and diluted earnings per share as shown on the face of the accompanying consolidated statements of income.

	Fiscal Year Ended January 31, 2015 (In thousands except per share data)			February 1, 2014			February 2, 2013		
Basic Earnings per Share:	Net Income	Shares	Per Share Amount	Net Income	Shares	Per Share Amount	Net Income	Shares	Per Share Amount
Net income	$ 25,527			$ 26,871			$ 29,338		
Amount allocated to participating securities	(461)			(468)			(698)		
Net income available for basic common shares and basic earnings per share	$ 25,066	19,777	$ 1.27	$ 26,403	19,926	$ 1.33	$ 28,640	19,911	$ 1.44
Diluted Earnings per Share:									
Net income	$ 25,527			$26,871			$29,338		
Amount allocated to participating securities	(461)			(468)			(698)		
Adjustment for dilutive potential common shares	0	14		1	21		0	61	
Net income available for diluted common shares and diluted earnings per share	$ 25,066	I9,791	$ 1.27	$ 26,404	I9,947	$ 1.32	$ 28,640	19,972	$ 1.43

Our basic and diluted earnings per share are computed using the two-class method. The two-class method is an earnings allocation that determines net income per share for each class of common stock and participating securities according to their participation rights in dividends and undistributed earnings or losses. Non-vested restricted stock awards that include non-forfeitable rights to dividends are considered participating securities. During periods of undistributed losses however, no effect is given to our participating securities since they do not share in the losses. Per share amounts are computed by dividing net income available to common shareholders by the weighted average shares outstanding during each period. No options to purchase shares of common stock were excluded in the computation of diluted shares for the periods presented.

New Accounting Pronouncements

In April 2014, the Financial Accounting Standards Board ("FASB") issued guidance, which includes amendments that change the requirements for reporting discontinued operations and require additional disclosures about discontinued operations. Under the new guidance, only disposals representing a strategic shift in operations that have, or will have, a major effect on the organization's operations and financial results should be presented as discontinued operations. Additionally, this guidance requires expanded disclosures about discontinued operations that will provide financial statement users with more information about the assets, liabilities, income, and expenses of discontinued operations. The standard is applied prospectively and is effective for public entities beginning in annual periods after December

15, 2014, and interim periods within those years, with early adoption permitted. We adopted the guidance in the first quarter of 2014. This adoption did not have a material impact on our consolidated financial position, results of operations or cash flows.

In May 2014, the FASB issued guidance on the recognition of revenue for all contracts with customers designed to improve comparability and enhance financial statement disclosures. The underlying principle of this comprehensive model is that revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the payment to which the company expects to be entitled in exchange for those goods or services. This

Shoe Carnival, Inc.

Notes to Consolidated Financial Statements – continued

guidance will take effect for public companies for annual reporting periods beginning after December 15, 2016, including interim reporting periods, with early adoption not permitted. We are currently in the process of evaluating the impact of this guidance on our consolidated financial position, results of operations and cash flows.

Note 3 – Fair Value Measurements

The accounting standards related to fair value measurements define fair value and provide a consistent framework for measuring fair value under the authoritative literature. Valuation techniques are based on observable and unobservable inputs. Observable inputs reflect readily obtainable data from independent sources, while unobservable inputs reflect market assumptions. This guidance only applies when other standards require or permit the fair value measurement of assets and liabilities. The guidance does not expand the use of fair value measurements. A fair value hierarchy was established, which prioritizes the inputs used in measuring fair value into three broad levels.

- Level 1 – Quoted prices in active markets for identical assets or liabilities;
- Level 2 – Observable market-based inputs or unobservable inputs that are corroborated by market data;
- Level 3 – Significant unobservable inputs that are not corroborated by market data. Generally, these fair value measures are model-based valuation techniques such as discounted cash flows, and are based on the best information available, including our own data. Fair values of our long-lived assets are estimated using an income-based approach and are classified within Level 3 of the valuation hierarchy.

The following table presents assets that are measured at fair value on a recurring basis at January 31, 2015 and February 1, 2014. We have no material liabilities measured at fair value on a recurring or non-recurring basis.

	Fair Value Measurements			
(In thousands)	Level 1	Level 2	Level 3	Total
As of January 31, 2015:				
Cash equivalents – money market account	$5,279	$ 0	$ 0	$5,279
As of February 1, 2014:				
Cash equivalents– money market account	$10,269	$ 0	$ 0	$10,269

The fair values of cash, receivables, accounts payable, accrued expenses and other current liabilities approximate their carrying values because of their short-term nature. From time to time, we measure certain assets at fair value on a non-recurring basis, specifically long-lived assets evaluated for impairment. These are typically store specific assets, which are reviewed for impairment whenever events or changes in circumstances indicate that recoverability of their carrying value is questionable. If the expected future cash flows related to a store's assets are less than their carrying value, an impairment loss would be recognized for the difference between estimated fair value and carrying value and recorded in selling, general and administrative expenses. We estimate the fair value of store assets using an income-based approach considering the cash flows expected over the remaining lease term for each location. These projections are primarily based on management's estimates of store-level sales, gross margins, direct expenses, exercise of future lease renewal options and resulting cash flows and, by their nature, include judgments about how current initiatives will impact future performance. External factors, such as the local environment in which the store resides, including strip-mall traffic and competition, are evaluated in terms of their effect on sales trends. Changes in sales and operating income assumptions or unfavorable changes in external factors can significantly impact the estimated future cash flows. An increase or decrease in the projected cash flow can significantly decrease or increase the fair value of these assets, which would have an effect on the impairment recorded.

During the fifty-two weeks ended January 31, 2015, long-lived assets held and used with a gross carrying amount of $4.3 million were written down to their fair value of $3.3 million, resulting in an impairment charge of

13

Shoe Carnival, Inc.

Notes to Consolidated Financial Statements – continued

$1.0 million, which was included in earnings for the period. Subsequent to this impairment, these long-lived assets had a remaining unamortized basis of $1.2 million. During the fifty-two weeks ended February 1, 2014, long-lived assets held and used with a gross carrying amount of $4.3 million were written down to their fair value of $3.4 million, resulting in an impairment charge of $947,000, which was included in earnings for the period. Subsequent to this impairment, these long-lived assets had a remaining unamortized basis of $883,000.

Note 4 – Property and Equipment-Net

The following is a summary of property and equipment:

(In thousands)	January 31, 2015	February 1, 2014
Furniture, fixtures and equipment	$ 142,060	$ 135,057
Leasehold improvements	98,421	85,786
Total	240,481	220,843
Less accumulated depreciation and amortization	(139,187)	(130,650)
Property and equipment – net	$ 101,294	$ 90,193

Note 5 – Long-Term Debt

On April 10, 2013 we amended our current unsecured credit agreement (the "Credit Agreement") to extend the expiration date by five years and renegotiated certain terms and conditions. The Credit Agreement continues to provide for up to $50.0 million in cash advances and commercial and standby letters of credit with borrowing limits based on eligible inventory.

The Credit Agreement contains covenants which stipulate: (1) Total Shareholders' Equity, adjusted for the effect of any share repurchases, will not fall below that of the prior fiscal year-end; (2) the ratio of funded debt plus rent to EBITDA plus rent will not exceed 2.5 to 1.0; and, (3) cash dividends for a fiscal year will not exceed 30% of consolidated net income for the immediately preceding fiscal year, and in no event may the total distributions in any fiscal year exceed 25% of the prior year's ending net worth. Should a default condition be reported, the lenders may preclude additional borrowings and call all loans and accrued interest at their discretion. As of January 31, 2015, there were $3.1 million in letters of credit outstanding and $46.9 million available to us for borrowing under the Credit Agreement.

The credit facility bears interest, at our option, at (1) the agent bank's prime rate as defined in the Credit Agreement plus 1% with the prime rate defined as the lesser of (a) the Federal Fund rate plus 0.50% or (b) the interest rate announced from time to time by the agent bank as its "prime rate" on commercial loans or (2) LIBOR plus 1.50% to 3.0%, depending on our achievement of certain performance criteria. A commitment fee is charged at 0.25% to 0.40% per annum, depending on our achievement of certain performance criteria, on the unused portion of the bank group's commitment. The Credit Agreement expires April 10, 2018.

Note 6 – Leases

We lease all of our retail locations and certain equipment under operating leases expiring at various dates through fiscal 2026. Various lease agreements require scheduled rent increases over the initial lease term. Rent expense for such leases is recognized on a straight-line basis over the initial lease term beginning the earlier of the start date of the lease or when we take possession of the property. The difference between rent based upon scheduled monthly payments and rent expense recognized on a straight-line basis is recorded as accrued rent. All incentives received from landlords are recorded as deferred income and amortized over the life of the lease on a straight-line basis as a reduction of rental expense.

Shoe Carnival, Inc.

Notes to Consolidated Financial Statements – continued

Certain leases provide for contingent rents that are not measurable at inception. These contingent rents are primarily based on a percentage of sales that are in excess of a predetermined level. These amounts are excluded from minimum rent and are included in the determination of total rent expense when it is probable that the expense has been incurred and the amount is reasonably estimable. Certain leases also contain escalation clauses for increases in operating costs and taxes.

We did not assign any store operating leases during fiscal 2014. The last two assignments of operating leases covering former store locations, which we assigned to third parties in prior years, expired during fiscal 2013.

Rental expense for our operating leases consisted of:

(In thousands)	2014	2013	2012
Rentals for real property	$62,727	$58,140	$53,832
Contingent rent	59	189	189
Equipment rentals	66	83	110
Total	$62,852	$58,412	$54,131

Future minimum lease payments at January 31, 2015 were as follows:

(In thousands)	Operating Leases
2015	$61,057
2016	61,296
2017	61,948
2018	52,914
2019	47,752
Thereafter to 2026	137,612
Total	$422,579

Note 7 – Income Taxes

The provision for income taxes consisted of:

(In thousands)	2014	2013	2012
Current:			
Federal	$14,575	$15,366	$19,581
State	1,800	1,805	2,601
Puerto Rico	350	185	79
Total current	16,725	17,356	22,261
Deferred:			
Federal	(1,229)	(139)	(2,692)
State	(115)	(138)	(304)

Puerto Rico	(1,149)	(444)	(350)
Total deferred	(2,493)	(721)	(3,346)
Valuation allowance	1,943	0	0
Total provision	$16,175	$16,635	$18,915

We realized a tax benefit of $69,000, $199,000 and $1.4 million in fiscal years 2014, 2013 and 2012, respectively, as a result of the exercise of stock options and the vesting of restricted stock, which is recorded in shareholders' equity.

15

Shoe Carnival, Inc.

Notes to Consolidated Financial Statements – continued

Reconciliation between the statutory federal income tax rate and the effective income tax rate is as follows:

Fiscal years	2014	2013	2012
U.S. Federal statutory tax rate	35.0%	35.0%	35.0%
State and local income taxes, net of federal tax benefit	3.1	3.8	4.8
Puerto Rico	0.2	(0.6)	(0.6)
Valuation allowance	4.7	0.0	0.0
Tax benefit on foreign losses	(4.3)	0.0	0.0
Other	0.1	0.0	0.0
Effective income tax rate	38.8%	38.2%	39.2%

We recorded $300,000, $346,000 and $162,000 in federal employment related tax credits in fiscal 2014, 2013 and 2012, respectively.

Deferred income taxes are the result of temporary differences in the recognition of revenue and expense for tax and financial reporting purposes. The sources of these differences and the tax effect of each are as follows:

(In thousands)	January 31, 2015	February 1, 2014
Deferred tax assets:		
Accrued rent	$4,045	$3,543
Accrued compensation	5,896	5,625
Accrued employee benefits	523	506
Inventory	740	411
Self-insurance reserves	592	593
Lease incentives	12,073	10,003
Net operating loss carry forward	1,943	449
Other	367	396
Total deferred tax assets	26,179	21,526
Valuation allowance	(1,943)	0
Total deferred tax assets – net of valuation allowance	24,236	21,526
Deferred tax liabilities:		
Depreciation	17,767	15,265
Capitalized costs	1,284	1,180
Puerto Rico net operating loss carry forward impact to federal taxes	0	444
Other	1	3
Total deferred tax liabilities	19,052	16,892
Net deferred tax asset	5,184	4,634
Less current deferred income tax benefit	(957)	(1,208)
Long-term deferred income taxes	$4,227	$3,426

At the end of fiscal 2014, we estimated foreign net operating loss carry forwards of $5.1 million, which expire between fiscal 2023 and fiscal 2024. At January 31, 2015, we had a valuation allowance of $1.9 million. The valuation allowance relates to foreign net operating losses that would be realizable only upon the generation of future taxable income in the jurisdiction in which the losses were incurred.

16

Shoe Carnival, Inc.

Notes to Consolidated Financial Statements – continued

Our unrecognized tax liabilities presented below relate to tax years encompassing our fiscal years 1999 through 2014 for the tax years that remain subject to examination by major tax jurisdictions as of January 31, 2015. A reconciliation of the beginning and ending amount for our unrecognized tax positions, which exclude interest and penalties, is as follows:

(In thousands)	2014	2013	2012
Beginning balance	$ 0	$69	$69
Increases – tax positions in prior period	0	0	0
Decreases – tax positions in prior period	0	(69)	0
Gross increases – current period tax positions	0	0	0
Decreases related to settlements with taxing authorities	0	0	0
Ending balance	$ 0	$0	$69

As of January 31, 2015, we have recorded no unrecognized tax liabilities or related accrued penalties or interest in Other liabilities on the Consolidated Balance Sheets. Our policy is to record interest and penalty expense related to income taxes as a component of income tax expense in the Consolidated Statements of Income.

Note 8 – Employee Benefit Plans

Retirement Savings Plans

On February 24, 1994, our Board of Directors approved the Shoe Carnival Retirement Savings Plan (the “Domestic Savings Plan”). The Domestic Savings Plan is open to all employees working in the continental United States who have been employed for at least one year, are at least 21 years of age and who work at least 1,000 hours in a defined year. The primary savings mechanism under the Domestic Savings Plan is a 401(k) plan under which an employee may contribute up to 20% of annual earnings with us matching the first 4% at a rate of 50%. Our contributions to the participants’ accounts become fully vested when the participant reaches their third anniversary of employment with us. Contributions charged to expense were $639,000, $599,000, and $611,000 in fiscal years 2014, 2013, and 2012, respectively.

On March 19, 2012, our Board of Directors approved the Shoe Carnival Puerto Rico Savings Plan (the “Puerto Rico Savings Plan”). The Puerto Rico Savings Plan is open to all employees working in Puerto Rico who have been employed for at least one year, are at least 21 years of age and who work at least 1,000 hours in a defined year. This plan is similar to our Domestic Savings Plan whereby an employee may contribute up to 20% of his or her annual earnings, with us matching the first 4% at a rate of 50%. Contributions charged to expense were $12,000 and $10,000 in fiscal years 2014 and 2013, respectively.

Stock Purchase Plan

On May 11, 1995, our shareholders approved the Shoe Carnival, Inc. Employee Stock Purchase Plan (the “Stock Purchase Plan”) as adopted by our Board of Directors on February 9, 1995. The Stock Purchase Plan reserves 450,000 shares of our common stock (subject to adjustment for any subsequent stock splits, stock dividends and certain other changes in the common stock) for issuance and sale to any employee who has been employed for more than a year at the beginning of the calendar year, and who is not a 10% owner of our common stock, at 85% of the then fair market value up to a maximum of $5,000 in any calendar year. Under the Stock Purchase Plan, 11,000, 10,000 and 11,000 shares of common stock were purchased by participants in the plan and proceeds to us for the sale of those shares were approximately $209,000, $209,000 and $201,000 for fiscal years 2014, 2013 and 2012, respectively. At January 31, 2015, there were 114,545 shares of unissued common stock reserved for future purchase under the Stock Purchase Plan.

Shoe Carnival, Inc.

Notes to Consolidated Financial Statements – continued

The following table summarizes information regarding stock-based compensation expense recognized for the Stock Purchase Plan:

(In thousands)	2014	2013	2012
Stock-based compensation expense before the recognized income tax benefit (1)	$37	$37	$36
Income tax benefit	$14	$14	$14

(1) Amounts are representative of the 15% discount employees are provided for purchases under the Stock Purchase Plan.

Deferred Compensation Plan

In fiscal 2000, we established a non-qualified deferred compensation plan for certain key employees who, due to Internal Revenue Service guidelines, cannot take full advantage of the employer sponsored 401(k) plan. Participants in the plan elect on an annual basis to defer, on a pre-tax basis, portions of their current compensation until retirement, or earlier if so elected. While not required to, we can match a portion of the employees' contributions, which would be subject to vesting requirements. The compensation deferred under this plan is credited with earnings or losses measured by the rate of return on investments elected by plan participants. The plan is currently unfunded. Compensation expense for our match and earnings on the deferred amounts was $856,000, $1.1 million and $867,000 for fiscal 2014, 2013 and 2012, respectively. The total deferred compensation liability at January 31, 2015 and February 1, 2014 was $9.9 million and $8.2 million, respectively.

Note 9 – Stock Based Compensation

Compensation Plan Summaries

On April 27, 2012, we completed a three-for-two stock split of the shares of our common stock, which was effected in the form of a stock dividend. All share and per share amounts referenced below give effect to the stock split and have been adjusted retroactively for all periods presented.

The Outside Directors Stock Option Plan (the "Directors Plan") was approved by our Board of Directors on March 4, 1999. The plan reserved for issuance 37,500 shares of common stock (subject to adjustment for stock splits, stock dividends and certain other changes to the common stock). No grants were made under this plan since fiscal 2004, and all awards granted under the Directors Plan have expired or have been fully exercised. On September 10, 2014, the Board of Directors approved the termination of the Directors Plan.

The 2000 Stock Option and Incentive Plan (the "2000 Plan") was approved by our Board of Directors and shareholders effective June 8, 2000. On June 14, 2012, the 2000 Plan was amended to increase the number of shares reserved for issuance from 3,000,000 to 3,900,000 (subject to adjustment for subsequent stock splits, stock dividends and certain other changes in the common stock). The 2000 Plan was also amended to revise the provision governing the payment of dividends on shares of restricted stock. No further awards may be made under the 2000 Plan after the later of ten years from date of adoption, or ten years from the approval of any amendment. At January 31, 2015, there were 713,000 shares of unissued common stock reserved for future grants under the 2000 Plan.

Stock options currently outstanding under the 2000 Plan typically were granted such that one-third of the shares underlying the stock options granted would vest and become fully exercisable on each of the first three anniversaries of the date of the grant and were assigned a 10-year term from the date of grant. Restricted stock awards issued to employees under the 2000 Plan are classified as either performance-based or service-based. Performance-based restricted stock awards typically are granted such that they vest upon the achievement of specified levels of annual earnings per diluted share during a six-year period starting from the grant date. Should the annual earnings per diluted share criteria not be met within the six-year period from the grant date, any shares still restricted will be forfeited. Service-based restricted stock awards typically are granted under one of four vesting periods: (a) one-third

18

Shoe Carnival, Inc.

Notes to Consolidated Financial Statements – continued

of the shares would vest on each of the first three anniversaries subsequent to the date of the grant; (b) the full award would vest at the end of a 5-year service period subsequent to date of grant; (c) the full award would vest at the end of a 2-year service period subsequent to date of grant; or (d) for our Directors, all restricted stock awards are issued to vest on January 2 of the year following the year of the grant. Non-vested performance-based restricted stock granted before June 14, 2012, and all shares of non-vested service-based restricted stock provide non-forfeitable rights to all dividends declared by the Company. Dividends on non-vested performance-based restricted stock granted after June 14, 2012, are subject to deferral until such times as the shares vest and are released.

Plan Specific Activity and End of Period Balance Summaries

Stock Options

The following table summarizes the stock option transactions pursuant to the stock-based compensation plans:

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in thousands)
Outstanding at February 1, 2014	31,572	$ 9.05		
Granted	0			
Forfeited or expired	0			
Exercised	(9,573)	8.04		
Outstanding and exercisable at January 31, 2015	21,999	$ 9.49	1.45	$ 302

The following table summarizes information regarding options exercised:

(In thousands)	2014	2013	2012
Total intrinsic value (1)	$146	$103	$2,473
Total cash received	$77	$69	$2,219
Associated excess income tax benefits recorded	$43	$28	$465

(1) Defined as the difference between the market value at exercise and the grant price of stock options exercised.

The following table summarizes information regarding outstanding and exercisable options at January 31, 2015:

	Options Outstanding			Options Exercisable	
Range of Exercise Price	Number of Options Outstanding	Weighted Average Remaining Life	Weighted Average Exercise Price	Number of Options Exercisable	Weighted Average Exercise Price
$ 7.63 – 10.36	21,999	1.45	$9.49	21,999	$9.49

No stock options have been granted since fiscal 2008. All outstanding options had vested as of the end of fiscal 2011, therefore no unrecognized compensation expense remains.

Shoe Carnival, Inc.

Notes to Consolidated Financial Statements – continued

Restricted Stock Awards

The following table summarizes the restricted share transactions pursuant to the 2000 Plan:

	Number of Shares	Weighted-Average Grant Date Fair Value
Restricted stock at February 1, 2014	525,259	$ 19.84
Granted	213,560	25.50
Vested	(16,843)	20.86
Forfeited	(16,400)	21.71
Restricted stock at January 31, 2015	705,576	$ 21.49

The total fair value at grant date of restricted stock awards that vested during fiscal 2014, 2013 and 2012 was $351,000, $2.6 million and $160,000, respectively. The weighted-average grant date fair value of stock awards granted during fiscal 2013 and fiscal 2012 was $20.85 and $19.51, respectively.

The following table summarizes information regarding stock-based compensation expense recognized for restricted stock awards:

(In thousands)	2014	2013	2012
Stock-based compensation expense before the recognized income tax benefit	$906	$2,985	$3,663
Income tax benefit	$351	$1,141	$1,436

The $906,000 of expense recognized in fiscal 2014 was comprised of stock-based compensation expense of $3.2 million, partially offset by an expense reversal of $2.3 million. The reduction in expense was attributable to the third quarter reversal of the cumulative prior period expense for performance-based awards, which were deemed by management as not probable of vesting prior to their expiration.

As of January 31, 2015, there was approximately $7.5 million of unrecognized compensation expense remaining related to both our performance-based and service-based restricted stock awards. The cost is expected to be recognized over a weighted average period of approximately 3.3 years. This incorporates our current assumptions with respect to the estimated requisite service period required to achieve the designated performance conditions for performance-based stock awards.

Cash-Settled Stock Appreciation Rights (SARs)

Our outstanding Cash-Settled Stock Appreciation Rights (SARs) were granted to certain non-executive employees such that one-third of the shares underlying the SARs would vest annually. The SARs were assigned a five-year term from the date of grant, after which any unexercised SARs will expire. Each SAR entitles the holder, upon exercise of their vested shares, to receive cash in an amount equal to the closing price of our stock on the date of exercise less the exercise price, with a maximum amount of gain defined. SARs were granted during the first quarter of fiscal 2012 and issued with a defined maximum gain of $6.67 over the exercise price of $17.17. In accordance with current authoritative guidance, cash-settled SARs are classified as Other liabilities on the Consolidated Balance Sheets.

20

Shoe Carnival, Inc.

Notes to Consolidated Financial Statements – continued

The following table summarizes the SARs activity:

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)
Outstanding at February 1, 2014	78,750	$ 17.17	
Granted	0	0.00	
Forfeited	0	17.17	
Exercised	(38,375)	17.17	
Outstanding at January 31, 2015	40,375	$ 17.17	2.0
Exercisable at January 31, 2015	40,375	$ 17.17	2.0

The fair value of liability awards are remeasured, using a trinomial lattice model, at each reporting period until the date of settlement. Increases or decreases in stock-based compensation expense is recognized over the vesting period, or immediately for vested awards.

The fair value was estimated using a trinomial lattice model with the following assumptions:

	January 31, 2015
Risk free interest rate yield curve	H.01% - 1.18%
Expected dividend yield	I.0%
Expected volatility	K7.82%
Maximum life	2.0 Years
Exercise multiple	I.31
Maximum payout	$6.67
Employee exit rate	J.2% - 9.0%

The risk free interest rate was based on the U.S. Treasury yield curve in effect at the end of the reporting period. The expected dividend yield was based on our quarterly cash dividends in fiscal 2014, with the assumption that quarterly dividends would continue at the current rate. Expected volatility was based on the historical volatility of our stock. The exercise multiple and employee exit rate are based on historical option data.

The following table summarizes information regarding stock-based compensation expense recognized for SARs:

(In thousands)	2014	2013	2012
Stock-based compensation expense before the recognized income tax benefit	$121	$272	$349
Income tax benefit	$47	$104	$137

As of January 31, 2015, no unrecognized compensation expense remained related to non-vested SARs.

Shoe Carnival, Inc.

Notes to Consolidated Financial Statements – continued

Note 10 – Business Risk

We purchase merchandise from approximately 160 footwear vendors. In fiscal 2014, two suppliers each accounted for 10% or more of our net sales and together accounted for approximately 40% of our net sales. A loss of any of our key suppliers in certain product categories could have a material adverse effect on our business. As is common in the industry, we do not have any long-term contracts with suppliers.

Note 11 – Litigation Matters

The accounting standard related to loss contingencies provides guidance in regards to our disclosure and recognition of loss contingencies, including pending claims, lawsuits, disputes with third parties, investigations and other actions that are incidental to the operation of our business. The guidance utilizes the following defined terms to describe the likelihood of a future loss: (1) probable – the future event or events are likely to occur, (2) remote – the chance of the future event or events is slight and (3) reasonably possible – the chance of the future event or events occurring is more than remote but less than likely. The guidance also contains certain requirements with respect to how we accrue for and disclose information concerning our loss contingencies. We accrue for a loss contingency when we conclude that the likelihood of a loss is probable and the amount of the loss can be reasonably estimated. When the reasonable estimate of the loss is within a range of amounts, and no amount in the range constitutes a better estimate than any other amount, we accrue for the amount at the low end of the range. We adjust our accruals from time to time as we receive additional information, but the loss we incur may be significantly greater than or less than the amount we have accrued. We disclose loss contingencies if there is at least a reasonable possibility that a loss has been incurred. No accrual or disclosure is required for losses that are remote.

From time to time, we are involved in certain legal proceedings in the ordinary course of conducting our business. We cannot provide assurance as to the ultimate outcome of any litigation involving us. The following is a description of pending litigation that falls outside the scope of litigation incidental to the ordinary course of our business. On October 31, 2013, a putative class action lawsuit was filed against us in the United States District Court for the Northern District of Illinois (the "District Court") captioned *Nicaj v. Shoe Carnival, Inc.* The complaint alleged that we violated certain provisions of the Fair and Accurate Credit Transactions Act of 2003 (FACTA), which amended the Fair Credit Reporting Act, by printing the month of the expiration date of our customers' credit cards on transaction receipts. The plaintiff sought, among other things, the designation of this action as a class action, an award of monetary damages of between $100 and $1,000 per violation, counsel fees and costs, and such other relief as the court deemed appropriate.

On January 16, 2014, the District Court granted our motion and dismissed the plaintiff's action with prejudice and denied his motion to certify a class as moot, finding that our actions did not violate FACTA and that our conduct, even if it did violate FACTA, was not willful. On February 12, 2014, the plaintiff filed a notice of appeal of the District Court's order with the Seventh Circuit Court of Appeals. In September 2014, the Seventh Circuit entered an order affirming the District Court's order. The plaintiff petitioned the United States Supreme Court for certiorari, and the Supreme Court denied that petition on February 23, 2015. The Supreme Court's order concludes this litigation.

Note 12 – Related Party Transactions

Our Chairman and principal shareholder and his son were previously shareholders of PL Footwear, Inc. Historically, PL Footwear, Inc. represented us, on a commission basis, as an import agent in dealings with shoe factories in mainland China, where most of our private label shoes are manufactured. During fiscal 2012, PL Footwear, Inc. ceased operations. Commissions paid to PL Footwear, Inc. were $726,000 in fiscal 2012.

Shoe Carnival, Inc.

Notes to Consolidated Financial Statements – continued

Note 13 – Quarterly Results (Unaudited)

Quarterly results are determined in accordance with the accounting policies used for annual data and include certain items based upon estimates for the entire year. All fiscal quarters in 2014 and 2013 include results for 13 weeks.

(In thousands, except per share data)

Fiscal 2014	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net sales	$235,770	$222,073	$254,687	$227,632
Gross profit	69,582	62,219	76,765	65,113
Operating income	15,209	4,264	17,792	4,588
Net income	9,151	2,584	10,817	2,975
Net income per share – Basic[(1)]	$0.45	$0.13	$0.54	$0.15
Net income per share – Diluted[(1)]	$0.45	$0.13	$0.54	$0.15

Fiscal 2013	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net sales	$232,287	$216,417	$235,770	$200,311
Gross profit	68,613	62,511	71,011	57,182
Operating income	15,246	9,558	17,815	1,048
Net income	9,519	5,838	10,916	598
Net income per share – Basic[(1)]	$0.47	$0.29	$0.54	$0.03
Net income per share – Diluted[(1)]	$0.47	$0.29	$0.54	$0.03

(1) Per share amounts are computed independently for each of the quarters presented. The sum of the quarters may not equal the total year due to the impact of changes in weighted shares outstanding and differing applications of earnings under the two-class method.

Note 14 – Subsequent Events

On March 17, 2015, the Board of Directors approved the payment of a cash dividend to our shareholders in the first quarter of fiscal 2015. The quarterly cash dividend of $0.06 per share will be paid on April 20, 2015 to shareholders of record as of the close of business on April 6, 2015.

The declaration and payment of any future dividends are at the discretion of the Board of Directors and will depend on our results of operations, financial condition, business conditions and other factors deemed relevant by our Board of Directors.

SHOE CARNIVAL, INC.
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

(In thousands) Reserve for sales returns and allowances	Balance at Beginning of Period	Charged to Cost and Expenses	Credited to Costs and Expenses	Balance at End of Period
Year ended February 2, 2013	$ 109	$94,379	$94,377	$ 111
Year ended February 1, 2014	$ 111	$97,399	$97,379	$ 131
Year ended January 31, 2015	$ 131	$104,511	$104,495	$ 147

23

ITEM 9A. **CONTROLS AND PROCEDURES**
Management's Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. Internal control over financial reporting is a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Company's board of directors, management and other personnel 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 and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of January 31, 2015. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission in Internal Control-Integrated Framework (2013). Based on its assessment, management believes that the Company's internal control over financial reporting was effective as of January 31, 2015.

The Company's internal control over financial reporting as of January 31, 2015 has been audited by its independent registered public accounting firm, Deloitte & Touche LLP, as stated in their report, which is included herein.

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures and Changes in Internal Control over Financial Reporting

Our Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as of January 31, 2015, that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports filed or submitted by us under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and include controls and procedures designed to ensure that information required to be disclosed by us in such reports is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

There has been no significant change in our internal controls over financial reporting that occurred during the quarter ended January 31, 2015 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Shoe Carnival, Inc.
Evansville, Indiana

We have audited the internal control over financial reporting of Shoe Carnival, Inc. and subsidiaries (the "Company") as of January 31, 2015, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 31, 2015, based on the criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended January 31, 2015 of the Company and our report dated April 16, 2015 expressed an unqualified opinion on those financial statements and financial statement schedule.

/s/ DELOITTE & TOUCHE LLP

Indianapolis, Indiana

April 16, 2015

26

PART IV

ITEM 15. **EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

1. Financial Statements:
   The following financial statements of Shoe Carnival, Inc. are set forth in PART II, ITEM 8 of this report:
   Report of Independent Registered Public Accounting Firm
   Consolidated Balance Sheets at January 31, 2015 and February 1, 2014
   Consolidated Statements of Income for the years ended January 31, 2015, February 1, 2014, and February 2, 2013
   Consolidated Statements of Shareholders' Equity for the years ended January 31, 2015, February 1, 2014, and February 2, 2013
   Consolidated Statements of Cash Flows for the years ended January 31, 2015, February 1, 2014, and February 2, 2013
   Notes to Consolidated Financial Statements
2. Financial Statement Schedule:
   The following financial statement schedule of Shoe Carnival, Inc. is set forth in PART II, ITEM 8 of this report.
   Schedule II Valuation and Qualifying Accounts
3. Exhibits:
   A list of exhibits required to be filed as part of this report is set forth in the Index to Exhibits, which immediately precedes such exhibits, and is incorporated herein by reference.

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.

Shoe Carnival, Inc.

Date: June 30, 2015 By: /s/ Clifton E. Sifford

Clifton E. Sifford
President and Chief Executive Officer

28

INDEX TO EXHIBITS

The following is a list of all exhibits filed as a part of this From 10-K/A:

Exhibit No.	Description	Incorporated by Reference To Form	Exhibit	Filing Date	Filed Herewith
23	Written consent of Deloitte & Touche LLP				X
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X

29