

CHICOS FAS INC  
Form 10-Q  
August 23, 2012  
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**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 Quarter Ended:**  
July 28, 2012

**Commission File Number:**  
001-16435

**Chico s FAS, Inc.**

(Exact name of registrant as specified in charter)

**Florida**  
(State of Incorporation)

**59-2389435**  
(I.R.S. Employer)

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Identification No.)

11215 Metro Parkway, Fort Myers, Florida 33966

(Address of principal executive offices)

239-277-6200

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer  (do not check if a smaller reporting company)

Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

At August 17, 2012, the registrant had 166,000,933 shares of Common Stock, \$0.01 par value per share, outstanding.

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**Chico s FAS, Inc. and Subsidiaries**

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**Table of Contents****PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****Chico's FAS, Inc. and Subsidiaries****Consolidated Statements of Net Income and Comprehensive Income****(Unaudited)****(In thousands, except per share amounts)**

|  | <b>Twenty-Six Weeks Ended</b> |                          | <b>Thirteen Weeks Ended</b> |                      |
|--|-------------------------------|--------------------------|-----------------------------|----------------------|
|  | <b>July 28,<br/>2012</b>      | <b>July 30,<br/>2011</b> | <b>July 28, 2012</b>        | <b>July 30, 2011</b> |
| <b>Net sales:</b>  |                               |                          |                             |                      |
| Chico's/Soma Intimates   | \$ 839,960                    | \$ 749,258               | \$ 414,618                  | \$ 374,324           |
| White House   Black Market   | 386,225                       | 339,349                  | 194,498                     | 177,125              |
| Boston Proper  | 66,354                        |                          | 32,606                      |                      |
| <b>Total net sales</b>   | <b>1,292,539</b>              | <b>1,088,607</b>         | <b>641,722</b>              | <b>551,449</b>       |
| Cost of goods sold   | 551,763                       | 461,617                  | 279,542                     | 242,122              |
| <b>Gross margin</b>  | <b>740,776</b>                | <b>626,990</b>           | <b>362,180</b>              | <b>309,327</b>       |
| Selling, general and administrative expenses                               | 567,797                       | 485,201                  | 276,121                     | 240,356              |
| Acquisition and integration costs  | 841                           |                          | 283                         |                      |
| <b>Income from operations</b>  | <b>172,138</b>                | <b>141,789</b>           | <b>85,776</b>               | <b>68,971</b>        |
| Interest income, net   | 402                           | 820                      | 219                         | 420                  |
| <b>Income before income taxes</b>  | <b>172,540</b>                | <b>142,609</b>           | <b>85,995</b>               | <b>69,391</b>        |
| Income tax provision   | 65,500                        | 53,300                   | 32,600                      | 26,000               |
| <b>Net income</b>  | <b>\$ 107,040</b>             | <b>\$ 89,309</b>         | <b>\$ 53,395</b>            | <b>\$ 43,391</b>     |
| <b>Per share data:</b>   |                               |                          |                             |                      |
| Net income per common share - basic  | \$ 0.64                       | \$ 0.51                  | \$ 0.32                     | \$ 0.25              |
| Net income per common and common equivalent share - diluted                | \$ 0.64                       | \$ 0.51                  | \$ 0.32                     | \$ 0.25              |
| Weighted average common shares outstanding - basic                         | 163,898                       | 173,082                  | 163,822                     | 171,282              |
| Weighted average common and common equivalent shares outstanding - diluted | 164,834                       | 174,298                  | 164,732                     | 172,495              |
| Comprehensive income   | \$ 107,019                    | \$ 89,651                | \$ 53,496                   | \$ 43,588            |

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|                              |    |        |    |      |    |        |    |      |
|------------------------------|----|--------|----|------|----|--------|----|------|
| Dividends declared per share | \$ | 0.1575 | \$ | 0.15 | \$ | 0.0525 | \$ | 0.05 |
|------------------------------|----|--------|----|------|----|--------|----|------|

*See Accompanying Notes to the Consolidated Financial Statements.*

**Table of Contents****Chico s FAS, Inc. and Subsidiaries****Consolidated Balance Sheets**

(In thousands)

|  | July 28,<br>2012<br>(Unaudited) | January 28,<br>2012 | July 30,<br>2011<br>(Unaudited) |
|--|---------------------------------|---------------------|---------------------------------|
| <b>ASSETS</b>                              |                                 |                     |                                 |
| <b>Current Assets:</b>                     |                                 |                     |                                 |
| Cash and cash equivalents                  | \$ 109,466                      | \$ 58,919           | \$ 56,109                       |
| Marketable securities, at fair value       | 248,480                         | 188,934             | 448,211                         |
| Inventories                                | 191,694                         | 194,469             | 190,745                         |
| Prepaid expenses and other current assets  | 52,642                          | 55,104              | 57,190                          |
| <b>Total Current Assets</b>                | <b>602,282</b>                  | <b>497,426</b>      | <b>752,255</b>                  |
| <b>Property and Equipment, net</b>         | <b>576,788</b>                  | <b>550,230</b>      | <b>524,782</b>                  |
| <b>Other Assets:</b>                       |                                 |                     |                                 |
| Goodwill                                   | 238,693                         | 238,693             | 96,774                          |
| Other intangible assets, net               | 129,933                         | 132,112             | 38,930                          |
| Other assets, net                          | 6,628                           | 6,691               | 5,532                           |
| <b>Total Other Assets</b>                  | <b>375,254</b>                  | <b>377,496</b>      | <b>141,236</b>                  |
|  | <b>\$ 1,554,324</b>             | <b>\$ 1,425,152</b> | <b>\$ 1,418,273</b>             |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY</b> |                                 |                     |                                 |
| <b>Current Liabilities:</b>                |                                 |                     |                                 |
| Accounts payable                           | \$ 139,800                      | \$ 100,395          | \$ 132,703                      |
| Other current liabilities                  | 151,936                         | 137,714             | 113,035                         |
| <b>Total Current Liabilities</b>           | <b>291,736</b>                  | <b>238,109</b>      | <b>245,738</b>                  |
| <b>Noncurrent Liabilities:</b>             |                                 |                     |                                 |
| Deferred liabilities                       | 129,782                         | 125,690             | 127,227                         |
| Deferred taxes                             | 50,840                          | 52,125              | 2,969                           |
| <b>Total Noncurrent Liabilities</b>        | <b>180,622</b>                  | <b>177,815</b>      | <b>130,196</b>                  |
| <b>Stockholders Equity:</b>                |                                 |                     |                                 |
| Preferred stock                            |                                 |                     |                                 |
| Common stock                               | 1,660                           | 1,657               | 1,722                           |
| Additional paid-in capital                 | 320,161                         | 302,612             | 293,881                         |
| Retained earnings                          | 759,838                         | 704,631             | 746,006                         |
| Accumulated other comprehensive income     | 307                             | 328                 | 730                             |
| <b>Total Stockholders Equity</b>           | <b>1,081,966</b>                | <b>1,009,228</b>    | <b>1,042,339</b>                |
|  | <b>\$ 1,554,324</b>             | <b>\$ 1,425,152</b> | <b>\$ 1,418,273</b>             |

See Accompanying Notes to the Consolidated Financial Statements.



**Table of Contents****Chico s FAS, Inc. and Subsidiaries****Consolidated Statements of Cash Flows****(Unaudited)****(In thousands)**

|  | <b>Twenty-Six Weeks Ended</b> |                          |
|--|-------------------------------|--------------------------|
|  | <b>July 28,<br/>2012</b>      | <b>July 30,<br/>2011</b> |
| <b>Cash Flows From Operating Activities:</b>                                     |                               |                          |
| Net income   | \$ 107,040                    | \$ 89,309                |
| Adjustments to reconcile net income to net cash provided by operating activities |                               |                          |
| Depreciation and amortization  | 52,655                        | 48,353                   |
| Deferred tax (benefit) expense   | (4,490)                       | 4,845                    |
| Stock-based compensation expense   | 11,005                        | 8,365                    |
| Excess tax benefit from stock-based compensation                                 | (3,367)                       | (1,642)                  |
| Deferred rent and lease credits  | (8,082)                       | (9,167)                  |
| Loss on disposal and impairment of property and equipment                        | 1,759                         | 1,756                    |
| Decrease (increase) in assets  |                               |                          |
| Inventories  | 2,775                         | (30,931)                 |
| Prepaid expenses and other assets  | 5,519                         | (12,416)                 |
| Increase in liabilities  |                               |                          |
| Accounts payable   | 30,689                        | 17,417                   |
| Accrued and other deferred liabilities   | 30,032                        | 6,637                    |
| Total adjustments  | 118,495                       | 33,217                   |
| Net cash provided by operating activities  | 225,535                       | 122,526                  |
| <b>Cash Flows From Investing Activities:</b>                                     |                               |                          |
| (Increase) decrease in marketable securities                                     | (59,568)                      | 86,150                   |
| Purchases of property and equipment  | (78,755)                      | (56,265)                 |
| Net cash (used in) provided by investing activities                              | (138,323)                     | 29,885                   |
| <b>Cash Flows From Financing Activities:</b>                                     |                               |                          |
| Proceeds from issuance of common stock   | 6,524                         | 2,762                    |
| Excess tax benefit from stock-based compensation                                 | 3,367                         | 1,642                    |
| Dividends paid   | (17,530)                      | (17,521)                 |
| Repurchase of common stock   | (29,026)                      | (97,880)                 |
| Net cash used in financing activities  | (36,665)                      | (110,997)                |
| Net increase in cash and cash equivalents  | 50,547                        | 41,414                   |
| <b>Cash and Cash Equivalents, Beginning of period</b>                            | <b>58,919</b>                 | <b>14,695</b>            |
| <b>Cash and Cash Equivalents, End of period</b>                                  | <b>\$ 109,466</b>             | <b>\$ 56,109</b>         |



**Supplemental Disclosures of Cash Flow Information:**

|                                 |           |           |
|---------------------------------|-----------|-----------|
| Cash paid for interest          | \$ 175    | \$ 195    |
| Cash paid for income taxes, net | \$ 46,457 | \$ 51,587 |

*See Accompanying Notes to the Consolidated Financial Statements.*

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**Chico's FAS, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

**July 28, 2012**

**(Unaudited)**

**(in thousands, except share data)**

**Note 1. Basis of Presentation**

The accompanying unaudited consolidated financial statements of Chico's FAS, Inc. and its wholly-owned subsidiaries (collectively, the Company) have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and notes required by accounting principles generally accepted in the U.S. ( U.S. GAAP ) for complete financial statements. In the opinion of management, such interim financial statements reflect all normal, recurring adjustments considered necessary to present fairly the financial position, the results of operations and cash flows for the interim periods presented. All significant intercompany balances and transactions have been eliminated in consolidation. For further information, refer to the consolidated financial statements and notes thereto for the fiscal year ended January 28, 2012, included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission ( SEC ) on March 21, 2012. The January 28, 2012 consolidated balance sheet amounts were derived from audited financial statements included in the Company's Annual Report.

As used in this report, all references to we, us, our, and the Company, refer to Chico's FAS, Inc. and all of its wholly-owned subsidiaries.

Our fiscal years end on the Saturday closest to January 31 and are designated by the calendar year in which the fiscal year commences. Operating results for the thirteen and twenty-six weeks ended July 28, 2012 are not necessarily indicative of the results that may be expected for the entire year.

Certain prior year amounts have been reclassified in order to conform to the current year presentation.

**Note 2. New Accounting Pronouncements**

In July 2012, the Financial Accounting Standards Board ( FASB ) issued updated guidance on the periodic testing of indefinite-lived intangible assets for impairment. This guidance provides companies the option to first assess qualitative factors to determine if it is more likely than not that an indefinite-lived intangible asset is impaired and whether it is necessary to perform an annual quantitative impairment test. This guidance is effective for fiscal years beginning after September 15, 2012, with early adoption permitted. We plan to early adopt this guidance and do not expect its adoption to have an impact on our consolidated results of operations, financial position or cash flows.

In June 2011, the FASB issued new disclosure guidance related to the presentation of the statement of comprehensive income. This guidance provides an entity the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The option to report other comprehensive income and its components in the statement of changes in stockholders' equity was eliminated. This guidance is effective for periods beginning after December 15, 2011 and must be retroactively applied to all reporting periods presented. We adopted this guidance effective January 29, 2012 and the interim presentation has been adjusted to show total comprehensive income in one continuous statement with net income in accordance with the new guidance. Other than the change in presentation, this guidance did not have an impact on our consolidated results of operations, financial position or cash flows.

**Table of Contents****Chico s FAS, Inc. and Subsidiaries****Notes to Consolidated Financial Statements****July 28, 2012****(Unaudited)****(in thousands, except share data)****Note 3. Acquisition of Boston Proper**

On September 19, 2011, we acquired all of the outstanding equity of Boston Proper, Inc. ( Boston Proper ), a privately held online and catalog retailer of distinctive women s apparel and accessories. Total cash consideration was approximately \$214 million.

We allocated the purchase price to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values on the acquisition date, with the remaining unallocated purchase price recorded as goodwill. The allocation of the purchase price to assets acquired and liabilities assumed is subject to further adjustment pending finalization of management s analysis.

**Note 4. Stock-Based Compensation**

For the twenty-six weeks ended July 28, 2012 and July 30, 2011, stock-based compensation expense was \$11.0 million and \$8.4 million, respectively, and for the thirteen weeks ended July 28, 2012 and July 30, 2011, stock-based compensation expense was \$5.7 million and \$4.7 million, respectively. We recognize stock-based compensation expense, net of a forfeiture rate, on a straight-line basis over the requisite service period of the award. As of July 28, 2012, approximately 10.5 million shares remain available for future grants of equity awards under our 2012 Omnibus Stock and Incentive Plan.

For the twenty-six weeks ended July 28, 2012, we did not grant any stock options. In the years that we granted options, we used the Black-Scholes option-pricing model to value our stock options. The weighted average assumptions relating to the valuation of our stock options for the twenty-six and thirteen weeks ended July 30, 2011 were as follows:

|                                       | <b>Twenty-Six<br/>Weeks Ended<br/>July 30,<br/>2011</b> | <b>Thirteen Weeks<br/>Ended<br/>July 30,<br/>2011</b> |
|---------------------------------------|---|---|
| Weighted average fair value of grants | \$ 6.70   | \$ 6.66   |
| Expected volatility                   | 66%   | 64%   |
| Expected term (years)                 | 4.5   | 4.5   |
| Risk-free interest rate               | 1.9%  | 1.6%  |
| Expected dividend yield               | 1.5%  | 1.4%  |

*Stock-Based Awards Activity*

The following table presents a summary of our stock option activity for the twenty-six weeks ended July 28, 2012:

|                                  | <b>Number of Shares</b> | <b>Weighted Average<br/>Exercise Price</b> |
|----------------------------------|-------------------------|--|
| Outstanding, beginning of period | 6,303,378               | \$ 13.09                                   |
| Granted                          |                         |  |
| Exercised                        | (853,757)               | 6.59                                       |

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|                              |           |       |
|------------------------------|-----------|-------|
| Canceled or expired          | (218,544) | 18.43 |
| Outstanding, end of period   | 5,231,077 | 13.92 |
| Exercisable at July 28, 2012 | 3,807,890 | 14.23 |

**Table of Contents****Chico s FAS, Inc. and Subsidiaries****Notes to Consolidated Financial Statements****July 28, 2012****(Unaudited)****(in thousands, except share data)****Note 4. Stock-Based Compensation (continued)**

The following table presents a summary of our restricted stock activity for the twenty-six weeks ended July 28, 2012:

|                               | Number of Shares | Weighted Average<br>Grant Date<br>Fair<br>Value |
|-------------------------------|------------------|---|
| Unvested, beginning of period | 2,107,951        | \$ 11.36  |
| Granted                       | 1,553,537        | 14.97   |
| Vested                        | (355,112)        | 13.56   |
| Canceled                      | (116,111)        | 13.02   |
| Unvested, end of period       | 3,190,265        | 12.79   |

*Performance-based Awards*

For the twenty-six weeks ended July 28, 2012, we granted performance-based restricted stock units ( PSUs ), contingent upon the achievement of a Company-specific performance goal during fiscal 2012. Any units earned as a result of the achievement of this goal will vest over 3 years from the date of grant and will be settled in shares of our common stock. We are recording compensation expense based on the number of units ultimately expected to vest, recognized on a straight-line basis over the 3-year service period.

The following table presents a summary of our PSU activity for the twenty-six weeks ended July 28, 2012:

|                               | Number of Units | Weighted Average<br>Grant Date<br>Fair<br>Value |
|-------------------------------|-----------------|---|
| Unvested, beginning of period |                 | \$  |
| Granted                       | 696,596         | 15.01   |
| Vested                        |                 |   |
| Canceled                      | (13,710)        | 15.01   |
| Unvested, end of period       | 682,886         | 15.01   |

**Note 5. Earnings Per Share**

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In accordance with accounting guidance, unvested share-based payment awards that include non-forfeitable rights to dividends, whether paid or unpaid, are considered participating securities. As a result, such awards are required to be included in the calculation of basic earnings per common share pursuant to the two-class method. For us, participating securities are comprised of unvested restricted stock awards.

Earnings per share ( EPS ) is determined using the two-class method, as it is more dilutive than the treasury stock method. Basic EPS is computed by dividing net income available to common stockholders by the weighted-average number of common shares outstanding during the period. Diluted EPS reflects the dilutive effect of potential common shares from securities such as stock options and PSUs.

**Table of Contents****Chico s FAS, Inc. and Subsidiaries****Notes to Consolidated Financial Statements****July 28, 2012****(Unaudited)****(in thousands, except share data)****Note 5. Earnings Per Share (continued)**

The following table sets forth the computation of basic and diluted EPS shown on the face of the accompanying consolidated statements of net income and comprehensive income:

|  | Twenty-Six Weeks Ended |                  | Thirteen Weeks Ended |                  |
|--|------------------------|------------------|----------------------|------------------|
|  | July 28,<br>2012       | July 30,<br>2011 | July 28,<br>2012     | July 30,<br>2011 |
| <b>Numerator</b>   |                        |                  |                      |                  |
| Net income   | \$ 107,040             | \$ 89,309        | \$ 53,395            | \$ 43,391        |
| Net income and dividends declared allocated to unvested restricted stock | (1,941)                | (1,110)          | (1,006)              | (573)            |
| Net income available to common stockholders                              | \$ 105,099             | \$ 88,199        | \$ 52,389            | \$ 42,818        |
| <b>Denominator</b>   |                        |                  |                      |                  |
| Weighted average common shares outstanding basic                         | 163,897,542            | 173,081,952      | 163,822,041          | 171,282,434      |
| Dilutive effect of outstanding awards                                    | 935,972                | 1,216,112        | 910,234              | 1,212,573        |
| Weighted average common and common equivalent shares outstanding diluted | 164,833,514            | 174,298,064      | 164,732,275          | 172,495,007      |
| <b>Net income per common share</b>                                       |                        |                  |                      |                  |
| Basic  | \$ 0.64                | \$ 0.51          | \$ 0.32              | \$ 0.25          |
| Diluted  | \$ 0.64                | \$ 0.51          | \$ 0.32              | \$ 0.25          |

For the twenty-six weeks ended July 28, 2012 and July 30, 2011, stock options representing 2,829,889 and 3,964,669 shares of common stock, respectively, were excluded from the computation of diluted EPS because they were anti-dilutive.

For the thirteen weeks ended July 28, 2012 and July 30, 2011, stock options representing 2,698,666 and 3,980,832 shares of common stock, respectively, were excluded from the computation of diluted EPS because they were anti-dilutive.

**Note 6. Fair Value Measurements**

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Our financial instruments consist of cash and cash equivalents, marketable securities, trade receivables and payables. The carrying values of these assets and liabilities approximate their fair value due to the short-term nature of the instruments.

Marketable securities are classified as available-for-sale and generally consist of corporate bonds, municipal securities, and U.S. government and agency securities. As of July 28, 2012, our holdings consisted of \$129.4 million of securities with maturity dates within one year or less and \$119.1 million with maturity dates over one year and less than or equal to two years.



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**Chico s FAS, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

**July 28, 2012**

**(Unaudited)**

**(in thousands, except share data)**

**Note 6. Fair Value Measurements (continued)**

We consider all securities available-for-sale, including those with maturity dates beyond 12 months, and therefore classify these securities within current assets on the consolidated balance sheets as they are available to support current operational liquidity needs. Marketable securities are carried at fair value, with the unrealized holding gains and losses, net of income taxes, reflected as a separate component of stockholders' equity until realized. For the purposes of computing realized and unrealized gains and losses, cost is determined on a specific identification basis.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. Entities are required to use a three-level hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability on the measurement date. The three levels are defined as follows:

- Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 Unadjusted quoted prices in active markets for similar assets or liabilities, or; Unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or; Inputs other than quoted prices that are observable for the asset or liability
- Level 3 Unobservable inputs for the asset or liability.

We measure certain financial assets at fair value on a recurring basis, including our marketable securities, which are classified as available-for-sale securities, certain cash equivalents, specifically our money market accounts, and assets held in our non-qualified deferred compensation plan. The money market accounts are valued based on quoted market prices in active markets. Our marketable securities are generally valued based on other observable inputs for those securities (including market-corroborated pricing or other models that utilize observable inputs such as interest rates and yield curves) based on information provided by independent third party entities, except for U.S. government securities which are valued based on quoted market prices in active markets. The investments in our non-qualified deferred compensation plan are valued using quoted market prices in active markets and are included in other assets on our consolidated balance sheets.

From time to time, we measure certain assets at fair value on a non-recurring basis, specifically long-lived assets evaluated for impairment. We estimate the fair value of our long-lived assets using company-specific assumptions which would fall within Level 3 of the fair value hierarchy.

During the quarter ended July 28, 2012, we did not make any transfers between Level 1 and Level 2 financial assets. Furthermore, as of July 28, 2012, January 28, 2012 and July 30, 2011, we did not have any Level 3 financial assets. We conduct reviews on a quarterly basis to verify pricing, assess liquidity, and determine if significant inputs have changed that would impact the fair value hierarchy disclosure.

**Table of Contents****Chico s FAS, Inc. and Subsidiaries****Notes to Consolidated Financial Statements****July 28, 2012****(Unaudited)****(in thousands, except share data)****Note 6. Fair Value Measurements (continued)**

In accordance with the provisions of the guidance, we categorized our financial assets based on the priority of the inputs to the valuation technique for the instruments, as follows:

|                               | <b>Balance as of<br/>July 28, 2012</b>            | <b>Fair Value Measurements at Reporting Date Using<br/>Quoted Prices in</b> |  |  |
|-------------------------------|---|---|--|--|
|                               |   | <b>Active<br/>Markets<br/>for<br/>Identical<br/>Assets<br/>(Level 1)</b>    | <b>Significant<br/>Other<br/>Observable<br/>Inputs<br/>(Level 2)</b> | <b>Significant<br/>Unobservable<br/>Inputs<br/>(Level 3)</b> |
| <b>Current Assets</b>         |   |   |  |  |
| <i>Cash equivalents:</i>      |   |   |  |  |
| Money market account          | \$ 18,808   | \$ 18,808   | \$   | \$   |
| <i>Marketable securities:</i> |   |   |  |  |
| Municipal securities          | 87,741  |   | 87,741   |  |
| U.S. government securities    | 28,569  | 28,569  |  |  |
| U.S. government agencies      | 26,596  |   | 26,596   |  |
| Corporate bonds               | 101,580   |   | 101,580  |  |
| Commercial paper              | 3,994   |   | 3,994  |  |
| <b>Non Current Assets</b>     |   |   |  |  |
| Deferred compensation plan    | 4,175   | 4,175   |  |  |
| <b>Total</b>                  | <b>\$ 271,463</b>                                 | <b>\$ 51,552</b>  | <b>\$ 219,911</b>  | <b>\$</b>  |
|                               | <b>Balance as<br/>of<br/>January 28,<br/>2012</b> |   |  |  |
| <b>Current Assets</b>         |   |   |  |  |
| <i>Cash equivalents:</i>      |   |   |  |  |
| Money market account          | \$ 3,793  | \$ 3,793  | \$   | \$   |
| <i>Marketable securities:</i> |   |   |  |  |
| Municipal securities          | 61,260  |   | 61,260   |  |
| U.S. government securities    | 25,355  | 25,355  |  |  |
| U.S. government agencies      | 23,648  |   | 23,648   |  |
| Corporate bonds               | 73,107  |   | 73,107   |  |
| Commercial paper              | 1,988   |   | 1,988  |  |
| Certificates of deposit       | 3,576   |   | 3,576  |  |
| <b>Non Current Assets</b>     |   |   |  |  |

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|                            |                   |                  |                   |           |
|----------------------------|-------------------|------------------|-------------------|-----------|
| Deferred compensation plan | 4,146             | 4,146            |                   |           |
| <b>Total</b>               | <b>\$ 196,873</b> | <b>\$ 33,294</b> | <b>\$ 163,579</b> | <b>\$</b> |

**Balance as  
of  
July 30,  
2011**

|                               |                   |                  |                   |           |
|-------------------------------|-------------------|------------------|-------------------|-----------|
| <b>Current Assets</b>         |                   |                  |                   |           |
| <i>Cash equivalents:</i>      |                   |                  |                   |           |
| Money market account          | \$ 9,895          | \$ 9,895         | \$                | \$        |
| <i>Marketable securities:</i> |                   |                  |                   |           |
| Municipal securities          | 136,826           |                  | 136,826           |           |
| U.S. government securities    | 52,890            | 52,890           |                   |           |
| U.S. government agencies      | 47,829            |                  | 47,829            |           |
| Corporate bonds               | 162,914           |                  | 162,914           |           |
| Commercial paper              | 45,064            |                  | 45,064            |           |
| Certificates of deposit       | 2,072             |                  | 2,072             |           |
| Asset-backed securities       | 616               |                  | 616               |           |
| <b>Non Current Assets</b>     |                   |                  |                   |           |
| Deferred compensation plan    | 4,256             | 4,256            |                   |           |
| <b>Total</b>                  | <b>\$ 462,362</b> | <b>\$ 67,041</b> | <b>\$ 395,321</b> | <b>\$</b> |

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

Management's Discussion and Analysis of Financial Condition and Results of Operations ( MD&A ) should be read in conjunction with the accompanying unaudited consolidated financial statements and notes thereto and our 2011 Annual Report to Stockholders.

**Executive Overview**

We are a national specialty retailer of private branded, sophisticated, casual-to-dressy clothing, intimates, complementary accessories, and other non-clothing items operating under the Chico's, White House | Black Market ( WHIBM ), Soma Intimates ( Soma ) and Boston Proper brand names. We earn revenues and generate cash through the sale of merchandise in our retail stores, on our various websites and through our call centers, which take orders for all of our brands.

Net sales for the second quarter of fiscal 2012 were \$641.7 million, an increase of 16.4%, compared to \$551.4 million last year. The increase reflects comparable sales growth of 5.6%, square footage increase of 7.4%, and sales for Boston Proper of \$32.6 million. The 5.6% increase in comparable sales for the second quarter followed a 12.8% increase in last year's second quarter and reflected increases in both average dollar sale and transaction count. The Chico's/Soma Intimates brands' comparable sales increased 7.2% following an 11.9% increase in last year's second quarter and the WHIBM brand's comparable sales increased 2.3% following a 14.9% increase in last year's second quarter.

Net income for the second quarter of fiscal 2012 was \$53.4 million, an increase of 23% compared to net income of \$43.4 million in last year's second quarter and earnings per diluted share for the second quarter of fiscal 2012 were \$0.32, an increase of 28% compared to \$0.25 per diluted share in last year's second quarter. The percentage increase in earnings per diluted share was higher than the percentage increase in net income, primarily reflecting the repurchase of 9.0 million shares since the end of the second quarter last year. We believe these results reflected the effectiveness of our innovative marketing plans, a positive customer response to our merchandise offering and new product launches.

**Future Outlook**

As a result of our first half results, we are updating our planning assumptions for fiscal 2012. The new planning assumptions are:

Net sales of approximately \$2.55 billion to \$2.6 billion, which includes comparable store growth at a mid-single digit percent;

Gross margin rate of approximately flat to 2011;

Selling, general and administrative expenses ( SG&A ), as a percentage of net sales, down approximately 50 basis points to 2011;

One-time acquisition and integration costs for Boston Proper of approximately \$4 million pre-tax;

Effective tax rate of approximately 38%;

Weighted average diluted shares of approximately 165 million, excluding any potential future impact of share repurchases;

Inventory increase in-line with sales growth; and

Capital expenditures of approximately \$155 million, reflecting an additional \$5 million for Boston Proper initiatives, including new stores in early fiscal 2013 and system integration costs.

These are our internal planning assumptions and are not intended to be guidance.



**Table of Contents****Results of Operations**

The following table sets forth the percentage relationship of certain items in our consolidated statements of net income and comprehensive income to net sales for the periods shown below:

|  | Twenty-Six Weeks Ended |                  | Thirteen Weeks Ended |                  |
|--|------------------------|------------------|----------------------|------------------|
|  | July 28,<br>2012       | July 30,<br>2011 | July 28,<br>2012     | July 30,<br>2011 |
| Net sales                                    | 100.0%                 | 100.0%           | 100.0%               | 100.0%           |
| Cost of goods sold                           | 42.7                   | 42.4             | 43.6                 | 43.9             |
| Gross margin                                 | 57.3                   | 57.6             | 56.4                 | 56.1             |
| Selling, general and administrative expenses | 43.9                   | 44.6             | 43.0                 | 43.6             |
| Acquisition and integration costs            | 0.1                    |                  | 0.0                  |                  |
| Income from operations                       | 13.3                   | 13.0             | 13.4                 | 12.5             |
| Interest income, net                         | 0.0                    | 0.1              | 0.0                  | 0.1              |
| Income before income taxes                   | 13.3                   | 13.1             | 13.4                 | 12.6             |
| Income tax provision                         | 5.0                    | 4.9              | 5.1                  | 4.7              |
| Net income                                   | 8.3%                   | 8.2%             | 8.3%                 | 7.9%             |

**Thirteen Weeks Ended July 28, 2012 Compared to the Thirteen Weeks Ended July 30, 2011****Net Sales**

The following table depicts net sales by Chico s/Soma Intimates, WHIBM and Boston Proper in dollars and as a percentage of total net sales for the thirteen weeks ended July 28, 2012 and July 30, 2011 (dollar amounts in thousands):

|                        | Thirteen Weeks Ended |        |               |        |
|------------------------|----------------------|--------|---------------|--------|
|                        | July 28, 2012        |        | July 30, 2011 |        |
| Net sales:             |                      |        |               |        |
| Chico s/Soma Intimates | \$ 414,618           | 64.6%  | \$ 374,324    | 67.9%  |
| WHIBM                  | 194,498              | 30.3   | 177,125       | 32.1   |
| Boston Proper          | 32,606               | 5.1    |               |        |
| Total net sales        | \$ 641,722           | 100.0% | \$ 551,449    | 100.0% |

Net sales for the quarter increased 16.4% to \$641.7 million from \$551.4 million in last year s second quarter, primarily reflecting comparable sales growth of 5.6%, square footage increase of 7.4%, and sales for Boston Proper of \$32.6 million. Comparable sales increased 5.6% for the second quarter, following a 12.8% increase in last year s second quarter and reflected increases in both average dollar sale and transaction count. The Chico s/Soma Intimates brands comparable sales increased by 7.2% following an 11.9% increase in last year s second quarter and the WHIBM brand s comparable sales increased by 2.3% following a 14.9% increase in last year s second quarter.

**Table of Contents****Cost of Goods Sold/Gross Margin**

The following table depicts cost of goods sold and gross margin in dollars and gross margin as a percentage of total net sales for the thirteen weeks ended July 28, 2012 and July 30, 2011 (dollar amounts in thousands):

|                         | Thirteen Weeks Ended |               |
|-------------------------|----------------------|---------------|
|                         | July 28, 2012        | July 30, 2011 |
| Cost of goods sold      | \$ 279,542           | \$ 242,122    |
| Gross margin            | \$ 362,180           | \$ 309,327    |
| Gross margin percentage | 56.4%                | 56.1%         |

Gross margin for the quarter was \$362.2 million, an increase of 17.1%, compared to \$309.3 million in last year's second quarter. As a percentage of net sales, gross margin was 56.4%, a 30 basis point improvement from last year's second quarter, primarily reflecting increased full-price selling and effective promotional activities, partially offset by the inclusion of Boston Proper's results.

**Selling, General, and Administrative Expenses**

The following table depicts SG&A in dollars and as a percentage of total net sales for the thirteen weeks ended July 28, 2012 and July 30, 2011 (dollar amounts in thousands):

|  | Thirteen Weeks Ended |               |
|--|----------------------|---------------|
|  | July 28, 2012        | July 30, 2011 |
| Selling, general and administrative expenses | \$ 276,121           | \$ 240,356    |
| Percentage of total net sales                | 43.0%                | 43.6%         |

SG&A consists of store and direct operating expenses, marketing expenses and National Store Support Center expenses.

SG&A for the quarter was \$276.1 million compared to \$240.4 million in last year's second quarter. As a percentage of net sales, SG&A was 43.0%, a 60 basis point improvement from last year's second quarter, primarily reflecting the sales leverage impact on store expenses and the inclusion of Boston Proper's results.

**Provision for Income Taxes**

Our effective tax rate for the quarter was 37.9% compared to an effective tax rate of 37.5% in last year's second quarter. The effective tax rate for last year reflected favorable state tax settlements.

**Net Income and Earnings Per Diluted Share**

Net income for the second quarter was \$53.4 million, an increase of 23.0%, compared to \$43.4 million in last year's second quarter. Earnings per diluted share for the second quarter were \$0.32, an increase of 28.0%, compared to \$0.25 per diluted share in last year's second quarter. The percentage increase in earnings per diluted share was higher than the percentage increase in net income, primarily reflecting the repurchase of 9.0 million shares since the end of the second quarter last year.

**Table of Contents****Twenty-Six Weeks Ended July 28, 2012 Compared to the Twenty-Six Weeks Ended July 30, 2011****Net Sales**

The following table depicts net sales by Chico s/Soma Intimates, WHIBM and Boston Proper in dollars and as a percentage of total net sales for the year-to-date period ended July 28, 2012 and July 30, 2011 (dollar amounts in thousands):

|                        | Twenty-Six Weeks Ended |               |                     |               |
|------------------------|------------------------|---------------|---------------------|---------------|
|                        | July 28, 2012          |               | July 30, 2011       |               |
| Net sales:             |                        |               |                     |               |
| Chico s/Soma Intimates | \$ 839,960             | 65.0%         | \$ 749,258          | 68.8%         |
| WHIBM                  | 386,225                | 29.9          | 339,349             | 31.2          |
| Boston Proper          | 66,354                 | 5.1           |                     |               |
| <b>Total net sales</b> | <b>\$ 1,292,539</b>    | <b>100.0%</b> | <b>\$ 1,088,607</b> | <b>100.0%</b> |

Net sales for the year-to-date period increased 18.7% to \$1.293 billion from \$1.089 billion in last year's year-to-date period, primarily reflecting comparable sales growth of 7.6%, square footage increase of 7.4%, and sales for Boston Proper of \$66.4 million. Comparable sales increased 7.6% for the year-to-date period, following a 10.2% increase for the same period last year, and reflected increases in both average dollar sale and transaction count. The Chico s/Soma Intimates brands' comparable sales increased by 8.1% following a 9.7% increase for the same period last year and the WHIBM brand's comparable sales increased by 6.7% following an 11.1% increase for the same period last year.

**Cost of Goods Sold/Gross Margin**

The following table depicts cost of goods sold and gross margin in dollars and gross margin as a percentage of total net sales for the year-to-date period ended July 28, 2012 and July 30, 2011 (dollar amounts in thousands):

|                         | Twenty-Six Weeks Ended |               |
|-------------------------|------------------------|---------------|
|                         | July 28, 2012          | July 30, 2011 |
| Cost of goods sold      | \$ 551,763             | \$ 461,617    |
| Gross margin            | \$ 740,776             | \$ 626,990    |
| Gross margin percentage | 57.3%                  | 57.6%         |

Gross margin for the year-to-date period was \$740.8 million, an increase of 18.1%, compared to \$627.0 million for the same period last year. As a percentage of net sales, gross margin was 57.3%, a 30 basis point decrease from the same period last year, primarily reflecting the inclusion of Boston Proper's results.



**Table of Contents*****Selling, General, and Administrative Expenses***

The following table depicts SG&A in dollars and as a percentage of total net sales for the year-to-date period ended July 28, 2012 and July 30, 2011 (dollar amounts in thousands):

|  | <b>Twenty-Six Weeks Ended</b> |                      |
|--|-------------------------------|----------------------|
|  | <b>July 28, 2012</b>          | <b>July 30, 2011</b> |
| Selling, general and administrative expenses | \$ 567,797                    | \$ 485,201           |
| Percentage of total net sales                | 43.9%                         | 44.6%                |

SG&A for the year-to-date period was \$567.8 million compared to \$485.2 million for the same period last year. As a percentage of net sales, SG&A was 43.9%, a 70 basis point improvement from the same period last year, primarily reflecting the sales leverage impact on store expenses and the inclusion of Boston Proper's results.

***Provision for Income Taxes***

Our effective tax rate for the year-to-date period was 38.0% compared to an effective tax rate of 37.4% for the same period last year. The effective tax rate for last year reflected favorable state tax settlements.

***Net Income and Earnings Per Diluted Share***

Net income for the year-to-date period was \$107.0 million, an increase of 19.9%, compared to \$89.3 million for the same period last year. Earnings per diluted share for the year-to-date period were \$0.64, an increase of 25.5%, compared to \$0.51 for the same period last year. The percentage increase in earnings per diluted share was higher than the percentage increase in net income, primarily reflecting the repurchase of 9.0 million shares since the end of the second quarter last year.

***Liquidity and Capital Resources***

We believe that our existing cash and marketable securities balances and cash to be generated from operations will be sufficient to fund capital expenditures, working capital needs, dividend payments, potential share repurchases, commitments and other liquidity requirements associated with our operations through at least the next 12 months. Furthermore, while it is our intention to repurchase our stock and pay a quarterly cash dividend in the future, any determination to repurchase our stock or pay future dividends will be made by the Board of Directors and will depend on our stock price, future earnings, financial condition and other factors established by the Board.

Our ongoing capital requirements will continue to be primarily for: new, expanded, relocated and remodeled stores; our distribution center and other central support facilities; the planned expansion of our NSSC campus; and information technology.

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### ***Operating Activities***

Net cash provided by operating activities for the year-to-date period was \$225.5 million, an increase of approximately \$103.0 million from the same period last year. This increase reflects improvements in working capital, primarily related to planned inventory reductions, as well as higher net income compared to the same period last year.

### ***Investing Activities***

Net cash used in investing activities for the year-to-date period was \$138.3 million compared to \$29.9 million provided by investing activities for the same period last year. The net change of \$168.2 million primarily reflects increased capital expenditures compared to the same period last year and proceeds from the sale of marketable securities last year as we rebalanced our investment portfolio.

### ***Financing Activities***

Net cash used in financing activities for the year-to-date period in fiscal 2012 and 2011 was \$36.7 million and \$111.0 million, respectively. The decrease is primarily attributable to a reduction in share repurchase activity compared to the same period last year.

During the second quarter of fiscal 2012, we repurchased 1.8 million shares for \$25.6 million under our \$200 million share repurchase program announced in November 2011, with \$149.4 million remaining under the program as of the end of the second quarter. For the four quarter period ended July 28, 2012, we repurchased 9.0 million shares for \$110.6 million.

### ***Credit Facility***

In fiscal 2011, we entered into a \$70 million senior five-year unsecured revolving credit facility (the *Credit Facility*) with a syndicate led by JPMorgan Chase Bank, N.A., as administrative agent and HSBC Bank USA, National Association, as syndication agent.

The *Credit Facility* provides a \$70 million revolving credit facility that matures on July 27, 2016. The *Credit Facility* provides for swing advances of up to \$5 million and issuance of letters of credit up to \$40 million. The *Credit Facility* also contains a feature that provides us the ability, subject to satisfaction of certain conditions, to expand the commitments available under the *Credit Facility* from \$70 million up to \$125 million. As of July 28, 2012, no borrowings are outstanding under the *Credit Facility*.

### ***New Store Openings***

During fiscal 2012, we had 59 net store openings consisting of 11 Chico's net openings, 29 WHIBM net openings and 19 Soma net openings. Currently, we expect our new stores in fiscal 2012 to increase approximately 8%, reflecting approximately 20-24 net openings of Chico's stores, 53-57 net openings of WHIBM stores, and 27-31 net openings of Soma stores. We continuously evaluate the appropriate new store growth rate in light of economic conditions and may adjust the growth rate as conditions require or as opportunities arise.

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### **Critical Accounting Policies and Estimates**

The discussion and analysis of our financial condition and results of operations are based upon the consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue, expenses, and related disclosure of contingent assets and liabilities. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Management has discussed the development and selection of these critical accounting policies and estimates with the Audit Committee of our Board of Directors and believes the assumptions and estimates, as set forth in our Annual Report on Form 10-K for the fiscal year ended January 28, 2012, are significant to reporting our results of operations and financial position. There have been no material changes to our critical accounting policies as disclosed in our Annual Report on Form 10-K for the fiscal year ended January 28, 2012.

### **Forward-Looking Statements**

This Form 10-Q may contain certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which reflect our current views with respect to certain events that could have an effect on our future financial performance, including but without limitation, statements regarding our plans, objectives, and future growth rates of our store concepts. These statements may address items such as future sales, gross margin expectations, SG&A expectations, operating margin expectations, earnings per share expectations, planned store openings, closings and expansions, future comparable sales, future product sourcing plans, inventory levels, planned marketing expenditures, planned capital expenditures and future cash needs. In addition, from time to time, we may issue press releases and other written communications, and our representatives may make oral statements, which contain forward-looking information.

These statements, including those in this Form 10-Q and those in press releases or made orally, relate to expectations concerning matters that are not historical fact and may include the words or phrases such as expects, believes, anticipates, plans, estimates, approximately, our plans, assumptions, future outlook, and similar expressions. Except for historical information, matters discussed in such oral and written statements, including this Form 10-Q, are forward-looking statements. These forward-looking statements are based largely on information currently available to our management and on our current expectations, assumptions, plans, estimates, judgments and projections about our business and our industry, and are subject to various risks and uncertainties that could cause actual results to differ materially from historical results or those currently anticipated. Although we believe our expectations are based on reasonable estimates and assumptions, they are not guarantees of performance and there are a number of known and unknown risks, uncertainties, contingencies, and other factors (many of which are outside our control) that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. Accordingly, there is no assurance that our expectations will, in fact, occur or that our estimates or assumptions will be correct, and we caution investors and all others not to place undue reliance on such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those described in Item 1A, Risk Factors in our Annual Report on Form 10-K filed with the SEC on March 21, 2012 and the following:

These potential risks and uncertainties include the financial strength of retailing in particular and the economy in general, the extent of financial difficulties that may be experienced by customers, our ability to secure and maintain customer acceptance of styles and store concepts, the ability to maintain an appropriate

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level of inventory, the quality of merchandise received from suppliers, the extent and nature of competition in the markets in which we operate, the extent of the market demand and overall level of spending for women's private branded clothing and related accessories, the effectiveness of our brand awareness and marketing programs, the adequacy and perception of customer service, the ability to coordinate product development with buying and planning, the ability to efficiently, timely and successfully execute significant shifts in the countries from which merchandise is supplied, the ability of our suppliers to timely produce and deliver clothing and accessories, the changes in the costs of manufacturing, labor and advertising, the rate of new store openings, our ability to grow through new store openings and the buying public's acceptance of any of our new store concepts, the performance, implementation and integration of management information systems, the ability to hire, train, energize and retain qualified sales associates and other employees, the availability of quality store sites, the ability to expand our distribution center and other support facilities in an efficient and effective manner, the ability to hire and train qualified managerial employees, the ability to effectively and efficiently establish our websites, the ability to secure and protect trademarks and other intellectual property rights and to protect our reputation and brand images, the ability to effectively and efficiently operate our brands, risks associated with terrorist activities, risks associated with natural disasters such as hurricanes and other risks. In addition, there are potential risks and uncertainties that are related to our reliance on sourcing from foreign suppliers, including the impact of work stoppages, transportation delays and other interruptions, political or civil instability, imposition of and changes in tariffs and import and export controls such as import quotas, changes in governmental policies in or towards foreign countries, currency exchange rates and other similar factors.

All written or oral forward-looking statements that are made or attributable to us are expressly qualified in their entirety by this cautionary notice. The forward-looking statements included herein are only made as of the date of this Quarterly Report on Form 10-Q. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

**Litigation**

In the normal course of business, we are subject to proceedings, lawsuits and other claims including proceedings under laws and government regulations relating to labor, product, intellectual property and other matters including the matters described in Item 1 of Part II of this quarterly report on Form 10-Q. Such matters are subject to many uncertainties, and outcomes are not predictable with assurance. Consequently, the ultimate aggregate amount of monetary liability or financial impact with respect to these matters at July 28, 2012, cannot be ascertained. Although these matters could affect the consolidated operating results of any one quarter when resolved in future periods, and although there can be no assurance with respect thereto, management believes that, after final disposition, any monetary liability or financial impact to us would not be material to the annual consolidated financial statements.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The market risk of our financial instruments as of July 28, 2012 has not significantly changed since January 28, 2012. We are exposed to market risk from changes in interest rates on any future indebtedness and our marketable securities.

Our exposure to interest rate risk relates in part to our revolving line of credit with our bank. However, as of July 28, 2012, we did not have any outstanding borrowings on our line of credit and, given our current liquidity position, do not expect to utilize our line of credit in the foreseeable future.

Our investment portfolio is maintained in accordance with our investment policy which identifies allowable investments, specifies credit quality standards and limits the credit exposure of any single issuer.

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Our investment portfolio consists of cash equivalents and marketable securities, including corporate bonds, municipal securities, and U.S. government and agency securities. The portfolio as of July 28, 2012, consisted of \$129.4 million of securities with maturity dates within one year or less and \$119.1 million with maturity dates over one year and less than or equal to two years. We consider all securities available-for-sale, including those with maturity dates beyond 12 months, and therefore classify these securities within current assets on the consolidated balance sheets as they are available to support current operational liquidity needs. As of July 28, 2012, an increase of 100 basis points in interest rates would reduce the fair value of our marketable securities portfolio by approximately \$2.4 million. Conversely, a reduction of 100 basis points in interest rates would increase the fair value of our marketable securities portfolio by approximately \$0.8 million.

## **ITEM 4. CONTROLS AND PROCEDURES**

### **Evaluation of Disclosure Controls and Procedures**

Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in our reports under the Securities and Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

As of the end of the period covered by this report, an evaluation was carried out under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934, as amended). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the end of such period, our disclosure controls and procedures were effective in providing reasonable assurance in timely alerting them to material information relating to us (including our consolidated subsidiaries) and that information required to be disclosed in our reports is recorded, processed, summarized, and reported as required to be included in our periodic SEC filings.

### **Changes in Internal Controls**

There were no significant changes in our internal controls or in other factors that could significantly affect our disclosure controls and procedures subsequent to the date of the above referenced evaluation. Furthermore, there was no change in our internal control over financial reporting or in other factors during the quarterly period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**Table of Contents****PART II OTHER INFORMATION****ITEM 1. LEGAL PROCEEDINGS**

The Company was named as a defendant in a putative class action filed in March 2011 in the Superior Court of the State of California for the County of Los Angeles, Eileen Schlim v. Chicos FAS, Inc. The Complaint attempts to allege numerous violations of California law related to wages, meal periods, rest periods, and failure to issue timely final pay, among other things. The Company denies the material allegations of the Complaint. The Company believes that its policies and procedures for paying its associates comply with all applicable California laws. As a result, the Company does not believe that the case should have a material adverse effect on the Company's consolidated financial condition or results of operations.

Other than as noted above, we are not currently a party to any legal proceedings, other than various claims and lawsuits arising in the normal course of business, none of which we believe should have a material adverse effect on our consolidated financial condition or results of operations.

**ITEM 1A. RISK FACTORS**

In addition to the other information discussed in this report, the factors described in Part I, Item 1A. Risk Factors in our 2011 Annual Report on Form 10-K filed with the SEC on March 21, 2012 should be considered as they could materially affect our business, financial condition or future results. There have not been any significant changes with respect to the risks described in our 2011 Form 10-K, but these are not the only risks facing our company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may adversely affect our business, financial condition or operating results.

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

The following table sets forth information concerning our purchases of common stock for the periods indicated (dollar amounts in thousands, except per share amounts):

| Period                         | Total<br>Number of<br>Shares<br>Purchased(a) | Average<br>Price Paid<br>per Share | Total<br>Number of<br>Shares<br>Purchased as<br>Part of<br>Publicly<br>Announced<br>Plans (b) | Approximate<br>Dollar Value<br>of Shares that<br>May Yet Be<br>Purchased<br>Under the<br>Publicly<br>Announced<br>Plans |
|--------------------------------|--|------------------------------------|---|---|
| April 29, 2012 to May 26, 2012 | 6,756  | \$ 14.88                           |   | \$ 175,006  |
| May 27, 2012 to June 30, 2012  | 1,826,848                                    | \$ 14.02                           | 1,826,137   | \$ 149,402  |
| July 1, 2012 to July 28, 2012  |  | \$                                 |   | \$ 149,402  |
| Total                          | 1,833,604                                    | \$ 14.02                           | 1,826,137   | \$ 149,402  |

- (a) Includes 7,467 shares of restricted stock repurchased in connection with employee tax withholding obligations under employee compensation plans, which are not purchases under any publicly announced plan.
- (b) In November 2011, we announced a \$200 million share repurchase program. There is \$149.4 million remaining under the program as of the end of the second quarter. The repurchase program has no specific termination date and will expire when we have repurchased all securities authorized for repurchase thereunder, unless terminated earlier by our Board of Directors.



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**ITEM 6. EXHIBITS**

- (a) The following documents are filed as exhibits to this Quarterly Report on Form 10-Q (exhibits marked with an asterisk have been previously filed with the Commission as indicated and are incorporated herein by this reference):

|                 |  |
|-----------------|--|
| Exhibit 10.1*   | Chico s FAS, Inc. 2012 Omnibus Stock and Incentive Plan (Filed as Exhibit 4.4 to the Company s Form S-8, as filed with the Commission on August 1, 2012) |
| Exhibit 31.1    | Chico s FAS, Inc. and Subsidiaries Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - Chief Executive Officer                     |
| Exhibit 31.2    | Chico s FAS, Inc. and Subsidiaries Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - Chief Financial Officer                     |
| Exhibit 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        |
| Exhibit 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        |
| Exhibit 101.INS | XBRL Instance Document   |
| Exhibit 101.SCH | XBRL Taxonomy Extension Schema Document  |
| Exhibit 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document  |
| Exhibit 101.DEF | XBRL Taxonomy Definition Linkbase Document   |
| Exhibit 101.LAB | XBRL Taxonomy Extension Label Linkbase Document  |
| Exhibit 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document   |



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**SIGNATURES**

Pursuant to the requirements 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.

CHICOS FAS, INC.

Date: August 23, 2012

By: /s/ David F. Dyer  
David F. Dyer  
President and Chief Executive Officer  
(Principal Executive Officer)

Date: August 23, 2012

By: /s/ Pamela K Knous  
Pamela K Knous  
Executive Vice President - Chief Financial Officer  
(Principal Financial and Accounting Officer)