

zumiez

**Notice of 2015 Annual Meeting
And Proxy Statement
2014 Annual Report on Form 10-K**



4001 204th Street SW
Lynnwood, Washington 98036

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held On May 28, 2015

Dear Shareholder:

You are cordially invited to attend the 2015 annual meeting of shareholders of Zumiez Inc., a Washington corporation. Zumiez is also referred to as “we,” “our,” “us” and the “Company.” The meeting will be held on Thursday, May 28, 2015 at 1:00 p.m. (Pacific Time) at our headquarters located at 4001 204th Street SW, Lynnwood, Washington 98036 for the following purposes:

1. To elect three directors to hold office until our 2018 annual meeting of shareholders;
2. To consider and act upon a proposal to ratify the selection of Moss Adams LLP as our independent registered public accounting firm for the fiscal year ending January 30, 2016 (“fiscal 2015”); and
3. To conduct any other business properly brought before the meeting.

These items of business are more fully described in the Proxy Statement accompanying this Notice.

Our board of directors recommends a vote “**For**” Items 1 and 2. The record date for the annual meeting is March 16, 2015. Only shareholders of record at the close of business on that date may vote at the meeting or any adjournment or postponement thereof.

Under the Securities and Exchange Commission (“SEC”) rules that allow companies to furnish proxy materials to shareholders over the Internet, we have elected to deliver our proxy materials to the majority of our shareholders over the Internet. The delivery process will allow us to provide shareholders with the information they need, while at the same time conserving natural resources and lowering the cost of delivery. On or about April 17, 2015, we mailed to our shareholders a Notice of Internet Availability of Proxy Materials (the “Notice”) containing instructions on how to access our fiscal year ending January 31, 2015 (“fiscal 2014”) Proxy Statement and 2014 Annual Report to Shareholders. The Notice also provides instructions on how to vote online or by telephone and includes instructions on how to receive a paper copy of the proxy materials by mail.

YOUR VOTE IS IMPORTANT!

Whether or not you attend the annual meeting, it is important that your shares be represented and voted at the meeting. Therefore, we urge you to promptly vote online, by telephone, or if you received a paper copy of the voting card, submit your proxy by signing, dating and returning the accompanying proxy card in the enclosed prepaid return envelope. If you decide to attend the annual meeting and you are a shareholder of record, you will be able to vote in person even if you have previously submitted your proxy.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 28, 2015: The Notice of Annual Meeting of Shareholders, Proxy Statement and the Annual Report to Shareholders are available on the internet at <http://ir.zumiez.com/phoenix.zhtml?c=188692&p=irol-reports>.

By Order of the Board of Directors
Chris K. Visser
Executive Vice President, General Counsel and
Secretary

Lynnwood, Washington
April 17, 2015



4001 204th Street SW
Lynnwood, Washington 98036

**PROXY STATEMENT
FOR THE ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD MAY 28, 2015**

QUESTIONS AND ANSWERS

Why am I receiving these proxy materials?

We are making available to you this proxy statement and the accompanying proxy card because the board of directors of Zumiez Inc. (“Zumiez,” “we,” “us” and the “Company”) is soliciting your proxy to vote at our 2015 annual meeting of shareholders. You are invited to attend the annual meeting to vote on the proposals described in this proxy statement. Should you choose to attend, you must be ready to present proof of your ownership of Zumiez stock as of the record date, March 16, 2015, to attend the meeting. However, you do not need to attend the meeting to vote your shares. For more information on voting, see information below under the section heading “How do I vote?”

We intend to mail or otherwise make available this proxy statement and the accompanying proxy card on or about April 17, 2015 to all shareholders of record entitled to vote at the annual meeting.

Who can vote at the annual meeting?

Only shareholders of record at the close of business on March 16, 2015, the record date for the annual meeting, will be entitled to vote at the annual meeting. At the close of business on the record date, there were 29,507,918 shares of common stock outstanding and entitled to vote.

Shareholder of Record: Shares Registered in Your Name

If, at the close of business on the record date, your shares were registered directly in your name with our transfer agent, American Stock Transfer & Trust Company, then you are a shareholder of record. As a shareholder of record, you may vote in person at the meeting or vote by proxy. Whether or not you plan to attend the meeting, we urge you vote your proxy to ensure your vote is counted.

Beneficial Owner: Shares Registered in the Name of a Broker, Bank or Other Agent

If, at the close of business on the record date, your shares were not held in your name, but rather in an account at a brokerage firm, bank or other agent, then you are the beneficial owner of shares held in “street name” and these proxy materials are being forwarded to you by your broker, bank or other agent. The broker, bank or other agent holding your account is considered to be the shareholder of record for purposes of voting at the annual meeting. As a beneficial owner, you have the right to direct your broker, bank or other agent on how to vote the shares in your account. You are also invited to attend the annual meeting. Should you choose to attend, you must be ready to present proof of your ownership of Zumiez stock as of the record date, March 16, 2015, in order to attend the meeting. However, since you are not the shareholder of record, you may not vote your shares in person at the meeting unless you request and obtain a valid legal proxy issued in your name from your broker, bank or other agent. For more information about a legal proxy, see the information, below, under the section heading “How do I vote? – Beneficial Owner: Shares Registered in the Name of Broker, Bank or Other Agent.”

What am I voting on?

You are being asked to vote on the following matters:

- Election of three directors (Proposal 1); and
- To consider and act upon a proposal to ratify the selection of Moss Adams LLP as our independent registered public accounting firm for the fiscal year ending January 30, 2016 (“fiscal 2015”) (Proposal 2).

When you vote your proxy, you appoint Chris K. Visser and Richard M. Brooks as your representatives at the meeting. When we refer to the “named proxies,” we are referring to Mr. Visser and Mr. Brooks. This way, your shares will be voted even if you cannot attend the meeting.

How do I vote?

For Proposals 1 and 2, you may vote “For,” “Against” or “Abstain” from voting (for the election of directors, you may do this for any director nominee that you specify). The procedures for voting are as follows:

Shareholder of Record: Shares Registered in Your Name

If you are a shareholder of record, you may vote in person at the annual meeting, via the internet, by telephone or by proxy card. Whether or not you plan to attend the meeting, we urge you to vote by proxy to ensure your vote is counted. You may still attend the meeting and vote in person if you have already voted by proxy.

- To vote in person, come to the annual meeting and we will give you a ballot when you arrive. Please be prepared to present proof of your ownership of Zumiez stock as of March 16, 2015.
- To vote via the internet—You may vote online at www.proxyvote.com. Voting on the internet has the same effect as voting by mail or by telephone. If you vote via the internet, do not return your proxy card and do not vote by telephone. Internet voting will be available until 11:59 p.m. Eastern time, May 27, 2015.
- To vote by telephone—You may vote by telephone by calling 1-800-690-6903 and following the automated voicemail instructions. Voting by telephone has the same effect as voting by mail or via the internet. If you vote by telephone, do not return your proxy card and do not vote via the internet. Telephone voting will be available until 11:59 p.m. Eastern time, May 27, 2015.
- To vote using the proxy card, simply complete, sign and date the proxy card and return it promptly in the envelope provided. If you return your signed proxy card to us before the annual meeting, we will vote your shares as you direct.

Beneficial Owner: Shares Registered in the Name of Broker, Bank or Other Agent

If you are a beneficial owner of shares registered in the name of your broker, bank or other agent, you should have received a proxy or voting instruction form with these proxy materials from that organization rather than from us. You can vote by using the proxy or voting information form provided by your broker, bank or other agent or, if made available, vote by telephone or via the internet. To vote in person at the annual meeting, you must obtain a legal proxy from your broker, bank or other agent. Under a legal proxy, the bank, broker, or other agent confers all of its rights as a record holder (which may in turn have been passed on to it by the ultimate record holder) to grant proxies or to vote at the meeting. Follow the instructions from your broker, bank or other agent included with these proxy materials, or contact your broker, bank or other agent to request a legal proxy. Please allow sufficient time to receive a legal proxy through the mail after your broker, bank or other agent receives your request.

How many votes do I have?

On each matter to be voted upon, you have one vote for each share of Zumiez common stock you own as of the close of business on March 16, 2015, the record date for the annual meeting.

What if I return a proxy card but do not make specific choices?

If you return a signed and dated proxy card without marking any voting selections, your shares will be voted in the following manner:

- “For” the election of all nominees for director (Proposal 1); and
- “For” the ratification of the selection of Moss Adams LLP as our independent registered public accounting firm for fiscal 2015 (Proposal 2).

If any other matter is properly presented at the meeting, one of the named proxies on your proxy card as your proxy will vote your shares using his discretion.

Who is paying for this proxy solicitation?

We will pay for the entire cost of soliciting proxies. In addition to mailed proxy materials, our directors and employees may also solicit proxies in person, by telephone or by other means of communication. Directors and employees will not be paid any additional compensation for soliciting proxies. We may also reimburse brokerage firms, banks and other agents for the cost of forwarding proxy materials to beneficial owners. We have retained Advantage Proxy to act as a proxy solicitor in conjunction with the annual meeting. We have agreed to pay Advantage Proxy approximately \$4,000 for proxy solicitation services.

What does it mean if I receive more than one proxy card?

If you receive more than one proxy card, your shares are registered in more than one name and/or are registered in different accounts. Please complete, sign and return **each** proxy card to ensure that all of your shares are voted. Alternatively, if you vote by telephone or via the internet, you will need to vote once for each proxy card and voting instruction card you receive.

Can I change my vote after voting my proxy?

Yes. You can revoke your proxy at any time before the applicable vote at the meeting. If you are the record holder of your shares, you may revoke your proxy in any one of three ways:

- You may submit another properly completed proxy with a later date.
- You may send a written notice that you are revoking your proxy to our Secretary, Chris K. Visser, at 4001 204th Street SW, Lynnwood, Washington 98036.
- You may attend the annual meeting and vote in person (if you hold your shares beneficially through a broker, bank or other agent you must bring a legal proxy from the record holder in order to vote at the meeting).

If your shares are held by your broker, bank or other agent, you should follow the instructions provided by them.

What is the quorum requirement?

A quorum of shareholders is necessary to hold a valid meeting. A quorum will be present if at least a majority of the outstanding shares as of the close of business on the record date are represented by shareholders present at the meeting or by proxy.

Your shares will be counted towards the quorum only if you submit a valid proxy (or one is submitted on your behalf by your broker, bank or other agent) or if you vote in person at the meeting. Generally, abstentions and broker non-votes (discussed below in “How are votes counted?”) will be counted towards the quorum requirement. If there is no quorum, a majority of the votes present at the meeting may adjourn the meeting to another date. **Your vote is extremely important, so please vote.**

How are votes counted?

Votes will be counted by the inspector of election appointed for the meeting, who will separately count “For,” “Against” and “Abstain” and broker non-votes (described below, if applicable) for Proposals 1 and 2. Abstentions and broker non-votes will not be counted as votes cast for any proposal.

If your shares are held by your broker, bank or other agent as your nominee (that is, in “street name”), you will need to obtain a voting instruction form from the institution that holds your shares and follow the instructions included on that form regarding how to instruct your broker, bank or other agent to vote your shares. If you do not give instructions to your broker, bank or other agent, they can vote your shares with respect to discretionary items, but not with respect to non-discretionary items. Under the rules of the New York Stock Exchange, the election of directors (Proposal 1) is considered a non-discretionary item while the ratification of the selection of Moss Adams LLP as our independent registered public accounting firm (Proposal 2) is considered a discretionary item. Accordingly, if your broker holds your shares in its name, the broker is not permitted to vote your shares on Proposal 1 but is permitted to vote your shares on Proposal 2 even if it does not receive voting instructions from you because Proposal 2 is considered discretionary. When a broker votes a client’s shares on some but not all of the proposals at the annual meeting, the missing votes are referred to as broker non-votes. Broker non-votes will be included in determining the presence of a quorum at the annual meeting but are not considered present or a vote cast for purposes of voting on the non-discretionary items. **Please vote your proxy so your vote can be counted.**

How many votes are needed to approve each proposal?

Under Washington corporation law, our Articles of Incorporation and our bylaws, if a quorum exists, the approval of any corporate action taken at a shareholder meeting is based on votes cast. “Votes cast” means votes actually cast “For” or “Against” Proposals 1 and 2, whether by proxy or in person. Abstentions and broker non-votes (discussed previously) are not considered “votes cast.” Each outstanding share entitled to vote with respect to the subject matter of an issue submitted to a meeting of the shareholders shall be entitled to one vote per share.

Proposal 1. As described in more detail below under “Election of Directors,” we have adopted majority voting procedures for the election of directors in uncontested elections. As this is an uncontested election, the director nominees will be elected if the votes cast “For” a nominee’s election exceed the votes cast “Against” the director nominee. There is no cumulative voting for the election of directors.

Proposal 2. For the ratification of the selection of our independent registered public accounting firm for fiscal 2015, if the number of “For” votes exceeds the number of “Against” votes, then Proposal 2 will be ratified.

If you abstain from voting on any of the proposals, or if a broker or bank indicates it does not have discretionary authority to vote on any particular proposal, the shares will be counted for the purpose of determining if a quorum is present, but will not be included in the vote totals as a vote cast with respect to the proposal in question. Furthermore, any abstention or broker non-vote (a broker non-vote is explained previously in “How are votes counted?”) will have no effect on the proposals to be considered at the meeting since these actions do not represent votes cast by shareholders.

How can I find out the results of the voting at the annual meeting?

Preliminary voting results will be announced at the annual meeting. Final voting results will be published on Form 8-K with the Securities and Exchange Commission (“SEC”) within four business days after the annual meeting.

Director Qualifications

The board of directors believes that it is necessary for each of the Company’s directors to possess many qualities and skills and the composition of our board of directors has been designed to allow for expertise in differing skill sets. The governance and nominating committee is responsible for assisting the board in matters of board organization and composition and in establishing criteria for board membership. A detailed discussion of these criteria and how they are utilized is set forth below under “Membership Criteria for Board Members.” Also, the procedures for nominating directors are set forth below under “Director Nomination Procedures.”

Information as of the date of this proxy statement about each nominee for election this year and each other current director is included below under “Election of Directors.” The information presented includes information each director has given us about his or her age, all positions he or she holds, his or her principal occupation and business experience for the past five years and the names of other publicly-held companies of which he or she currently serves as a director or has served as a director during the past five years. In addition, information is also presented below regarding each nominee’s and current director’s specific experience, qualifications, attributes and skills that led our board to the conclusion that he or she should serve as a director. We also believe that all of our director nominees and current directors have a reputation for integrity, honesty and adherence to high ethical standards.

Information about the number of shares of common stock beneficially owned by each director appears under the heading “Security Ownership of Certain Beneficial Owners and Management.” There are no family relationships among any of the directors and executive officers of the Company.

Board Leadership

We separate the roles of Chief Executive Officer (“CEO”) and Chairman of the Board (“Chairman”) in recognition of the differences between the two roles. Our CEO, Richard M. Brooks, is responsible for setting the strategic direction for the Company and the day to day leadership and performance of the Company, while our Chairman, Thomas D. Campion, provides guidance to the CEO and sets the agenda for board meetings and presides over meetings of the full board of directors. Because Mr. Campion is an employee of the Company and is therefore not “independent,” our board has appointed the chairperson of our governance and nominating committee, Sarah G. McCoy, as the Company’s lead independent director. The lead independent director has responsibility to:

- call, lead and preside over meetings of the independent directors, which meet in private executive sessions at each board meeting;
- call special meetings of the board of directors on an as-needed basis;
- set the agenda for executive sessions of meetings of the independent directors;
- facilitate discussions among the independent directors on key risks and issues and concerns outside of board meetings;
- brief the Chairman and CEO on issues that arise in executive session meetings;
- serve as a non-exclusive conduit to the Chairman and CEO of views, concerns and issues of the independent directors; and
- collaborate with the Chairman and CEO on setting the agenda for board meetings.

Membership Criteria for Board Members

The governance and nominating committee of the board is responsible for establishing criteria for board membership. This criteria includes, but is not limited to, personal and professional ethics, training, commitment to fulfill the duties of the board of directors, commitment to understanding the Company's business, commitment to engage in activities in the best interest of the Company, independence, industry knowledge and contacts, financial and accounting expertise, leadership qualities, public company board of director and committee experience and other relevant experience and qualifications. These criteria are referenced in the Company's Corporate Governance Guidelines and in Exhibit A to the governance and nominating committee's charter, both available at <http://ir.zumiez.com> under the "Governance" section. The board also has the ability to review and add other criteria, from time to time, that it deems relevant. Specific weights are not assigned to particular criteria and no particular criterion is necessarily applicable to all prospective nominees.

The criteria referenced above are used as guidelines to help evaluate the experience, qualifications, skills and diversity of current and potential board members. With respect to diversity, we broadly construe it to mean diversity of race, gender, age, geographic orientation and ethnicity, as well as diversity of opinions, perspectives, and professional and personal experiences. Nominees are not discriminated against on the basis of race, religion, national origin, sexual orientation, disability or any other basis proscribed by law. The board believes that the backgrounds and qualifications of the directors, considered as a group, should provide a significant composite mix of experience, knowledge and abilities that will allow the board to fulfill its responsibilities.

Risk Oversight

The board takes an active role, as a whole and also at the committee level, in helping the Company evaluate and plan for the material risks it faces, including operational, financial, legal and regulatory and strategic and reputational risks. As part of its charter, the audit committee discusses with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies. The compensation committee is responsible for overseeing the management of risks relating to the Company's executive compensation plans and arrangements. The governance and nominating committee manages risks associated with corporate governance, including risks associated with the independence of the board and reviews risks associated with potential conflicts of interest affecting directors and executive officers of the Company. While each committee is responsible for evaluating certain risks and overseeing the management of such risks, the entire board is regularly informed through committee reports about such risks. Furthermore, at least annually, the board conducts an independent session where they outline the risks that they believe exist for the Company and the broader retail industry and compares these with the risks outlined by management. Subsequent to this evaluation, management prioritizes the identified risks along with strategies to manage them or address how the Company intends to mitigate these risks. Additionally, the board exercises its risk oversight function in approving the annual budget and quarterly re-forecasts and in reviewing the Company's long-range strategic and financial plans with management. The board's role in risk oversight has not had any effect on the board's leadership structure.

Director Compensation

The goal of our director compensation is to help attract, retain and reward our non-employee directors and align their interests with those of the shareholders. Our desired goal for total director compensation (cash and equity) is to be at the 50th percentile of comparable companies based on our compensation consultant's competitive survey results.

The Company pays its non-employee directors an annual fee for their services as members of the board of directors. Each non-employee director receives an annual cash retainer of \$38,100 and the lead independent director receives an additional \$23,500. The audit committee members receive cash compensation of \$12,700 with the chairperson receiving \$25,400 per year. The compensation committee members receive cash compensation of \$9,500 with the chairperson receiving \$19,000 per year. The governance and nominating

committee member receives cash compensation of \$6,400 with the chairperson receiving \$12,800 per year. Directors appointed in an interim period receive pro-rata retainer fees based on the number of meetings they attend between annual shareholder meetings. The committee chairperson and the respective committee members are paid rates commensurate with the duties and responsibilities inherent within the position held.

Additionally, the Company issues restricted stock awards to its non-employee directors. The board believes such awards provide alignment with the interests of our shareholders. Directors appointed in an interim period receive pro-rata restricted stock awards based on the number of meetings they attend between annual shareholder meetings.

The Company reimburses all directors for reasonable expenses incurred to attend meetings of the board of directors. Non-employee directors may elect to have a portion, or all, of their annual retainer be used for the reimbursement of travel expenses in excess of those that the Company considers to be reasonable.

The following table discloses the cash and stock awards earned by each of the Company's non-employee directors during the fiscal year ending January 31, 2015 ("fiscal 2014").

<u>Name</u>	<u>Fees Earned or Paid in Cash (\$)</u>	<u>Stock Awards (1) (\$)</u>	<u>Total (\$)</u>
Matthew L. Hyde	54,000	85,300	139,300
Ernest R. Johnson	63,500	85,300	148,800
Sarah (Sally) G. McCoy	87,100	85,300	172,400
Gerald F. Ryles (2)	69,800	85,300	155,100
Travis D. Smith	57,925	85,300	143,225
James M. Weber	54,000	85,300	139,300
Kalen F. Holmes (3)	42,900	63,900	106,800

(1) This column represents the aggregate grant-date fair value of restricted stock awards calculated in accordance with FASB ASC Topic 718, excluding the impact of estimated forfeitures related to service based vesting conditions. For assumptions used in determining these values, please see Note 2 (listed under Stock Compensation) in the Notes to Consolidated Financial Statements in our fiscal 2014 Form 10-K.

On May 21, 2014, the day of the annual shareholder meeting, the Company awarded 3,193 shares of restricted stock to each of the then current directors with a grant-date fair value of \$85,300. This excludes Kalen Holmes who was subsequently appointed, as noted below. The stock awards will vest on May 21, 2015.

(2) Mr. Ryles passed away on March 5, 2015.

(3) Ms. Holmes was appointed to the board of directors on December 2, 2014. Ms. Holmes was awarded 1,814 shares of restricted stock with a grant date fair value of \$63,900. This stock award will vest on May 21, 2015.

PROPOSAL 1

ELECTION OF DIRECTORS

The Company currently has eight director positions. The directors are divided into three classes so that approximately one-third of the directors are elected each year for three-year terms. Directors are elected to hold office until their successors are elected and qualified, or until resignation or removal in the manner provided in our bylaws. Three directors are nominees for election this year and each has consented to serve a three-year term ending in 2018. The remaining directors will continue to serve the terms set out below.

On March 5, 2015, Zumiez was informed of the death of director Gerald F. Ryles, who passed away on March 5, 2015. Mr. Ryles served as a director of the Company since 2005 and will be greatly missed. Mr. Ryles served as the Chair of the Compensation Committee and also served on the Audit Committee. On March 11, 2015, at a regularly scheduled Board of Directors meeting, the Company named director Mr. Travis Smith to serve as the new Chairperson of the Compensation Committee.

The nominees for director in an uncontested election, such as this one, will be elected if the votes cast in favor of a nominee's election exceed the votes cast opposing such nominee's election. Abstentions and broker non-votes are not considered "votes cast." Likewise, a share otherwise present at the meeting as to which a shareholder gives no authority or direction to vote is also not considered a "vote cast."

In a contested election, the directors shall be elected by a plurality of the votes cast. A "contested election" means an election of directors of the Company in which the number of nominees for any election of directors nominated by (i) the board of directors, or (ii) any shareholder pursuant to Article 1, Section 10 of the Company's bylaws, or (iii) a combination of nominees by the board of directors and any shareholder pursuant to Article I, Section 10 of the Company's bylaws, exceed the number of directors to be elected.

A nominee for director in an uncontested election who does not receive the requisite votes for election, but who was a director at the time of the election, shall continue to serve as a director for a term that shall terminate on the date that is the earlier of: (i) ninety (90) days from the date on which the voting results of the election are certified, (ii) the date on which an individual is selected by the board of directors to fill the office held by such director, which selection shall be deemed to constitute the filling of a vacancy by the board of directors, or (iii) the date the director resigns. Except in the foregoing sentence, a director who failed to receive a majority vote for election will not participate in the filling of his or her office. If none of the directors receive a majority vote in an uncontested election, then the incumbent directors (a) will nominate a slate of directors and hold a special meeting for the purpose of electing those nominees as soon as practicable, and (b) may in the interim fill one or more offices with the same director(s) who will continue in office until their successors are elected. If, for any reason, the directors shall not have been elected at any annual meeting, they may be elected at a special meeting of shareholders called for that purpose in the manner provided by the Company's bylaws.

We invite and recommend all of our directors and the nominees for director to attend our annual meeting of shareholders.

Nominees for Election for Terms Expiring in 2018

Richard M. Brooks, 55, has served as our CEO since June 2000. From August 1993 through June 2000, he served as a Vice President and our Chief Financial Officer. From November 1989 until February 1992, Mr. Brooks was with Interchecks, Inc., a subsidiary of Bowater PLC, as a finance officer. Mr. Brooks was with Deloitte, Haskins & Sells, currently known as Deloitte LLP, from July 1982 to March 1989. Mr. Brooks holds a B.A. in Business from the University of Puget Sound. Mr. Brooks has served on the University of Puget Sound Board of Trustees from May 2002 to the present and he currently chairs its Board of Trustees as well as its Compensation and Executive Committees.

Director Qualifications: Mr. Brooks' day to day leadership as our CEO provides him with detailed knowledge of our business and operations. Mr. Brooks provides generational leadership, sales, marketing, merchandising and brand building experience and expertise. Mr. Brooks has demonstrated a record of innovation, achievement and leadership. This experience provides the board with a unique perspective into the operations and vision of Zumiez. Mr. Brooks' particular knowledge and experience with Zumiez and its competition helps the Company formulate short and long-term strategies that have helped Zumiez differentiate itself in the specialty niche of the action sports retail business. As one of the Company's largest shareholders, Mr. Brooks' interest is aligned with other Zumiez shareholders' interests to increase the long-term value of the Company.

Matthew L. Hyde, 52, was appointed to our board in December 2005 and is the Chief Executive Officer and President at West Marine, Inc. where he joined in June 2012. He also serves on the Board of Directors at West Marine, Inc. Previously he served as an Executive Vice President of Recreational Equipment Inc. (REI), where he had been since 1986, responsible for Marketing, Direct Sales, Real Estate and Retail operations. Mr. Hyde previously led REI's online division, championing its award-winning multi-channel strategy. He currently serves on the board of the YMCA of the USA, and holds a Bachelor's of Science degree from Oregon State University.

Director Qualifications: Mr. Hyde's background in a retail company, including his online retail and brand marketing experience, is of critical importance to the board. Mr. Hyde also provides critical merchandising and brand building expertise because of his long tenure in specialty retail. Mr. Hyde's successful expertise in building a retail brick and mortar, direct and multi-channel strategy provides insight and experience as the Company plans its growth in these channels of distribution.

James M. Weber, 55, was appointed to our board in April 2006 and is the Chairman and CEO of Brooks Sports Inc., a leading running shoe and apparel company, where he has been since 2001. Mr. Weber's experience also includes positions as Managing Director of U.S. Bancorp Piper Jaffray Seattle Investment Banking practice, Chairman and CEO of Sims Sports, President of O'Brien International, Vice President of The Coleman Company and various roles with the Pillsbury Company. Mr. Weber earned an M.B.A., with distinction, from the Tuck School at Dartmouth College and is a graduate of the University of Minnesota.

Director Qualifications: Mr. Weber's role as the CEO of a sports related company and his international business experience, extensive brand building, marketing and CEO experience provide our board with a very useful perspective as the Company plans its growth strategies.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF EACH NOMINEE PREVIOUSLY NAMED

Continuing Directors Whose Terms Expire in 2016

Kalen F. Holmes, 48, was appointed to our board in December 2014. Ms. Holmes served as an Executive Vice President of Partner Resources (Human Resources) at Starbucks Corporation from November 2009 until her retirement in February 2013. Prior to her employment with Starbucks, Ms. Holmes held a variety of leadership roles with HR responsibility for Microsoft Corporation from September 2003 through November 2009. Prior to joining Microsoft, Ms. Holmes served in a variety of industries, including high-tech, energy, pharmaceuticals and global consumer sales. She also serves on the Board of Directors for the YWCA King and Snohomish counties and on the Board of Trustees for the Pacific Northwest Ballet. Ms. Holmes holds a Bachelor of Arts in Psychology from the University of Texas and a Master of Arts and a Ph.D. in Industrial/Organization Psychology from the University of Houston.

Director Qualifications: Ms. Holmes' extensive expertise in human resources and people development adds important and relevant experience to the Company's board of directors. Her background in a variety of industries, including retail, provides insight and experience in successfully developing and executing long term

strategy related to operations and human resources. In addition, she has experience with large international organizations as they grew in scale to become large multinational corporations and this experience will be beneficial to the Company as it grows in size and scale.

Travis D. Smith, 42, was appointed to our board of directors in August 2012 and was the CEO and President of Jo-Ann Fabric and Craft stores until August 2014. Mr. Smith began his career with Jo-Ann in 2006 serving as the Executive Vice President, Merchandising and Marketing. In February 2009, Mr. Smith was named Chief Operating Officer and added the duties of President in February 2010, then Chief Executive Officer in August 2011. Prior to his employment with Jo-Ann, Mr. Smith held merchandising and marketing positions of increasing responsibility with Fred Meyer Stores, a division of the Kroger Company, ultimately serving as Senior Vice President, General Merchandise. Mr. Smith is a graduate of the University of Notre Dame with a Bachelor's Degree in Business Marketing and Communications.

Director Qualifications: Mr. Smith's background in retailing and in particular merchandising, marketing and leadership roles adds important and relevant experience to the Company's board of directors. Mr. Smith also brings experience in brand building, retail brick and mortar and direct to customer operations.

Continuing Directors Whose Terms Expire in 2017

Thomas D. Campion, 66, is one of our co-founders and has served on our board of directors since our inception in 1978. Mr. Campion has held various senior management positions during this time, including serving as our Chairman since June 2000. From November 1970 until August 1978, he held various management positions with JC Penney Company. Mr. Campion holds a B.A. in Political Science from Seattle University. Mr. Campion serves on the Board of the Alaska Wilderness League, a Washington, D.C. based environmental group. He is also the trustee of the Campion Foundation, a nonprofit organization focused on ensuring that biologically important ecosystems in Northwestern North America are preserved. The Foundation also works on homelessness issues in the Pacific Northwest.

Director Qualifications: Mr. Campion's knowledge as a retailer and as the co-founder of the Company provides the board with invaluable insight into the Company's business and its unique culture. Mr. Campion provides generational leadership, sales, marketing, merchandising and brand building experience and expertise. Mr. Campion's particular knowledge and experience with Zumiez and its competition helps the Company formulate short and long-term strategies that have contributed to Zumiez differentiating itself in the specialty niche of action sports retailing. As one of the Company's largest shareholders, Mr. Campion's interests are aligned with other Zumiez shareholders' interests to increase the long-term value of the Company.

Sarah (Sally) G. McCoy, 54, was appointed to our board of directors in October 2010 and is the CEO and President of CamelBak Products, a company that originated hands free-hydration and is the leader in hydration products. Ms. McCoy has been the CEO and President of CamelBak since September of 2006. Prior to joining CamelBak, Ms. McCoy co-founded Silver Steep Partners in 2004, a leading investment banking firm catering to companies in the outdoor and active lifestyle industry. Before Silver Steep, McCoy served as president of Sierra Designs and Ultimate Direction and as vice president at The North Face. Ms. McCoy is a graduate of Dartmouth College.

Director Qualifications: Ms. McCoy's background in sales, merchandising, sourcing, marketing and executive management of outdoor and action sports consumer brands provides strategic insight and direction for Zumiez as we plan our branded and private label growth strategies. Additionally, her experience in investment banking and valuation experience in our industry is valuable as we formulate our growth strategies.

Ernest R. Johnson, 64, was appointed to our board of directors in July 2011 and has served as the Chairman of Cutter & Buck Inc. and President and Chief Executive Officer for New Wave USA Inc. since November 2009. From February 2006 to November 2009, he served as Chief Executive Officer of Cutter & Buck. Mr. Johnson

was also a Senior Vice President and Chief Financial Officer for Cutter & Buck from November 2002 to February 2006. Prior to joining Cutter & Buck, he worked 29 years in several commercial banks holding various senior accounting and financial positions. Mr. Johnson holds a B.A. in Business Administration—Accounting from Washington State University.

Director Qualifications: Mr. Johnson's background as a CEO for an apparel company and as a CFO for an apparel company and commercial banks provides relevant leadership and financial expertise to the Company's board of directors. Mr. Johnson also has experience in international business and in mergers and acquisitions.

CORPORATE GOVERNANCE

Independence of the Board of Directors and its Committees

As required under Nasdaq listing rules, a majority of the members of a listed company's board of directors must qualify as "independent," as affirmatively determined by the board of directors. Our board of directors consults with our counsel to ensure that the board's determinations are consistent with all relevant securities and other laws and regulations regarding the definition of "independent," including those set forth in applicable Nasdaq listing rules, as in effect from time to time.

Consistent with these considerations, after review of all relevant transactions or relationships between each director or any of his or her family members and the Company, our senior management and our independent auditors, our board of directors has affirmatively determined that all of our directors are independent directors within the meaning of the applicable Nasdaq listing rules, except for our Chairman, Mr. Campion, and CEO, Mr. Brooks.

As required under applicable Nasdaq listing rules, our independent directors meet in regularly scheduled executive sessions at which only independent directors are present. All of the committees of our board of directors are comprised of directors determined by the board to be independent within the meaning of the applicable Nasdaq listing rules.

Certain Relationships and Related Transactions

The Company committed to make charitable contributions to the Zumiez Foundation of \$0.7 million in both fiscal 2014 and the fiscal year ending February 1, 2014 ("fiscal 2013"). Our Chairman, Thomas D. Campion, is a trustee of the Zumiez Foundation.

Policy and Procedures with Respect to Related Person Transactions

The Company recognizes that Related Person Transactions (defined as transactions, arrangements or relationships in which the Company was, is or will be a participant and the amount involved exceeds \$10,000, and in which any Related Person (defined below) had, has or will have a direct or indirect interest) may raise questions among shareholders as to whether those transactions are consistent with the best interests of the Company and its shareholders. It is the Company's written policy to enter into or ratify Related Person Transactions only when the board of directors, acting through the audit committee of the board of directors, determines that the Related Person Transaction in question is in, or is not inconsistent with, the best interests of the Company and its shareholders, including but not limited to situations where the Company may obtain products or services of a nature, quantity or quality, or on other terms, that are not readily available from alternative sources or when the Company provides products or services to Related Persons on an arm's length basis on terms comparable to those provided to unrelated third parties or on terms comparable to those provided to employees generally. A summary of the Company's policies and procedures with respect to review and approval of Related Person Transactions are set forth below.

"Related Persons" are defined as follows:

1. any person who is, or at any time since the beginning of the Company's last fiscal year was, a director or executive officer of the Company or a nominee to become a director of the Company;
2. any person who is known to be the beneficial owner of more than 5% of any class of the Company's voting securities;
3. any immediate family member of any of the foregoing persons, which means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of the director, executive officer, nominee or more than 5% beneficial owner, and any person (other than a tenant or employee) sharing the household of such director, executive officer, nominee or more than 5% beneficial owner; and

4. any firm, corporation or other entity in which any of the foregoing persons is employed or is a general partner or principal or in a similar position or in which such person has a 5% or greater beneficial ownership interest.

Directors and executive officers are required to submit to the audit committee a list of immediate family members and a description of any current or proposed Related Person Transactions on an annual basis and provide updates during the year.






In its review of any Related Person Transactions, the audit committee shall consider all of the relevant facts and circumstances available to the audit committee, including (if applicable) but not limited to: the benefits to the Company; the impact on a director's independence in the event the Related Person is a director, an immediate family member of a director or an entity in which a director is a partner, shareholder or executive officer; the availability of other sources for comparable products or services; the terms of the transaction; and the terms available to unrelated third parties or to employees generally. No member of the audit committee shall participate in any review, consideration or approval of any Related Person Transaction with respect to which such member or any of his or her immediate family members is the Related Person. The audit committee shall approve or ratify only those Related Person Transactions that are in, or are not inconsistent with, the best interests of the Company and its shareholders as the audit committee determines in good faith. The audit committee shall convey the decision to the CEO, General Counsel or the Chief Financial Officer, who shall convey the decision to the appropriate persons within the Company.





Policy on Derivative Securities and Hedging Activities.

The Company maintains a policy related to derivative securities and hedging activities as these securities and activities may put the personal interests and objectives in conflict with the best interests of the Company and its shareholders. Absent the prior written consent of the CFO or the General Counsel, individuals who are subject to this policy (including immediate family members), may not purchase, sell and trade-in options, warrants, puts and calls, or similar instruments, or engage in derivative securities involving or relating to the Company's securities. In addition, without the prior written consent of the CFO or the General Counsel, hedging or monetization transactions such as zero-cost collars and forward sale contracts that allow a person to lock in a portion of the value of his or her shares, often in exchange for all or part of the potential for upside appreciation in the shares, are prohibited.

Information Regarding the Board of Directors and its Committees

Our board has established an audit committee, compensation committee and governance and nominating committee. The board has adopted a written charter for each committee. The charters of these three committees are posted on the Company's website and can be accessed free of charge at <http://ir.zumiez.com> and are available in print to any shareholder who requests them. The composition of our board committees complies with the applicable rules of the SEC and Nasdaq. The board has determined that Ernest R. Johnson is an audit committee financial expert as defined in the rules of the SEC.

	<u>Audit Committee</u>	<u>Governance & Nominating Committee</u>	<u>Compensation Committee</u>
Matthew L. Hyde		● ■	● ■
Ernest R. Johnson 	● ■ 		
Sarah (Sally) G. McCoy 	● ■	● ■ 	
Gerald F. Ryles (1)	● ■		● ■
Travis D. Smith (2)	● ■		● ■ 
James M. Weber		● ■	● ■
Kalen F. Holmes (3)	● ■	● ■	

 Chairperson
 Member
 Lead Independent Director
 Audit Committee Financial Expert

- (1) Mr. Ryles passed away on March 5, 2015. Mr. Ryles served on the Audit Committee and as Chairman of the Compensation Committee until that time.
- (2) Mr. Smith was appointed to the Compensation Committee on December 10, 2014 and appointed as Chairman of the Compensation Committee on March 11, 2015.
- (3) Ms. Holmes was appointed to the Audit Committee and Governance & Nominating Committee on December 2, 2014.

Audit Committee

As more fully described in its charter, our audit committee has responsibility for, among other things:

- the sole authority to appoint, determine the funding for and oversee the independent registered public accounting firm;
- assisting our board in monitoring the integrity of our financial statements and other SEC filings;
- discussing with our management and our independent registered public accounting firm significant financial reporting issues and judgments and any major issues as to the adequacy of our internal controls;
- reviewing our annual and quarterly financial statements prior to their filing with the SEC and prior to the release of our results of operations;
- reviewing the independence, performance and qualifications of our independent registered public accounting firm and presenting its conclusions to our board and approving, subject to permitted exceptions, any non-audit services proposed to be performed by the independent registered public accounting firm;
- oversight of the performance of the Company’s internal audit function; and
- reviewing its charter at least annually for appropriate revisions.

The audit committee has the power to investigate any matter brought to its attention within the scope of its duties and to retain counsel for this purpose where appropriate.

Governance and Nominating Committee

As more fully described in its charter, our governance and nominating committee has the responsibility for, among other things:

- recommending persons to be selected by the board as nominees for election as directors and as chief executive officer;

- assessing our directors' and our board's performance;
- making recommendations to the board regarding membership and the appointment of chairpersons of the board's committees;
- recommending director compensation and benefits policies;
- reviewing its charter at least annually for appropriate revisions; and
- recommending to the board other actions related to corporate governance principles and policies.

Compensation Committee

As more fully described in its charter, our compensation committee has responsibility for, among other things:

- establishing the Company's philosophy, policies and strategy relative to executive compensation, including the mix of base salary, short-term and long-term incentive and equity based compensation within the context of the stated policies and philosophy including management development and succession planning practices and strategies;
- reviewing corporate goals and objectives relevant to compensation of our CEO and other senior executives including review and approval of performance measures and targets for all executive officers participating in the annual executive non-equity incentive bonus plan and certify achievement of performance goals after the annual measurement period to permit bonus payouts under the plan;
- determining and approving our CEO's compensation and making recommendations to the board with respect to compensation of other executive employees, including any special discretionary compensation and benefits;
- administering our incentive compensation plans and equity based plans and making recommendations to the board with respect to those plans;
- making recommendations to our board with respect to the compensation of directors;
- the sole authority to appoint, determine the funding for and oversee the independent compensation consultant; and
- reviewing its charter at least annually for appropriate revisions.

Succession Planning

Our CEO and board of directors review at least annually the succession plan of our CEO and each of our named executive officers ("NEO" or "NEOs"). The board of directors conducts an annual review of, and provides approval for, our management development and succession planning practices and strategies.

Our CEO provides an annual report to the board of directors assessing senior management and their potential successors. As part of this process, contingency plans are presented in the event of our CEO's termination of employment for any reason (including death or disability). The report to the board of directors also contains the CEO's recommendation as to his successor. The full board of directors has the primary responsibility to develop succession plans for the CEO position.

Meetings of the Board of Directors and Board and Committee Member Attendance

In fiscal 2014, our board of directors met four times, the audit committee met four times, the governance and nominating committee met five times, and the compensation committee met three times. The board of directors and the committees acted by unanimous written consent when required during the last fiscal year. Each board member attended 75% or more of the aggregate number of meetings of the board, and of the committees

on which he or she served, that were held during the period for which he or she was a director or committee member, except for Mr. Weber on the Compensation meeting who attended 67% of the Compensation Committee meetings. Although the Company does not have a formal policy requiring members of the board of directors to attend annual shareholder meetings, the Company encourages all directors to attend each annual shareholder meeting. All eight of the then current board members were in attendance at our 2014 annual shareholder meeting. Ms. Holmes, who joined the board of directors in December 2014, was not in attendance.

Shareholder Communications with the Board of Directors

The Company has a process by which shareholders may communicate directly with directors, including non-employee directors, by mailing such communication to the board of directors in care of the Company's Secretary, at the Company's headquarters in Lynnwood, Washington. The mailing envelope must contain a clear notation indicating that the enclosed letter is a "Shareholder-Board Communication" or "Shareholder-Director Communication." All such letters must identify the author as a shareholder and clearly state whether the intended recipients are all members of the board or just certain specified individual directors. The Secretary will make copies of all such letters and circulate them to the appropriate director or directors. All such communications will be forwarded to the intended director(s) without editing or screening. If these foregoing procedures are modified, then updated procedures will be posted on the Company's corporate website.

Code of Conduct and Ethics

Our board has adopted a code of conduct and ethics applicable to our directors, executive officers, including our chief financial officer and other of our senior financial officers, and employees in accordance with applicable rules and regulations of the SEC and Nasdaq. The code of conduct is available at <http://ir.zumiez.com> under the "Governance" section.

Corporate Governance Guidelines

Our board has adopted corporate governance guidelines that provide an overview of the governance structure maintained at the Company and policies related thereto. The guidelines are available at <http://ir.zumiez.com> under the "Governance" section.

Executive Compensation Recovery Policy

The Company maintains an executive compensation recovery policy. Pursuant to this policy, the Company may recover incentive income that was based on the achievement of quantitative performance targets if the executive officer engaged in fraud or intentional misconduct that resulted in an increase in his or her incentive income. Incentive income includes all incentive income and compensation that the compensation committee considers to be appropriate based upon the circumstance.

The compensation committee has the sole discretion to administer this policy and take actions under it, including soliciting recommendations from the audit committee and the full board of directors and retaining outside advisors to assist in making its determinations. The actions taken by the compensation committee are independent of any action imposed by law enforcement agencies, regulators or other authorities.

Director Nomination Procedures

The nominations to the board of directors were completed by the governance and nominating committee. The governance and nominating committee has established board membership criteria (discussed above, under the section entitled "Membership Criteria for Board Members") and the procedures for selecting new directors.

Nominations to the board of directors are completed using procedures in accordance with the charter of the governance and nominating committee including the director qualifications, criteria and skills as outlined in such charter. These procedures include:

- Initial review of potential director candidates by the committee as submitted by the independent directors of the board based on our established criteria for board membership including (without limitation) experience, skill set, diversity and the ability to act effectively on behalf of the shareholders and such other criteria as the committee may deem relevant from time to time.
- Each director candidate was put forth for consideration as a director candidate independently by our independent directors based on their knowledge of the candidates. None of our independent directors had a relationship with any candidates that would impair his or her independence. Each candidate's biography was reviewed by each member of the committee with the intention that each candidate would bring a unique perspective to benefit our shareholders and management.
- Interviews of director candidates were conducted by members of the committee and senior management. These interviews confirmed the committee's initial conclusion that candidates met the qualifications, criteria and skills to serve as a director of the Company.
- Reference checks were conducted if further checks were required based on the level of knowledge about the candidate by members of the committee.
- Background checks were conducted, including criminal, credit and bankruptcy, SEC violations and/or sanctions, work history and education.
- Independence questionnaires were completed by candidates and then reviewed by the Company, the committee and the Company's legal counsel to ensure candidates meet the requirements to be an independent director for the board, audit committee, compensation committee and the governance and nominating committee. The review also ensures the candidates positions do not conflict in any material way with Company business.
- Conclusion to nominate a candidate is based on all of the procedures reviewed previously and the information attached. It is ensured through these procedures that the candidate appears to be well qualified to serve on the Company's board of directors and its committees and appears to meet Nasdaq and SEC requirements to be able to serve as an independent director and as a member of the audit committee and any other committee the board may assign to such director.

Kalen F. Holmes was appointed to our board of directors on December 2, 2014. Ms. Holmes was originally recommended to join the board by one of our current directors. No fees were paid to any third party search firms in connection with any director nominations.

The governance and nominating committee of the board will consider qualified nominees recommended by shareholders who may submit recommendations to the governance and nominating committee in care of our Chairman of the Board and Secretary at the following address:

Board of Directors and Chairman of the Board
c/o Secretary
Zumiez Inc.
4001 204th Street SW
Lynnwood, Washington 98036

Nominees for director who are recommended by our shareholders will be evaluated in the same manner as any other nominee for director. Shareholder recommendations for director should include the following information:

- the name, age, residence, personal address and business address of the shareholder who intends to make the nomination and of the person(s) to be nominated;

- the principal occupation or employment, the name, type of business and address of the organization in which such employment is carried on of each proposed nominee and of the shareholder who intends to make the nomination;
- a representation that the shareholder is a holder of record of stock of the Company, including the number of shares held and the period of holding;
- a description of all arrangements or understandings between the shareholder and the recommended nominee;
- such other information regarding the recommended nominee as would be required to be included in a proxy statement filed pursuant to Regulation 14A promulgated by the SEC pursuant to the Securities Exchange Act of 1934, as amended; and
- the consent of the recommended nominee to serve as a director of the Company if so elected.

The governance and nominating committee may require that the proposed nominee furnish the committee with other information as it may reasonably request to assist it in determining the eligibility of the proposed nominee to serve as a director.

To submit a recommendation for director for an upcoming annual shareholder meeting, it is necessary that a proposing shareholder notify the Company and provide the information set forth previously, no later than 120 days prior to the corresponding date on which the Company's annual proxy statement is mailed in connection with the most recent annual meeting.

General Director Nomination Right of All Shareholders

Any shareholder of the Company may nominate one or more persons for election as a director of the Company at an annual meeting of shareholders if the shareholder complies with the notice, information and consent provisions contained in Article I, Section 10 of the Company's bylaws. Specifically, these provisions require that written notice of a shareholder's intent to make a nomination for the election of directors be received by the Secretary not fewer than 120 days and not more than 150 days prior to the anniversary date of the prior year's annual meeting of shareholders.

The Secretary will send a copy of the Company's bylaws to any interested shareholder who requests them.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table provides information regarding the beneficial ownership of our common stock as of March 16, 2015 by: (i) each of our directors; (ii) each of our NEOs; (iii) all of our executive officers and directors as a group; and (iv) each person, or group of affiliated persons, known by us to beneficially own more than 5% percent of our common stock. The table is based upon information supplied by our officers, directors and principal shareholders and a review of Schedule 13G reports filed with the SEC. Unless otherwise indicated in the footnotes to the table and subject to community property laws where applicable, we believe that each of the shareholders named in the table has sole voting and investment power with respect to the shares indicated as beneficially owned.

Applicable percentages are based on shares outstanding on March 16, 2015, adjusted as required by rules promulgated by the SEC. These rules generally attribute beneficial ownership of securities to persons who possess sole or shared voting power or investment power with respect to those securities. In addition, the rules include shares of common stock issuable pursuant to the exercise of stock options that are either immediately exercisable or exercisable on or before May 15, 2015, which is 60 days after March 16, 2015. These shares are deemed to be outstanding and beneficially owned by the person holding those options for the purpose of computing the percentage ownership of that person, but they are not treated as outstanding for the purpose of computing the percentage ownership of any other person. Except as noted below, the address for each person that holds 5% or more of our common stock is c/o Zumiez Inc., 4001 204th Street SW, Lynnwood, Washington 98036.

<u>Name of Beneficial Owner</u>	<u>Number of Common Shares Beneficially Owned</u>	<u>Percentage of Shares Beneficially Owned</u>
Thomas D. Campion (1)	3,574,877	12.1%
Richard M. Brooks (2)	3,713,024	12.6%
Christopher C. Work (3)	32,741	*
Ford K. Wright (4)	51,678	*
Troy R. Brown (5)	63,771	*
Chris K. Visser (6)	16,773	*
Gerald F. Ryles (7)	41,931	*
James M. Weber (8)	37,943	*
Matthew L. Hyde (9)	37,943	*
Sarah (Sally) G. McCoy (10)	11,827	*
Ernest R. Johnson (11)	11,877	*
Travis D. Smith (12)	7,834	*
Kalen F. Holmes (13)	1,814	*
All Executive Officers and Directors as a group (13 persons)	7,604,033	25.6%
Wasatch Advisors, Inc (14)	2,161,793	7.4%
Black Rock, Inc. (15)	1,818,280	6.2%
T. Rowe Price Associates, Inc. (16)	1,765,950	6.0%
The Vanguard Group (17)	1,551,882	5.3%
FMR LLC (18)	1,480,817	5.1%

* Less than one percent.

- (1) Includes shares of common stock held by grantor retained annuity trusts for which Thomas D. Campion is trustee. Mr. Campion is our Chairman of the Board.
- (2) Mr. Brooks is our CEO and a Director.
- (3) Consists of 21,712 shares of stock held by Mr. Work of which 6,732 shares are restricted and 11,029 vested stock options. Mr. Work is our Chief Financial Officer.

- (4) Consists of 9,635 shares of stock held by Mr. Wright of which 8,860 shares are restricted and 42,043 vested stock options. Mr. Wright was our Executive Vice President of Stores. Mr. Wright gave notice of his decision to retire from the Company on March 2, 2015, which was effective March 20, 2015.
- (5) Consists of 22,378 shares of stock held by Mr. Brown of which 18,756 shares are restricted and 41,393 vested stock options. Mr. Brown is our Executive Vice President of Ecommerce and Omni-channel.
- (6) Consists of 9,367 shares of stock held by Mr. Visser of which 7,866 shares are restricted and 7,406 vested stock options. Mr. Visser is our Executive Vice President, General Counsel and Secretary.
- (7) Consists of 17,931 shares of stock held by Mr. Ryles and 24,000 vested stock options. Mr. Ryles was one of our directors. He passed away on March 5, 2015.
- (8) Consists of 23,943 shares of stock held by Mr. Weber of which 3,193 shares are restricted and 14,000 vested stock options. Mr. Weber is one of our directors.
- (9) Consists of 23,943 shares of stock held by Mr. Hyde of which 3,193 shares are restricted and 14,000 vested stock options. Mr. Hyde is one of our directors.
- (10) Consists of 11,827 shares of stock held by Ms. McCoy of which 3,193 shares are restricted. Ms. McCoy is one of our directors.
- (11) Consists of 11,877 shares of stock held by Mr. Johnson of which 3,193 shares are restricted. Mr. Johnson is one of our directors.
- (12) Consists of 7,834 shares of stock held by Mr. Smith of which 3,193 shares are restricted. Mr. Smith is one of our directors.
- (13) Consists of 1,814 shares of stock held by Ms. Holmes of which 1,814 shares are restricted. Ms. Holmes is one of our directors.
- (14) This information is based solely on a Schedule 13G filed February 17, 2015 by Wasatch Advisors, Inc. The business address of Wasatch Advisors, Inc. is 505 Wakara Way, Salt Lake City, UT 84108.
- (15) This information is based solely on a Schedule 13G filed January 30, 2015 by BlackRock, Inc. The business address of BlackRock, Inc. is 55 East 52nd Street New York, NY 10022.
- (16) This information is based solely on a Schedule 13G/A filed February 11, 2015 by T. Rowe Price Associates, Inc. (“Price Associates”). The business address of T. Rowe Price Associates, Inc. is 100 E. Pratt Street, Baltimore, Maryland 21202.
- (17) This information is based solely on a Schedule 13G filed February 11, 2015 by The Vanguard Group, Inc. The business address of The Vanguard Group, Inc. is 100 Vanguard Blvd. Malvern, PA 19355.
- (18) This information is based solely on a Schedule 13G filed February 13, 2015 by FMR LLC. The business address of FMR LLC. is 245 Summer Street, Boston, MA 02210. Members of the family of Edward C. Johnson 3d, including Abigail P. Johnson, are the predominant owners, directly or through trusts, of Series B voting common shares of FMR LLC, representing 49% of the voting power of FMR LLC. The Johnson family group and all other Series B shareholders have entered into a shareholders’ voting agreement under which all Series B voting common shares will be voted in accordance with the majority vote of Series B voting common shares. Accordingly, through their ownership of voting common shares and the execution of the shareholders’ voting agreement, members of the Johnson family may be deemed, under the Investment Company Act of 1940, to form a controlling group with respect to FMR LLC. Neither FMR LLC nor Edward C. Johnson 3d nor Abigail P. Johnson has the sole power to vote or direct the voting of the shares owned directly by the various investment companies registered under the Investment Company Act (“Fidelity Funds”) advised by Fidelity Management and Research Company, a wholly owned subsidiary of FMR LLC, which power resides with the Fidelity Funds’ Boards of Trustees. Fidelity Management & Research Company carries out the voting of the shares under written guidelines established by the Fidelity Funds’ Boards of Trustees.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our directors and executive officers, and persons who own more than 10% of a registered class of our equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock and other equity securities. Officers, directors and greater than 10% shareholders are required by SEC regulation to furnish us with copies of all Section 16(a) forms they file.

To our knowledge, based solely on a review of the copies of such reports furnished to us and written representations that no other reports were required, during fiscal 2014, all applicable Section 16(a) filing requirements were met, and that all such filings were timely, except for a late Form 4 report filed on behalf of Troy Brown, Chris Visser, Chris Work, and Ford Wright.

EXECUTIVE OFFICERS

As of the end of fiscal 2014 the names, ages and positions of the current non-director executive officers of the Company are listed below, along with their respective business experience. No family relationships exist among any of the directors or executive officers of the Company.

Troy R. Brown, 52, has served as our Executive Vice President of Ecommerce and Omni-channel since August 2012. From October 2008 through July 2012, he served as the Senior Vice President of Ecommerce. From February 2007 through August 2008, Mr. Brown was with Tommy Bahama as the Director of Ecommerce. From March 2005 until September 2006, he was with Expedia, where he served as General Manager (“GM”) of Vacation Packages. From August 1994 until March 2005, Mr. Brown was with Eddie Bauer in various management positions including Vice President of Ecommerce. Prior to August 1994, he was employed by Nautica Inc, and ZCMI, where he held various management positions. Mr. Brown has more than 30 years experience in the retail, wholesale and Ecommerce industries.

Chris K. Visser, 44, serves as our Executive Vice President, General Counsel and Secretary. Mr. Visser oversees all legal affairs, real estate, human resources and corporate services operations of the Company. Mr. Visser was appointed General Counsel and Secretary in October 2012 and Executive Vice President in May 2014. From 2001 until October 2012, Mr. Visser was with K&L Gates LLP where he has been a partner in the corporate, securities, and mergers and acquisitions practice group. Mr. Visser also worked as a process engineer with Vista Chemical Company prior to earning his law degree. Mr. Visser holds a Bachelor of Science degree in Chemical Engineering from the University of Washington. Mr. Visser also obtained an M.B.A, with a Concentration in Finance, from the University of Houston and a J.D. from the University of Houston Law Center where he graduated with academic honors and served as an editor on the Houston Law Review.

Christopher C. Work, 36, has served as Chief Financial Officer since August 2012. Mr. Work has been employed with the Company since October 2007, where he last served as Vice President, Controller. From September 2002 to October 2007, Mr. Work was an employee of Ernst & Young LLP, obtaining the level of Manager. Mr. Work received a Master of Professional Accounting from the University of Washington and a B.A. in Accountancy from Western Washington University. Mr. Work is a Certified Public Accountant in the State of Washington.

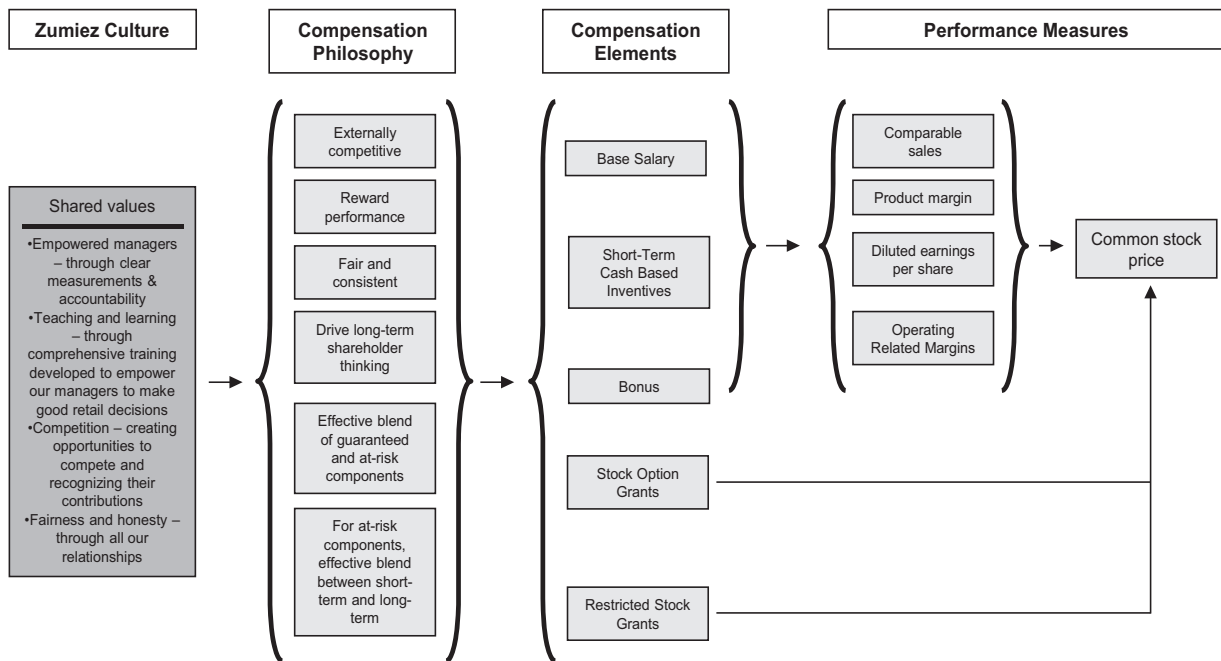
Ford K. Wright, 47, served as our Executive Vice President of Stores from March 2007 through March 20, 2015. From May 2000 through February 2007 he served as the Director of Store Systems. From June 1994 through April 2000 Mr. Wright served in Store, District and Regional Management positions. Prior to June of 1994, Mr. Wright was employed with Nordstrom. Mr. Wright has over 20 years experience in the retail and wholesale clothing industry.

EXECUTIVE COMPENSATION COMPENSATION DISCUSSION AND ANALYSIS

Our basis for competitive advantage is our culture—conceived, developed and maintained as a unique and powerful basis for engendering commitment, accountability, competitiveness and creativity among all of our employees. The objective of this compensation discussion and analysis is to describe how, for our named executive officers (“NEOs”), we link our culture to compensation philosophy and then to compensation strategy; and, to explain how we executed our compensation strategy during the last fiscal year. While the discussion and analysis focuses on the NEOs in the compensation tables in this proxy statement, we link culture, compensation philosophy and compensation strategy throughout the organization from the seasonal sales employee to each of the NEOs.

Value Creation Model

The following summary illustrates how the compensation philosophy and strategies are integrated with and derived from the Zumiez culture. We believe this integrated approach supports long-term growth in shareholder value.



The Zumiez Culture

While every organization has a culture, even if it is a culture by default, we believe that the Zumiez culture is unique. We believe it is well defined, understood widely and thoroughly among all employees, reinforced and exemplified by leaders held accountable for doing so and integrated into the daily practices and processes throughout the business. We believe the Zumiez culture is a competitive advantage and is built on a set of shared values that have been in place since the inception of the business. These shared values include:

- **Empowered managers**—The Zumiez culture pushes decision making down to the appropriate level in the organization within the context of appropriate guidelines, controls and procedures. This gives our managers throughout the organization the ability to impact their results creating increased accountability, clear measurements and a sense of ownership throughout the organization.

- **Teaching and learning**—Our culture strives to integrate quality teaching and learning experiences throughout the organization. We do this through a comprehensive training program, which primarily focuses on sales and customer service training. Our training programs have been developed internally and are almost exclusively taught internally by Zumiez employees to Zumiez employees. The training programs have been developed to empower our managers to make good retail decisions.
- **Competition**—We believe that Zumiez employees enjoy competing. Our entire system is built around creating opportunities for people to compete and to be recognized for their contributions. This is reflected in everything we do including empowering managers, building competition into almost all of our training and in how we recognize the successes of our employees throughout the organization.
- **Fairness and honesty**—Along with our employees, we strive to be fair and honest in all of our relationships. This includes how we work with each other, our vendors, our landlords and our customers.

Culture and Compensation Philosophy

The Zumiez culture guides how we manage our business and it permeates through our compensation philosophy. We believe our culture itself has value to our employees. Our culture allows our employees throughout the organization to make appropriate decisions to impact their results as well as our financial results. We believe the competitive people we hire and the training we provide helps us generate strong operating results and we believe that our employees value working in this kind of environment.

The compensation committee believes the purpose of the compensation program for our NEOs is to help attract, retain, align, motivate and reward executives capable of understanding, committing to, maintaining and enhancing the culture; and, with culture as a centerpiece of our competitive advantage, establishing and accomplishing business strategies and goals that we believe makes us an attractive investment for shareholders. To do so, the compensation committee believes the compensation program should offer compensation opportunities that:

- are externally competitive with compensation paid by companies in the market for executive talent;
- reward performance by linking compensation to quantitative and qualitative goals that the compensation committee believes is in the best long-term interest of shareholders;
- drive long-term shareholder thinking by delivering a substantial portion of the NEOs compensation or wealth in the form of equity that is directly linked to our stock price;
- are an effective blend of guaranteed and at-risk components, where the proportion of guaranteed pay is less than average and the proportion of at-risk pay is greater than average when compared against the competitive market; and
- for at-risk components of pay, are an effective balance between short-term and long-term interests of our shareholders.

The compensation committee believes that at-risk components should result in compensation for the executive in proportion to and to the extent justified by *performance*. For Zumiez executives, “performance” means, first of all, *doing the right things*—achieving the financial results that clearly drive the creation of shareholder value. The compensation program must align the interests and motivations of executives with those of shareholders. Secondly, performance means *doing things right*—acting as strong, respected and acknowledged leaders; and, as role models of leadership behavior in the community at-large. We believe that exemplary executive behavior helps to support sustainable long-term creation of shareholder value.

The compensation committee intends to continually explore, consider and introduce enhanced or new compensation approaches and elements for NEOs as appropriate.

Compensation Goals and Strategy for NEOs

Simplicity and Transparency. The compensation committee seeks *simplicity and transparency* in the compensation program for our NEOs. Therefore, the program focuses on easily understood components of clearly determinable value—base salary, bonuses, short-term cash based incentives and long-term equity awards. We refer to the combination of these as “total direct compensation.” The compensation committee does not use supplemental executive benefits and perquisites that are generally not also made available to our employees.

Attractive Compensation Opportunities. The compensation committee believes in and commits to planning for internal succession; however, the Company must be positioned to *attract and retain high-caliber executive talent in the external marketplace*. It believes it must be positioned to bring in seasoned, proven individuals from within the industry and beyond who can perform the full scope of their roles from the time of hire. Establishing and maintaining the ability to attract and retain talent is a top priority for compensation of NEOs. To address this priority responsibly on behalf of shareholders, the compensation committee works each year to:

- Establish a conservative salary range for each position to guide salary hiring offers and salary increase decisions.
- Establish a competitive total annual cash compensation opportunity for each position through annual cash incentives where payout is contingent on performance.
- Provide opportunities to earn stock incentives in proportions so that the long-term opportunity for each NEO to earn total direct compensation (salary plus annual cash incentives plus stock incentives) is above average should shareholders realize above average returns.

Pay-at-Risk. The compensation committee is committed to *pay-at-risk*. “Pay-at-risk” means compensation that is earned only upon clear evidence that the interests of shareholders have been served. By design, we believe the proportion of each NEOs total direct compensation that is at-risk is greater than what is typically observed in the marketplace. Conservative base salaries are combined with above-average cash and stock incentives to create a total package that is competitive. We believe the *pay-at risk* philosophy is evidenced by the fact that no NEO has been paid the maximum total incentive compensation in our history of being a public company.

Pay-for-Performance. The compensation committee believes pay-at-risk enables *pay-for-performance*. It allows major portions of total direct compensation to be paid only when short-term and long-term interests of shareholders have been met.

For *short-term (annual) pay-for-performance* for the NEOs as a group, the compensation committee has the following goals:

- Drive alignment around four general measures of performance: (1) comparable sales results, (2) product margin, (3) diluted earnings per share and (4) operating related margins. The compensation committee believes these are the best measures because they have the largest impact on Zumiez ability to grow profitability and provide clarity to individual executives. Different performance measures may be utilized for different executives based in part on the executive’s ability to impact the performance measure. We calculate these performance measures as follows:
 - Comparable sales— We report “comparable sales” based on net sales beginning on the first anniversary of the first day of operation of a new store or ecommerce business. We operate a sales strategy that integrates our stores with our ecommerce platform. There is significant interaction between our in-store sales and our ecommerce sales channels and we believe that they are utilized in tandem to serve our customers. Therefore, our comparable sales also include our ecommerce sales. Changes in our comparable sales between two periods are based on net sales of “in-store” or ecommerce businesses which were in operation during both of the two periods being compared and, if a in-store or ecommerce business is included in the calculation of comparable sales for only a portion of one of the two periods being compared, then that in-store or ecommerce business

is included in the calculation for only the comparable portion of the other period. Any store or ecommerce business that we acquire will be included in the calculation of comparable sales after the first anniversary of the acquisition date. Comparable sales can be based on a geographic area and we currently utilize comparable sales growth based on our North America operations.

- Product margin—Product margin is calculated as net sales less cost of goods sold, divided by our net sales. For purposes of this calculation, our net sales consist of revenue recognized upon purchase by our customers, net of actual sales returns, excluding shipping revenue. For purposes of this calculation, our cost of goods sold consist of the cost of goods purchased from our brand partners and our private label vendors, including importing and inbound freight costs, and the cost of goods purchased from third party manufacturers, sold to our customers.
- Diluted earnings per share—Diluted earnings per share is calculated in accordance with GAAP. Diluted earnings per share can also be utilized on a consolidated basis or based upon a geographic area. We currently utilize diluted earnings per share on both a consolidated basis and on a North America basis.
- Operating related margins—In general, operating margin represents operating profit divided by net sales. Operating margin may also be based on a particular business unit or geographic area in which we operate. Currently, we are utilizing “ecommerce operating margin” as an operating related margin performance measure. Ecommerce operating margin measures the operating profit of our ecommerce related business based on the cost of goods sold and the costs directly attributable to our ecommerce related business.
- Provide for the risk of zero annual short-term cash based incentives payout should minimum performance expectations not be met.
- Grant of awards that upon achievement of target performance measures, are in the best long-term interests of the shareholders.
- Provide for pay-at-risk, i.e., performance expectations that are challenging, but achievable.
- Communicate proactively to all NEOs performance expectations in order to establish clear incentive for achievement.
- Provide for upside compensation potential results that are beyond Company expectations.
- Set forth prudent limits, or caps, on upside potential to ensure no possibility of payouts that might be judged by shareholders as unjustifiable or excessive.

For *long-term pay-for-performance (long-term equity incentive)*, the compensation committee’s goal is to link the ultimate compensation amounts realized by NEOs directly and exclusively to the Company’s long-term common stock performance. To do so, the compensation committee makes use of stock-based awards for all NEOs (except as noted, below, under the section heading “The Compensation Decision-making Process”).

The compensation committee has used, and intends to make use of, both gain-based stock awards (stock options) and full-value stock awards (restricted stock). The compensation committee determines on an annual basis for each NEO the total value of an award, based on a competitive range, that best reflects in the compensation committee’s judgment both the individual’s long-term track record of success and potential for long-term value-added future contributions.

Gain-based awards have widespread use and have upside potential that can be highly motivational. However, the compensation committee: (i) is aware that gain-based awards have a different downside potential than that of holding outright shares of stock; (ii) recognizes that the exclusive and substantial use of gain-based awards has been historically noted by the investment community as a potential contributor to misguided or unacceptable decisions on the part of executives in certain other companies; and, (iii) knows that historic accounting advantages for the use of gain-based awards no longer exist. In addition, the compensation committee

is aware of the executive compensation trend among publicly-held companies to utilize less gain-based awards in favor of full-value awards such as restricted stock. Therefore, the compensation committee continues to review and has deployed full-value restricted stock awards to help offset and balance the disadvantages of gain-based awards for achieving pay-for-performance and other compensation goals while retaining the advantages of gain-based awards. The mix of gain-based awards and full-value awards is evaluated annually by the compensation committee and adjusted based on input from the compensation consultant and the CEO, all in the context of the marketplace, our compensation philosophy, and what the compensation committee believes is in the best interest of the shareholders and the NEOs. The compensation committee also allows some deference to the CEO in the allocation between stock options and restricted stock, so long as the total compensation charge to Zumiez is equal to what was approved by the compensation committee.

Executive Officer Continuity. Undesirable, unanticipated or untimely departure of an executive officer is a risk to the Company that the compensation committee works to avoid. The risk stems from the potentially high costs of recruiting, relocation, operational disruption, reduced morale, turnover ripple effects among staff, negative external perceptions, reduced external confidence and lost intellectual capital.

The compensation committee encourages executive officer continuity by granting stock awards to an NEO where the ultimate realization of value not only depends on stock price, but also on the NEO remaining with Zumiez for many years. Accordingly, if a NEO were to depart from Zumiez then he or she could forfeit substantial amounts of unrealized compensation.

Shareholder Mentality. We believe it is in the best interests of shareholders for our leaders to feel, think and act like shareholders, and to have a “shareholder mentality” as they go about envisioning, planning for and executing operations. The compensation committee seeks to cultivate NEOs with a shareholder mentality by having NEOs receive, accumulate and maintain significant ownership positions in Zumiez through annual equity grants.

Within this concept, through equity awards granted over time, each of our NEOs has the ability to establish and maintain a valuable ownership in Zumiez.

Summary of the Elements of NEO Compensation

The compensation committee utilizes five primary elements for compensating NEOs:

- Base Salary
- Non-Equity Incentive Plan Compensation (“short-term cash based incentives”)
- Bonus
- Stock Option Grants
- Restricted Stock Grants

Total Pay Philosophy—Our “Total Pay” compensation philosophy is designed to recognize and reward the contributions of all employees, including executives, in achieving our strategic goals and business objectives, while aligning our compensation program with shareholder interests. We regularly assess our total pay package, and we adjust it as appropriate to remain competitive and to enable us to attract and retain our NEOs. We believe our total pay practices motivate our executives to build long-term shareholder value.

Base Salary is a pre-set fixed cash amount that is delivered regularly in equal portions through the year. Each NEOs annual base salary rate is reviewed from time to time and at least annually by the compensation committee. Outside of the CEO, the review is based on recommendations of the CEO.

Short-Term Cash Based Incentives are based on pre-set opportunities for cash awards to be paid after the end of the year based on performance for the year. Actual payouts may be between zero and twice the target amount, where the target amount is that established for each NEO by the compensation committee if target goals are achieved.

Bonuses may be awarded from time to time in order to attract and retain key NEOs. These bonuses, when awarded, are generally in addition to those earned from participating in short-term cash based incentives and are considered in the executive’s total direct compensation. The intention is to pay such bonuses rarely and in modest amounts if and only if other elements of the executive pay system do not respond to outstanding achievements clearly pursued and delivered in the interests of shareholders.

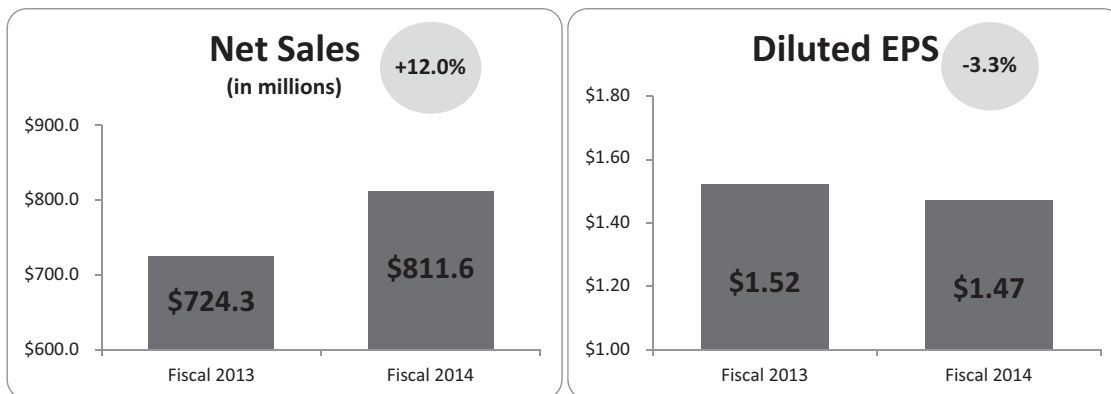
Stock Option Grants are opportunities granted from time to time (usually annually or at the time of hiring) to an NEO to purchase our common stock at some future time at a pre-established fixed price set at the time of grant. This price is the actual market price of the stock at the time of grant. The right to exercise options in a particular grant is accumulated over a number of years, and is subject to vesting based upon continued employment with us.

Restricted Stock Grants are awards of common voting shares of stock that are granted from time to time (usually annually or at the time of hiring) to each NEO. The right to earn the stock is contingent upon continued employment over a period of time.

The compensation committee views the elements of total direct compensation for NEOs as an integrated package to achieve all of the compensation goals described in the immediately preceding section of this discussion.

Fiscal 2014 – A Review of This Past Year

In fiscal 2014, we achieved record net sales and continued to build on our foundation for long-term growth. The charts below show net sales and diluted earnings per share (“diluted EPS”) on a GAAP basis for fiscal 2013 and 2014 and the percentage change in fiscal 2014.



Teen retail in general began fiscal 2014 in a challenging sales environment, with many mall based teen retailers seeing significant sales and earnings declines over the past couple of years. As the year progressed some signs of a stronger retail landscape began to appear, culminating with a considerably stronger fourth quarter. Coming into fiscal 2014 our sales performance continued to be lower than historical results and in the first quarter of the year we saw some margin erosion as we successfully cleaned up our inventory position following a tough Holiday season in the prior fiscal year. Comparable sales trends improved as the year progressed, particularly in the important fourth quarter, and for the year we achieved a comparable sales increase of 4.6%. As a leading lifestyle retailer we continue to differentiate ourselves through our distinctive brand offering and

diverse product selection, as well as the unique customer experience our sales associates provide. In addition, the investments and efforts we have made toward expanding our North America footprint, establishing a progressive omni-channel platform and international expansion are enhancing our sales results.

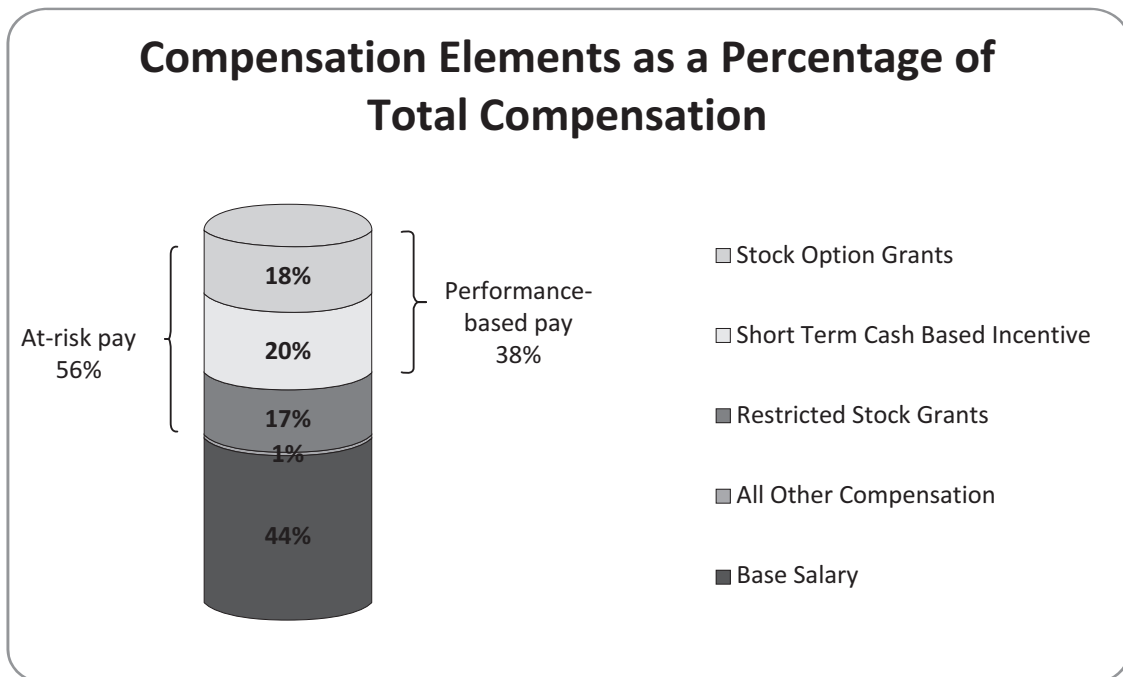
Considering the prior year performance and the plans in motion for fiscal 2014, the compensation committee granted salary increases to our NEOs, to keep pay in line with the stated compensation philosophy and market data.

The compensation committee believes the compensation structure outlined in previous years is still relevant and appropriate, so the short-term cash based incentives and long-term equity incentives components of compensation were designed to follow the same methodology and is discussed in further detail below.

We believe our positive fiscal 2013 and fiscal 2014 results are due to focusing on long-term winning solutions and the unique business model and compensation structure that have been formed over many years. We continued to make key infrastructure and people investments that resonated with our customers.

We believe that by making these key investments over many years and looking at financial results over a longer time horizon will provide a better long-term return for our investors; and since owned stock or stock based awards are the material component of our NEOs compensation and wealth creation, we believe our compensation structure aligns management’s and shareholders’ interests.

Due to our executive compensation programs emphasis on pay for performance and pay at risk, compensation awarded to the NEOs for fiscal 2014 reflected Zumiez’ results. As shown below, for the named executive officers as a group, excluding the Chairman and the CEO, pay at risk and performance-based pay for fiscal 2014 comprised an average of approximately 56% and 38%, respectively, of the total compensation as shown in the Summary Compensation Table. We have excluded our Chairman and CEO due to the difference in the compensation structure for the Chairman and CEO, who beneficially own 12.1% and 12.6% of the Company as of March 16, 2015, respectively, and have not received equity awards since before our initial public offering as discussed further under the section heading, “The Compensation Decision-making Process.”



Fiscal 2015 – A Look at the Upcoming Year

We enter fiscal 2015 with some sales momentum, having achieved an 8.3% comparable sales increase in fiscal fourth quarter 2014. While we are encouraged with the improved performance, there is not enough evidence to suggest this is the beginning of a sustained retail trend. As such we remain cautious on our expectations for fiscal 2015 although we do believe sales, including comparable sales, and earnings will increase for the year. Our focus will be on continued execution of our proven strategies as well as investments centered on long-term quality growth. These investments will largely be focused on continued store growth, both domestic and international, and further enhancements across the business to support our omni-channel capabilities. In fiscal 2015, excluding costs associated with the acquisition of Blue Tomato, we expect our cost structure will grow at a similar rate to fiscal 2014.

The compensation committee evaluated compensation for fiscal 2014 with an eye toward balancing retention of key executive officers with our pay for performance principles and anticipated costs to the Company. With this in mind, the compensation committee kept the same elements of compensation for fiscal 2015 as the elements in place for fiscal 2014. As such, fiscal 2014 target total direct compensation consists of base salary, annual short-term cash based incentives, bonus and long-term equity incentive compensation in the form of stock options awards and restricted stock awards. The compensation committee believes this combination of elements of compensation is the appropriate mix to motivate future performance, drive Company results and retain executive officers. The compensation committee will continue to evaluate both quantitative and qualitative performance results relative to internal goals and standards as well as industry averages when evaluating and determining total direct compensation rewards and opportunities for its NEOs.

Base Salary

In March 2014, the compensation committee met and reviewed the evaluations of the NEOs and the overall performance of the Company against three objective measures; (1) comparable sales performance, (2) product margin and (3) diluted earnings per share. Based upon our performance in fiscal 2013 and the contributions of the NEOs towards achieving these results, the following base salaries for fiscal 2014 were awarded:

<u>Executive Officer</u>	<u>Fiscal 2014 Base Salary (1)</u>	<u>Increase Over Prior Fiscal Year</u>
Thomas D. Campion, Chairman of the Board	\$325,275	3.0%
Richard M. Brooks, Chief Executive Officer and Director	\$670,000	3.0%
Christopher C. Work, Chief Financial Officer	\$250,000	9.6%
Ford K. Wright, Executive Vice President of Stores	\$295,500	3.1%
Troy R. Brown, Executive Vice President of Ecommerce and Omni-channel . .	\$363,500	7.1%
Chris K. Visser, Executive Vice President, General Counsel and Secretary	\$263,000	3.0%

(1) Reflects annualized base salary as of the fiscal year end. Refer to the Summary Compensation Table for actual base salary paid in fiscal 2014.

The compensation committee sets executive base salaries at levels it believes are competitive based on each individual executive's role and responsibilities. The compensation committee reviews base salaries for executive officers at the time of hire and thereafter on an annual basis. The compensation committee may also review base salary at the time of promotion or other significant changes in responsibilities. Base salary changes also impact target annual short-term cash based incentive amounts, and actual annual short-term cash based incentive payouts, because they are based on a percentage of base salary. When reviewing each executive's base salary, the compensation committee considers the level of responsibility and complexity of the executive's job, whether individual performance in the prior year was particularly strong or weak, and the salaries paid for the same or similar positions based on analysis of the competitive market. Consistent with the philosophy discussed previously, our executive base salaries generally are set at less than the median (at the 40th percentile) for comparable positions based on analysis of the competitive market.

Short-Term Cash Based Incentives

In March 2014, the compensation committee approved the terms of the fiscal 2014 short-term cash based incentives. Our NEOs short-term cash based incentives are targeted at approximately 0.2% of consolidated budgeted sales and 0.4% of consolidated budgeted sales at maximum payout. The short-term cash based incentives is appropriate to provide for increased payouts due to the significant shareholder returns commonly generated by above-target comparable sales, product margin and diluted earnings per share performance. The compensation committee has the discretion under the plan to reduce the awards paid under the plan, but do not have discretion to increase payouts that are based on achievement of the objective performance goals or make a payout based on the objective performance goals if the first threshold targets are not achieved. All of our executives are subject to our Executive Compensation Recovery Policy, which further mitigates excessive risk taking. No payouts are made until audited financial results are received, reviewed and approved by the audit committee at our March meeting after our fiscal year has ended.

For each of the following performance measures, comparable sales-North America, product margin-North America, ecommerce operating margin-North America, diluted earnings per share-North America and diluted earnings per share-Consolidated, the compensation committee established performance thresholds for the NEOs. The first threshold relates to a minimum acceptable level of financial performance. Each succeeding threshold is designed to reward the NEOs based upon the improved financial performance of the business. The second threshold is the target threshold. The thresholds above the target threshold each pay out a higher percentage of base salary culminating in the top threshold, which is designed as a stretch challenge. The compensation committee believes these goals are not easily achieved; and, in the last eight years, no NEO has achieved all of the stretch challenge measurement goals. For fiscal 2014, the compensation committee used different performance measures for different NEOs. These are noted and presented by group (Consolidated, North America and Ecommerce) in the following tables which show the performance thresholds for each performance measure used for fiscal 2014:

<u>Objective Measure</u>	<u>Performance Threshold - Consolidated</u>				
	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>
	Target				
Comparable Sales Growth - North America . . .	2.0%	4.0%	5.5%	6.5%	7.5%
Product Margin Improvement - North America	Last year minus 0.4%	Last year plus 0.0%	Last year plus 0.2%	Last year plus 0.3%	Last year plus 0.5%
Diluted Earnings Per Share - Consolidated \$	1.53	\$ 1.66	\$ 1.75	\$ 1.82	\$ 1.91
Diluted Earnings Per Share Growth	0.7%	9.2%	15.1%	19.7%	25.7%

<u>Objective Measure</u>	<u>Performance Threshold - North America</u>				
	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>
	Target				
Comparable Sales Growth - North America . . .	2.0%	4.0%	5.5%	6.5%	7.5%
Product Margin Improvement - North America	Last year minus 0.4%	Last year plus 0.0%	Last year plus 0.2%	Last year plus 0.3%	Last year plus 0.5%
Diluted Earnings Per Share - North America . . . \$	1.57	\$ 1.69	\$ 1.76	\$ 1.81	\$ 1.88
Diluted Earnings Per Share Growth	5.4%	13.4%	18.1%	21.5%	26.2%

<u>Objective Measure</u>	<u>Performance Threshold - Ecommerce</u>				
	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>
	Target				
Comparable Sales Growth - North America . . .	2.0%	4.0%	5.5%	6.5%	7.5%
Ecommerce Operating Margin Improvement - North America	Last year plus 0.4%	Last year plus 0.8%	Last year plus 1.2%	Last year plus 1.4%	Last year plus 1.7%
	or \$1.9 million	or \$3.6 million	or \$4.7 million	or \$5.4 million	or \$6.2 million
Diluted Earnings Per Share - North America . . . \$	1.57	\$ 1.69	\$ 1.76	\$ 1.81	\$ 1.88
Diluted Earnings Per Share Growth	5.4%	13.4%	18.1%	21.5%	26.2%

The following table represents the percentage of the respective NEOs base salary that will be earned upon achievement of the performance thresholds (“Threshold Percentage”):

<u>Executive Officer</u>	<u>Performance Threshold - Consolidated</u>				
	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>
Thomas D. Campion, Chairman of the Board	33%	65%	98%	114%	130%
Richard M. Brooks, Chief Executive Officer and Director	50%	100%	150%	175%	200%
Christopher C. Work, Chief Financial Officer	28%	55%	83%	96%	110%
	<u>Performance Threshold - North America</u>				
	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>
<u>Executive Officer</u>					
Ford K. Wright, Executive Vice President of Stores	33%	65%	98%	114%	130%
Chris K. Visser, Executive Vice President, General Counsel and Secretary	28%	55%	83%	96%	110%
	<u>Performance Threshold - Ecommerce</u>				
	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>
<u>Executive Officer</u>					
Troy R. Brown, Executive Vice President of Ecommerce and Omni-channel	35%	70%	105%	123%	140%

The threshold percentages in the table above are multiplied by the percentages in the following table for each performance threshold achieved (“Objective Measure Weighting Percentage”). The compensation committee weights each threshold for each of the NEOs based upon that individual’s ability to impact the measure. For example, our Executive Vice President of Stores is more heavily weighted on the comparable sales objective measure, while our Executive Vice President of Ecommerce and Omni-channel is the only executive officer weighted on ecommerce operating margin improvement-North America.

<u>Executive Officer</u>	<u>Objective Measure</u>				
	<u>Comparable Sales - North America</u>	<u>Diluted Earnings Per Share Growth - Consolidated</u>	<u>Diluted Earnings Per Share Growth - North America</u>	<u>Product Margin - North America</u>	<u>Ecommerce Operating Margin</u>
Thomas D. Campion, Chairman of the Board	30%	40%	n/a	30%	n/a
Richard M. Brooks, Chief Executive Officer and Director	30%	40%	n/a	30%	n/a
Christopher C. Work, Chief Financial Officer	30%	50%	n/a	20%	n/a
Ford K. Wright, Executive Vice President of Stores	40%	n/a	40%	20%	n/a
Troy R. Brown, Executive Vice President of Ecommerce and Omni-channel	15%	n/a	35%	n/a	50%
Chris K. Visser, Executive Vice President, General Counsel and Secretary	30%	n/a	50%	20%	n/a

Therefore, for each performance threshold achieved, the calculation of the short-term cash based incentive earned is as follows:

Base Salary (\$) x Threshold Percentage x Objective Measure Weighting Percentage

During fiscal 2014, we achieved the level two performance threshold for ecommerce operating margin-North America improvement of last year plus \$3.6 million and diluted earnings per share performance-North America measures and the level one performance threshold for product margin-North America improvement of last year minus 0.4%, diluted earnings per share performance-Consolidated measures and comparable sales growth performance measures.

Short-term cash based incentive awards for meeting these achievements were paid to the NEOs for fiscal 2014 in March 2015. The short-term cash based incentives target and compensation paid to the NEOs for fiscal 2014 are as follows:

<u>Executive Officer</u>	<u>Short-Term Cash Based Incentive Compensation Target</u>	<u>Short-Term Cash Based Incentive Compensation Paid</u>
Thomas D. Campion, Chairman of the Board	\$211,429	\$105,714
Richard M. Brooks, Chief Executive Officer and Director	\$670,000	\$335,000
Christopher C. Work, Chief Financial Officer	\$137,500	\$ 68,750
Ford K. Wright, Executive Vice President of Stores	\$192,075	\$134,453
Troy R. Brown, Executive Vice President of Ecommerce and Omni-channel	\$254,450	\$235,366
Chris K. Visser, Executive Vice President, General Counsel and Secretary	\$144,650	\$108,488

Bonus

While we continue to open new stores and invest for the future, and have been for many years, the compensation committee recognizes the uncertain economic environment that has the potential to negatively impact virtually every industry including consumer discretionary spending businesses such as ours. The compensation committee recognizes that in some circumstances it may be advisable to establish and pay discretionary bonuses in order to reward NEOs for managing the business during difficult economic conditions. For example, in a situation where at the beginning of a fiscal year there was believed to be a wide range of possible financial outcomes, this variability may make it difficult to set targets for short-term cash based incentives. Accordingly, at the end of the fiscal year the compensation committee retains the discretion to award a bonus if the NEOs were able to achieve meaningful results during the fiscal year by managing the business, such as in the following ways:

- Cash and marketable securities position at year-end versus plan and prior year.
- Working capital versus plan and prior year.
- Capital spending versus plan and prior year.
- Operating income and diluted earnings per share performance for the year versus plan and the prior year.
- The current year’s performance relative to driving long-term value creation.

We may also award discretionary cash bonuses from time to time in order to attract and retain key NEOs.

The intention is to pay such bonuses rarely and in modest amounts if and only if other elements of the executive pay system do not respond to outstanding achievements clearly pursued and delivered in the interests of our shareholders. The compensation committee also recognizes that such bonuses would be discretionary and would not qualify for deductibility under Section 162(m) of the Internal Revenue Code. For additional information on the applicability of Section 162(m), see the discussion under the section heading “Tax and Accounting Implications.”

Long-Term Equity Incentives

The compensation committee uses long-term equity incentives as a significant component of total compensation consistent with the culture and compensation philosophy. The compensation committee continues to believe in the importance of equity compensation for all executive officers and issues equity incentives broadly through the management population.

Additionally, because we do not have a pension or a supplemental executive retirement plan, we believe our executives should plan for their retirement substantially through potential wealth accumulation from equity gains.

Long-term equity incentive awards are determined through a combination of the Company's performance, execution of our total compensation strategy of rewarding executives and providing a foundation for wealth building. Our stock option awards generally have a ten-year term and typically vest 25% per year. Our restricted stock awards generally vest 33% per year.

The compensation committee met in March 2014 and considered the performance of the Company, its overall compensation strategy and the level of equity grants to align the NEOs with shareholders. Based on the compensation committee's deliberations, the following equity incentive awards were granted:

<u>Executive Officer</u>	<u>Restricted Stock Grants</u>	<u>Stock Option Grants</u>
Thomas D. Campion, Chairman of the Board	—	—
Richard M. Brooks, Chief Executive Officer and Director	—	—
Christopher C. Work, Chief Financial Officer	2,451	4,095
Ford K. Wright, Executive Vice President of Stores	5,590	9,338
Troy R. Brown, Executive Vice President of Ecommerce and Omni-channel	7,846	13,106
Chris K. Visser, Executive Vice President, General Counsel and Secretary . .	2,451	4,095

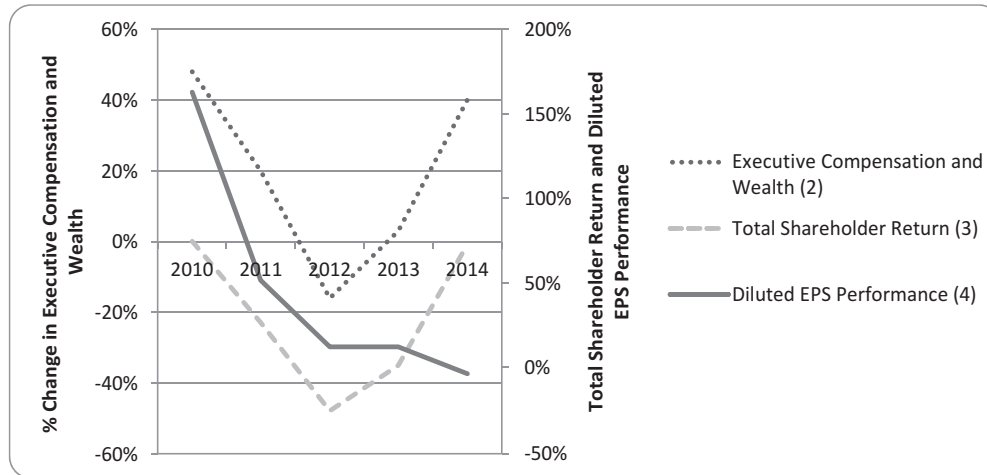
The compensation committee believes the levels of grants are appropriate, consistent with its compensation strategy and provide a meaningful alignment of the NEOs with the Company's shareholders.

Equity Grant Timing Practices. All stock options granted at Zumiez have an exercise price equal to the closing market price of our stock on the grant date. Regular annual grants for employees are approved at the March compensation committee and board meetings, and the grant date for such annual grants is generally the second business day *after* the public release of fiscal year-end earnings. The grants are approved as formulas based on a specified dollar amount and approved dilution percentages; the number of shares and exercise price for each option grant are determined based on the closing market price of our stock on the grant date, and the number of shares for each restricted stock grant is determined by dividing the dollar amount by the closing market price of our stock on the grant date. The board gives the CEO the ability to grant a small number of equity awards for the current fiscal year at the March board meeting for new hires and promotions.

Executive Compensation and Change in Net Wealth of Zumiez Stock Compare to Total Shareholder Return and Diluted Earnings Per Share Performance

The following summary chart illustrates, over the previous five fiscal years, the relationship of the percentage change in certain executive compensation earned and the change in net wealth of Zumiez stock value to total shareholder return and diluted earnings per share performance. For a discussion of how total shareholder return and diluted earnings per share performance are calculated, please refer to the footnotes of this chart. Additionally, refer to our Summary Compensation Table for a summary of executive compensation calculated in accordance with SEC rules and regulations.

Chairman and Chief Executive Officer (1)



- (1) We have only shown the comparison of our Chairman of the Board and Chief Executive Officer compensation and wealth to performance because the comparison to our other NEOs is not meaningful due to the limited periods of comparable percentage change in NEO Compensation and Wealth.
- (2) Executive Compensation and Wealth is calculated based on (1) the cash compensation earned during the fiscal year (Salary, Bonus and Non-Equity Incentive Plan Compensation from the Summary Compensation Table), (2) all other compensation received during the fiscal year (All Other Compensation from the Summary Compensation Table), (3) the change in the ending value of owned stock, stock awards granted and in-the-money stock option awards and (4) realized gains on sales of stock.
- (3) Total shareholder return is measured by the percentage change in stock price as of the end of the fiscal year.
- (4) Diluted earnings per share performance is measured by the percentage change in annual diluted earnings per share.

Who is Involved in Compensation Decisions for NEOs

The role of the compensation committee—The compensation committee oversees and governs the compensation of the NEOs. The compensation committee is currently composed of three independent outside directors. Its top priority is aligning the interests of the NEOs with those of shareholders and motivating them in the most effective manner possible to create maximum long-term shareholder value. The compensation committee's responsibilities are to:

- Establish and articulate the philosophy, rationale and strategy for compensating all NEOs.
- Approve and oversee group and individual compensation plans designed to fulfill our philosophy and strategy.
- Develop, recommend and justify to the board all compensation decisions and actions for the CEO.
- Review and approve all compensation decisions and actions for other NEOs.
- Review and approve any up-front performance measures, goals, standards, weightings and formulas that may be used to determine future conditional awards for NEOs.
- Ensure the ongoing success of our compensation program for NEOs by seeking, pursuing, evaluating and implementing improvements.
- Review total compensation compared to compensation opportunities and practices in the competitive market for executive talent.

- Evaluate the enterprise risk associated with all forms of compensation.
- Appoint, determine the funding for, and oversee the independent compensation consultant.

The role of NEOs—The NEOs, and in particular the CEO, provide and explain information requested by the compensation committee and are present at compensation committee meetings as requested by the compensation committee. The NEOs are not present during deliberations or determination of their respective compensation. On behalf of the compensation committee, the CEO has the following specific responsibilities:

- Develop, recommend and justify, to the compensation committee, compensation decisions and actions for NEOs other than the CEO.
- Develop, recommend and justify, to the compensation committee, any up-front performance measures, goals, standards, weightings and formulas that may be used to determine future conditional awards for the compensation program for NEOs.
- Report, to the compensation committee, experiences with the compensation program for NEOs and present any perceived opportunities for improvement.
- Communicate appropriate information about the compensation committee’s actions and decisions to the other NEOs.

The role of external advisors—At the compensation committee’s discretion, it may engage and consult with external advisors as it determines necessary to assist in the execution of its duties. External advisors have the following responsibilities:

- Provide research, analysis and expert opinions, on an as-requested basis, to assist the compensation committee in education, deliberations and decision-making.
- Maintain independence from our management.
- Interact with members of management only with the approval of the chair of the compensation committee.

All external advisors are engaged directly by the compensation committee and independently of the management of the Company.

The compensation committee periodically engages a compensation consultant, Ascend Consulting, to work with the compensation committee on its compensation deliberations. During fiscal 2014, the compensation committee asked the consultant to provide an assessment of compensation levels and advise the compensation committee on compensation strategies based on a market analysis taking into account recruiting goals, and retaining and motivating talent to build shareholder value. The compensation committee and the Company believe the compensation consultant is independent of Zumiez and our management.

Our Executive Vice President, General Counsel and Secretary supports the compensation committee in its work.

The Compensation Decision-making Process

The compensation committee gathers together information to help it assess compensation for the NEOs, including:

- Tally sheets—We use tally sheets for each of the NEOs to summarize the significant components of compensation. At Zumiez, the components of compensation primarily include base salary, short-term cash based incentives, bonuses, equity incentives. The tally sheets are compared to targeted total compensation. The tally sheets are used to help prepare the tables that follow this compensation discussion and analysis.

- **Competitive Compensation Analysis**—At the compensation committee’s direction, the compensation consultant developed and delivered analysis of competitive compensation for each NEO position. Analysis was performed using publicly-available information on executive pay levels compiled from the most recently available proxy statements of publicly-held companies. The focus was on selected samples of retail companies that best reflect the competitive market for executive talent: those of similar size, business profile and executive compensation practices. Supplemental analyses for the retail sector as a whole and across business sectors in both the Pacific Northwest and nationwide were also conducted. These, along with application of generally accepted methods of statistical analysis, helped ensure the accuracy, validity, reliability and defensibility of results. On the basis of this rigorous approach, the compensation consultant provided expert opinions and conclusions to the compensation committee about targets for base salary, short-term cash based incentives and long-term equity incentives for our NEO roles. The committee used this information to ensure that our stated philosophy and strategy for aligning executive compensation opportunities with the competitive market has been and continues to be fulfilled.
- **Fiscal 2014 results**—The compensation committee has access to fiscal 2014 operating plans and budgets as approved by the board of directors in March 2014. Management updates the compensation committee and the board on actual performance compared to budgets and summarizes for the compensation committee how the Company and the NEOs performed against the performance targets.
- **Fiscal 2015 operating and financial plans**—The compensation committee also receives the operating plan and budgets for fiscal 2015 as approved by the Company’s board of directors. The compensation committee uses this information to help establish performance targets for the upcoming fiscal year.
- **Audited results**—The compensation committee reviews the final audited results to confirm that performance targets were achieved. No incentive awards are made until audited results are received by the board.
- **Performance of teen specialty retailers**—The compensation committee requests that management prepare a schedule for a group of teen retailers comparing comparable-store sales results for the last four fiscal years and the percentage change in diluted earnings per share comparing the most recent year-end results to the previous year. The teen retailers include: Abercrombie & Fitch, Aeropostale, American Eagle, Tilly’s and Pacific Sunwear. The group was selected because they are generally considered to be leading lifestyle retailers in the teen market. All of the information for these retailers was summarized from publicly available data. The compensation committee compares our relative performance as an additional data point understanding that all of these companies are larger and may have significantly different business models with significantly different growth profiles.
- **Evaluations**—The compensation committee receives a self-evaluation and confidential upward evaluations of the CEO and summary evaluations of the remaining NEOs. The compensation committee chair solicits the full membership of the board for feedback on the CEO’s performance and prepares the CEO’s annual evaluation for review by the full compensation committee.

The compensation committee thoroughly and systematically reviews and discusses all information submitted. It asks management to clarify and supplement as appropriate. The committee then works with its consultant to determine fair and competitive compensation awards and opportunities for each of the NEOs.

The compensation committee currently structures the NEO compensation program to:

- Provide conservative (40th percentile) base salary opportunities against the Company’s competitive market for executive compensation talent.
- Establish average (50th percentile) total cash compensation opportunities (base salary, bonus and Short-Term Cash Based Incentives) against the competitive market.

- Provide long-term equity-based awards at the 50th percentile when compared to competitive practices for comparable roles. In the case of our Chairman and our CEO who beneficially own 12.1% and 12.6% of the Company, respectively, the compensation committee has concluded that each executive owns a sufficient amount of equity to align them with the long-term interests of shareholders. Because of this, neither our Chairman nor our CEO has received equity grants since before the Company's initial public offering.

The compensation committee evaluates this approach to total direct compensation on an annual basis to best maintain alignment of the interests of NEO's with the long-term economic interests of shareholders, given the maturity, complexity and size of the business. Included is a thorough review of the approach to the Chairman and CEO, where the committee reserves the right to provide additional equity-based awards to the incumbents if it determines doing so is in the best interests of shareholders and/or is needed to best reflect competitive practices.

During its deliberations, the compensation committee also considers:

- Long-term wealth accumulation—the accumulated wealth from previous equity incentives granted to each NEO.
- Internal pay equity—the relationship between the compensation of our CEO and the other NEOs, as well as staff at-large.

There is discretion inherent in the compensation committee's role of establishing compensation for the NEOs. The compensation committee has attempted to minimize discretion by focusing on the three objective financial measures it considers to be the long-term drivers of the Company's business: comparable sales, product margin and diluted earnings per share. These three measures have historically been used exclusively to determine the short-term cash based incentives and are also key considerations in determining changes to base salary and long-term equity incentive awards. Some discretion is used by the compensation committee in evaluating the qualitative performance of the NEOs in determining base salary adjustments and payment of discretionary bonuses. Some discretion is also used in the granting of long-term equity incentive awards to help NEOs build wealth through ownership of Zumiez stock. However, in all of these uses of discretion the compensation committee is also governed by the overall compensation philosophy; and, is guided by explicit competitive targets and ranges of reasonableness.

In making its final decisions, the committee works to ensure that all outcomes are thoroughly justifiable and defensible as well as fair and effective from all critical perspectives: those of the full board, shareholders, objective external experts and the NEOs themselves.

Advisory Vote on Executive Compensation. The shareholders of the Company are provided the opportunity to provide an advisory vote on the Company's executive compensation every three years. At the last such vote in May of 2014 the shareholders of the Company approved the Company's executive compensation in an advisory vote with 99.7% of the votes being cast in favor of the Company's executive compensation. The compensation committee viewed this vote as strong support for its executive compensation decisions and policies and, accordingly, it did not consider making changes to its executive compensation decisions and policies in response to this 2014 advisory shareholder vote.

Enterprise Risk and Compensation

The compensation committee considers all facets of the NEOs compensation structure and believes it appropriately balances the drive for financial results and risks to the Company. The compensation committee aligns executive compensation with shareholder interests by placing a majority of total compensation "at risk," and increasing the amount of pay that is "at risk" as the executives achieve higher levels of performance. "At risk" means the executive will not realize value unless performance goals are attained. The short-term incentives are tied to easily measureable financial metrics that the compensation committee believes are consistent,

transparent and drive shareholder value; that is, comparable sales-North America, product margin-North America, ecommerce operating margin-North America, diluted earnings per share-Consolidated and diluted earnings per share-North America. The majority of the long-term based compensation vests over several years and is not tied to specific financial metrics. By combining annual cash incentives tied to short-term financial performance along with the majority of the NEOs long-term wealth creation tied to stock performance, the compensation committee believes an appropriate balance exists between rewarding performance without excessive risk taking. In addition the compensation committee believes the short-term incentives in place that are tied to financial performance do not provide excessive risk to the Company as they are capped at no more than 200% of base pay for our CEO, 140% for our Executive Vice President of Ecommerce and Omni-channel, 130% for our Chairman and Executive Vice President of Stores, and 110% for our CFO and our Executive Vice President, General Counsel and Secretary. The compensation committee believes that the overall executive compensation policy contains less than a ‘reasonable likelihood’ of material risk.

Employment Agreements

None of our U.S. employees have an employment agreement and all U.S. employees are “at will.”

Tax and Accounting Implications

Accounting Treatment. We recognize a charge to earnings for accounting purposes for equity awards over their vesting period. We expect that the compensation committee will continue to review and consider the accounting impact of equity awards in addition to considering the impact for dilution and overhand when deciding on amounts and terms of equity grants.

Deductibility of Executive Compensation. Section 162(m) of the Internal Revenue Code limits the Company’s ability to deduct certain compensation over \$1.0 million paid to the executive officers unless such compensation is based on performance objectives meeting certain criteria or is otherwise excluded from the limitation. The compensation committee believes that it is generally in the Company’s best interests to comply with Section 162(m) and expects that most of the compensation paid to the named executives will either be under the \$1.0 million limit, eligible for exclusion (such as stock options) under the \$1.0 million limit, or based on qualified performance objectives. However, notwithstanding this general policy, the compensation committee also believes that there may be circumstances in which the Company’s interests are best served by maintaining flexibility in the way compensation is provided, whether or not compensation is fully deductible under Section 162(m). Accordingly, it is possible that some compensation paid to executive officers may not be deductible to the extent that the aggregate of non-exempt compensation exceeds the \$1.0 million level. At our 2014 Annual Meeting of Shareholders, the Company’s shareholders approved the material terms of the performance criteria that is utilized in our short-term cash based incentive awards and other awards that may be made in the future pursuant to the terms of the 2014 Equity Incentive Plan and therefore, the short-term cash based incentive awards (discussed earlier in the Compensation Discussion and Analysis) are eligible for exclusion under the Section 162(m) \$1.0 million limit for fiscal 2014 and beyond.

Taxation of Parachute Payments and Deferred Compensation. We do not provide and have no obligation to provide any executive officer, including any NEO, with a “gross-up” or other reimbursement payment for any tax liability that he or she might owe as a result of the application of Section 280G, 4999, or 409A of the Code. Sections 280G and 4999 of the Code provide that executive officers and directors who hold significant equity interests and certain other service providers may be subject to an excise tax if they receive payments or benefits in connection with a change in control that exceed certain limits prescribed by the Code, and that the employer may forfeit a deduction on the amounts subject to this additional tax. Section 409A of the Code also may impose significant taxes on a service provider in the event that he or she receives deferred compensation that does not comply with the requirements of Code Section 409A. We have structured our compensation arrangements with the intention of complying with or otherwise being exempt from the requirements of Code Section 409A. Our 2014 Equity Incentive Plan provides that it shall be interpreted and administered to the extent necessary to comply with or effectuate an exemption from the requirements of Code Section 409A.

Advisory Vote on Executive Compensation

We provided the Company's shareholders with the opportunity to vote to approve, on an advisory, non-binding basis, the compensation of our named executive officers at our 2014 Annual Meeting of Shareholders. As noted above under the section heading "The Compensation Decision-making Process," the result of the prior advisory shareholder vote at our 2014 Annual Meeting of Shareholders was 99.7% of votes cast approved the compensation of our named executive officers.

Additionally, at our 2011 Annual Meeting of Shareholders, we provided the Company's shareholders with the opportunity to indicate their preference on how frequently we should seek an advisory vote on the compensation of our named executive officers, with the option for every "1 Year," every "2 Years," or every "3 Years." The result of this advisory vote was 58.9% of votes cast were in favor of an advisory vote on executive compensation every three years. Based on the board of directors' recommendation for a frequency of three years and the voting results with respect to the frequency of future advisory votes on executive compensation, the board of directors determined that it will include in the annual shareholder meeting proxy materials a shareholder vote on executive compensation every three years until the next required vote on frequency of advisory votes on executive compensation, which will occur at the 2017 Annual Meeting of Shareholders. As an advisory vote on executive compensation occurred at the 2014 Annual Meeting of Shareholders, the next advisory vote on executive compensation will occur at the 2017 Annual Meeting of Shareholders.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Messrs. Weber, Hyde and Smith currently serve as members of the compensation committee. Mr. Smith joined the Compensation Committee on December 10, 2014. No member of the compensation committee was at any time during fiscal 2014 or at any other time an officer or employee of Zumiez, and no member had any relationship with Zumiez requiring disclosure as a related-person in the section "Certain Relationships and Related Transactions." No executive officer of Zumiez has served on the board of directors or compensation committee of any other entity that has or has had one or more executive officers who served as a member of our board of directors or compensation committee during fiscal 2014.

REPORT OF THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS

The compensation committee of the Company has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussion, the compensation committee recommended to the board of directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

THE COMPENSATION COMMITTEE

Travis D. Smith, Chairman
Matthew L. Hyde
James M. Weber

The compensation committee report does not constitute soliciting material, and shall not be deemed to be filed or incorporated by reference into any other filing under the Securities Act of 1933, or the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates the compensation committee report by reference therein.

Summary Compensation Table

The following table shows all compensation for fiscal 2014, 2013, and 2012 awarded to, earned by, or paid to our CEO, our CFO and our other executive officers. These executive officers are referred to as “NEOs.”

<u>Name and Principal Position</u>	<u>Year</u>	<u>Salary (\$)</u>	<u>Stock Awards (\$ (1))</u>	<u>Option Awards (\$ (2))</u>	<u>Non-Equity Incentive Plan Compensation (\$ (3))</u>	<u>All Other Compensation (\$ (4))</u>	<u>Total (\$)</u>
Thomas D. Campion Chairman of the Board	2014	324,911	—	—	105,714	7,582	438,207
	2013	315,446	—	—	61,581	6,679	383,706
	2012	306,600	—	—	199,290	8,421	514,311
Richard M. Brooks Chief Executive Officer and Director	2014	669,250	—	—	335,000	11,768	1,016,018
	2013	649,769	—	—	195,150	10,823	855,742
	2012	631,324	—	—	568,350	11,794	1,211,468
Christopher C. Work (5) Chief Financial Officer	2014	249,158	62,476	62,490	68,750	6,676	449,550
	2013	227,404	54,359	54,403	22,810	5,964	364,940
	2012	158,265	63,532	224,997	54,501	6,926	508,221
Ford K. Wright (6) Executive Vice President of Stores	2014	295,158	142,489	142,498	134,453	7,010	721,608
	2013	286,279	121,718	121,811	37,258	5,563	572,629
	2012	278,172	119,508	119,490	153,733	11,749	682,652
Troy R. Brown Executive Vice President of Ecommerce and Omni-channel	2014	362,851	199,995	199,998	235,366	6,306	1,004,515
	2013	338,270	145,511	145,606	27,576	6,941	663,904
Chris K. Visser Executive Vice President, General Counsel and Secretary	2014	262,709	62,476	62,490	108,488	3,159	499,322
	2013	255,154	54,359	54,403	25,544	1,878	391,338

- (1) This column represents the aggregate grant-date fair value of restricted stock awards calculated in accordance with FASB ASC Topic 718, excluding the impact of estimated forfeitures related to service based vesting conditions. For assumptions used in determining these values, please see Note 2 (listed under Stock Compensation) in the Notes to Consolidated Financial Statements in our fiscal 2014, 2013, and 2012 Form 10-K. Information regarding the restricted stock awards granted to the NEOs during fiscal 2014 is set forth in the Grants of Plan-Based Awards Table on a grant-by-grant basis.
- (2) This column represents the aggregate grant-date fair value of stock option awards calculated in accordance with FASB ASC Topic 718, excluding the impact of estimated forfeitures related to service based vesting conditions. For assumptions used in determining these values, please see Note 2 (listed under Stock Compensation) in the Notes to Consolidated Financial Statements in our fiscal 2014, 2013, and 2012 Form 10-K. Information regarding the stock option awards granted to our NEOs during 2013 is set forth in the Grants of Plan-Based Awards Table on a grant-by-grant basis.
- (3) The amounts set forth in this column were earned during fiscal 2014, 2013, and 2012 and paid in early fiscal 2015, 2014, and 2013, respectively, to each of the NEOs under our executive Short-Term Cash Based Incentives. For additional information on the determination of the amounts related to Non-Equity Incentive Plan Compensation, see the previous discussion in the Compensation Discussion and Analysis entitled, “Short-Term Cash Based Incentives.” Information regarding the threshold, target and maximum estimated future payouts under non-equity incentive plan awards is set forth in the Grants of Plan-Based Awards Table.
- (4) For fiscal 2014, All Other Compensation includes the amount of Company 401K employer match contributions, merchandise discounts, and any insurance reimbursements that are not generally available to all salaried employees. For fiscal 2014, Company 401K employer match contributions were as follows: Mr. Campion (\$6,915); Mr. Brooks (\$7,590); Mr. Work (\$5,775); Mr. Wright (\$4,962); Mr. Brown (\$3,849)

and Mr. Visser (\$2,596). For fiscal 2014, the value of merchandise discounts were as follows: Mr. Campion (\$667); Mr. Brooks (\$4,178); Mr. Work (\$901); Mr. Wright (\$2,048); Mr. Brown (\$2,457) and Mr. Visser (\$563). Merchandise discounts are generally available to all qualified employees. In fiscal 2013, Mr. Visser also received a COBRA health plan reimbursement of \$1,493. For fiscal 2012, All Other Compensation includes the amount of Company 401K employer match contributions, Company paid short-term and long-term disability insurance premiums, Company paid life insurance premiums and merchandise discounts.

- (5) Mr. Work was appointed as the Company's Chief Financial Officer effective August 23, 2012. His fiscal 2012 base salary upon his promotion was \$210,000 on an annualized basis.
- (6) Mr. Wright gave notice of his decision to retire from the Company on March 2, 2015 that was effective March 20, 2015.

Grants of Plan-Based Awards

The following table provides information about equity and non-equity awards granted to the NEOs in fiscal 2014. In the columns described as Estimated Future Payouts Under Non-Equity Incentive Plan Awards, this table quantifies potential awards under the executive short-term cash based incentives plan discussed previously.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			All Other Stock Awards: Number of Shares of Stock or Units (#) (2)	All Other Option Awards: Number of Securities Underlying (3)	Exercise or Base Price of Option Awards (\$) (4)	Grant Date Fair Value of Stock and Option Awards (\$) (5)
		Threshold (\$)	Target (\$)	Maximum (\$)				
Thomas D. Champion Chairman of the Board		105,714	211,429	422,858				
Richard M. Brooks Chief Executive Officer and Director		335,000	670,000	1,340,000				
Christopher C. Work (6) Chief Financial Officer	3/17/2014 3/17/2014	68,750	137,500	275,000	2,451	4,095	25.49 62,490	
Ford K. Wright Executive Vice President of Stores	3/17/2014 3/17/2014	96,038	192,075	384,150	5,590	9,338	25.49 142,498	
Troy R. Brown Executive Vice President of Ecommerce and Omni-channel	3/17/2014 3/17/2014	127,225	254,450	508,900	7,846	13,106	25.49 199,998	
Chris K. Visser Executive Vice President, General Counsel and Secretary	3/17/2014 3/17/2014	72,325	144,650	289,300	2,451	4,095	25.49 62,490	

- (1) These columns show what the potential payout for each NEO was under the executive short-term cash based incentives for fiscal 2014 if the threshold, target or maximum goals were satisfied for all performance measures. Please refer to the discussion in the Compensation Discussion and Analysis entitled, “Short-Term Cash Based Incentives” and the Summary Compensation Table for amounts earned by the NEOs in fiscal 2014.
- (2) This column shows the number of shares of restricted stock granted in fiscal 2014 to the NEOs. The restricted stock awards vest over a three-year period in equal annual installments beginning on the first anniversary date of the grant. Please refer to the discussion in the Compensation Discussion and Analysis entitled, “Long-Term Equity Incentives.” Information on the aggregate grant-date fair value of restricted stock awards is set forth in the Summary Compensation Table.
- (3) This column shows the number of stock options granted in fiscal 2014 to the NEOs. These stock options vest over a four-year period in equal annual installments beginning on the first anniversary date of the grant. Please refer to the discussion in the Compensation Discussion and Analysis entitled, “Long-Term Equity Incentives.” Information on the aggregate grant-date fair value of stock option awards is set forth in the Summary Compensation Table.
- (4) This column shows the exercise price for the stock options granted, which was the closing price of the Company’s stock on the grant date indicated.
- (5) This column represents the aggregate grant-date fair value of restricted stock and stock option awards calculated in accordance with FASB ASC Topic 718, excluding the impact of estimated forfeitures related to service based vesting conditions. For assumptions used in determining these values, please see Note 2 (listed under Stock Compensation) in the Notes to Consolidated Financial Statements in our fiscal 2014 Form 10-K. These amounts reflect the Company’s accounting expense for these stock option and restricted stock awards to be recognized over the vesting period of the grants, and do not correspond to the actual value that will be recognized by the NEO.

Outstanding Equity Awards at Fiscal Year-End

The following table provides information on the holdings of stock option awards and restricted stock awards for the NEOs at January 31, 2015. This table includes unexercised and unvested stock options and restricted stock awards. The vesting schedule for each grant of stock options and restricted stock awards is shown in the footnotes to this table. The market value of the restricted stock awards is based on the closing market price of our stock on January 31, 2015, which was \$37.29.

Name	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Options Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock that Have Not Vested (\$)
Thomas D. Champion Chairman of the Board	—	—	—	—	—	—
Richard M. Brooks Chief Executive Officer and Director	—	—	—	—	—	—
Christopher C. Work Chief Financial Officer	1,665	— (1)	8.64	7/21/2019	—	—
	6,534	6,534(2)	28.30	9/15/2022	—	—
	903	2,707(3)	24.81	3/18/2023	—	—
	—	4,095(4)	25.49	3/17/2024	—	—
	—	—	—	—	625(5)	23,306
	—	—	—	—	915(6)	34,120
	—	—	—	—	1,460(7)	54,443
	—	—	—	—	2,451(8)	91,398
Ford K. Wright Executive Vice President of Stores	31,500	— (9)	35.85	3/15/2017	—	—
	—	1,945(10)	25.31	3/14/2021	—	—
	2,828	2,827(11)	34.57	3/12/2022	—	—
	—	6,062(3)	24.81	3/18/2023	—	—
	—	9,338(4)	25.49	3/17/2024	—	—
	—	—	—	—	1,151(12)	42,921
	—	—	—	—	3,270(7)	121,938
	—	—	—	—	5,590(8)	208,451
Troy R. Brown Executive Vice President of Ecommerce and Omni-channel	16,200	— (13)	6.88	3/16/2019	—	—
	7,500	— (14)	19.23	3/15/2020	—	—
	3,729	1,241(10)	25.31	3/14/2021	—	—
	3,076	3,076(11)	34.57	3/12/2022	—	—
	2,416	7,246(3)	24.81	3/18/2023	—	—
	—	13,106(4)	25.49	3/17/2024	—	—
	—	—	—	—	1,252(12)	46,687
	—	—	—	—	3,910(7)	145,804
	—	—	—	—	7,846(8)	292,577
Chris K. Visser Executive Vice President, General Counsel and Secretary	4,576	4,576(15)	27.00	10/15/2022	—	—
	903	2,707(3)	24.81	3/18/2023	—	—
	—	4,095(4)	25.49	3/17/2024	—	—
	—	—	—	—	1,388(16)	51,759
	—	—	—	—	1,460(7)	54,443
	—	—	—	—	2,451(8)	91,398

(1) Options subject to this grant vest over a four-year period in equal annual installments beginning on the one-year anniversary of the grant date. The grant date was July 21, 2009.

- (2) Options subject to this grant vest over a four-year period in equal annual installments beginning on the one-year anniversary of the grant date. The grant date was September 15, 2012.
- (3) Options subject to this grant vest over a four-year period in equal annual installments beginning on the one-year anniversary of the grant date. The grant date was March 18, 2013.
- (4) Options subject to this grant vest over a four-year period in equal annual installments beginning on the one-year anniversary of the grant date. The grant date was March 17, 2014.
- (5) This restricted stock grant vest over a four-year period in equal annual installments beginning on the grant date anniversary. The grant date was March 14, 2011.
- (6) This restricted stock grant vest over a four-year period in equal annual installments beginning on the grant date anniversary. The grant date was March 16, 2012.
- (7) This restricted stock grant vest over a three-year period in equal annual installments beginning on the grant date anniversary. The grant date was March 18, 2013.
- (8) This restricted stock grant vest over a three-year period in equal annual installments beginning on the grant date anniversary. The grant date was March 17, 2014.
- (9) Options subject to this grant vest over a five-year period in equal annual installments beginning on the one-year anniversary of the grant date. The grant date was March 13, 2007.
- (10) Options subject to this grant vest over a four-year period in equal annual installments beginning on the one-year anniversary of the grant date. The grant date was March 14, 2011.
- (11) Options subject to this grant vest over a four-year period in equal annual installments beginning on the one-year anniversary of the grant date. The grant date was March 12, 2012.
- (12) This restricted stock grant vest over a three-year period in equal annual installments beginning on the grant date anniversary. The grant date was March 12, 2012.
- (13) Options subject to this grant vest over a four-year period in equal annual installments beginning on the one-year anniversary of the grant date. The grant date was March 16, 2009.
- (14) Options subject to this grant vest over a four-year period in equal annual installments beginning on March 15, 2011. The grant date was June 3, 2010.
- (15) Options subject to this grant vest over a four-year period in equal annual installments beginning on the one-year anniversary of the grant date. The grant date was October 15, 2012.
- (16) This restricted stock grant vest over a three-year period in equal annual installments beginning on the grant date anniversary. The grant date was October 15, 2012.

Option Exercises and Stock Vested

The following table provides information for the NEOs on stock option exercises and on the vesting of other stock awards during fiscal 2014, including the number of shares acquired upon exercise or vesting and the value released before payment of any applicable withholding taxes and broker commissions.

<u>Name</u>	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Valued Realized on Exercise (1) (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (2) (\$)
Thomas D. Campion Chairman of the Board	—	—	—	—
Richard M. Brooks Chief Executive Officer and Director	—	—	—	—
Christopher C. Work Chief Financial Officer	—	—	2,461	61,760
Ford K. Wright Executive Vice President of Stores	157,206	2,929,507	4,381	108,716
Troy R. Brown Executive Vice President of Ecommerce and Omni-channel	—	—	4,229	104,834
Chris K. Visser Executive Vice President, General Counsel and Secretary	—	—	1,426	41,175

- (1) The dollar amount realized upon exercise was calculated by determining the difference between the market price of the underlying shares of common stock at exercise and the exercise price of the stock options.
- (2) The dollar amount realized upon vesting was calculated by applying the market price of the restricted stock shares on the vesting dates.

Pension Benefits

The Company does not maintain a defined benefit pension plan or supplemental pension plan.

Nonqualified Deferred Compensation

The Company does not maintain a nonqualified deferred compensation plan.

Potential Payments Upon Termination or Change in Control

Certain of the NEOs have unvested stock options and awards of restricted stock under the Company's 2005 Equity Incentive Plan, the vesting of which may accelerate in the event of a Change in Control (as defined below). The Company does not have employment agreements with any of its employees, including its executive officers. Also, the Company does not maintain a severance or separation plan for its executive officers. Accordingly, except as described below, there are no agreements, arrangements or plans that entitle the Company's executive officers to enhanced benefits upon termination of their employment. The information below is a summary of certain provisions of these agreements and does not attempt to describe all aspects of the agreements. The rights of the parties are governed by the actual agreements and are in no way modified by the abbreviated summaries set forth in this proxy statement.

Acceleration of Stock Award Vesting

The Company’s 2005 Equity Incentive Plan provides that in the event of a Change in Control (as defined below), if the surviving corporation does not assume or continue outstanding stock awards or substitute similar stock awards for those outstanding under the 2005 Equity Incentive Plan, then all such outstanding stock awards will be accelerated and become fully vested and exercisable immediately prior to the consummation of the Change in Control transaction.

For purposes of the 2005 Equity Incentive Plan, “Change in Control” means:

- (i) the consummation of a merger or consolidation of the Company with or into another entity or any other corporate reorganization, if more than 50% of the combined voting power of the continuing or surviving entity’s securities outstanding immediately after such merger, consolidation or other reorganization is owned by persons who were not shareholders of the Company immediately prior to such merger, consolidation or other reorganization; or
- (ii) the sale, transfer or other disposition of all or substantially all of the Company’s assets.

A transaction shall not constitute a Change in Control if its sole purpose is to change the state of the Company’s incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company’s securities immediately before such transaction.

The following table shows the potential payments the NEOs could have received under these arrangements in connection with a Change in Control on January 31, 2015.

<u>Executive Officer</u>	<u>Stock Option Vesting in Connection with a Change in Control (1)</u>	<u>Restricted Stock Vesting in Connection with a Change in Control (2)</u>
Thomas D. Campion, Chairman of the Board	\$ —	\$ —
Richard M. Brooks, Chief Executive Officer and Director	\$ —	\$ —
Christopher C. Work, Chief Financial Officer	\$140,827	\$203,268
Ford K. Wright, Executive Vice President of Stores	\$216,833	\$373,310
Troy R. Brown, Executive Vice President of Ecommerce and Omni-channel	\$268,315	\$485,068
Chris K. Visser, Executive Vice President, General Counsel and Secretary	\$129,191	\$197,600

- (1) Represents the amount calculated by multiplying the number of in-the-money unvested options with respect to which the vesting would accelerate as a result of a Change in Control under the circumstances noted by the difference between the exercise price and the closing price of a share of common stock on the last trading day of fiscal 2014. The number of shares subject to unvested stock options and exercise prices thereof are shown previously in the Outstanding Equity Awards at Fiscal Year-End table.
- (2) Represents the amount of unvested restricted stocks awarded with respect to which the vesting would accelerate as a result of a Change in Control noted by the number of restricted stock shares unvested at the closing price of a share of common stock on the last trading day of fiscal 2014.

EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth information concerning the Company's equity compensation plans at January 31, 2015:

<u>Plan Category</u>	<u>Number of securities to be issued upon exercise of outstanding options, warrants and rights</u>	<u>Weighted-average exercise price of outstanding options, warrants and rights</u>	<u>Number of securities remaining available for future issuance under equity compensation plans</u>
Equity compensation plans approved by security holders (1) . . .	250,590	\$24.76	3,395,950
Equity compensation plans not approved by security holders (2)	—	—	—
Employee stock purchase plans approved by security holders (3)	—	—	383,862

- (1) Equity compensation plans approved by shareholders include the 2005 Equity Incentive Plan and the 2014 Equity Incentive Plan.
- (2) The Company does not have any equity compensation plans that were not approved by the Company's shareholders.
- (3) Employee stock purchase plans approved by shareholders include the 2014 Employee Stock Purchase Plan.

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The fiscal 2014 audit committee operates under a written charter adopted by the Company's board of directors. The charter of the audit committee is available at <http://ir.zumiez.com>.

We have reviewed and discussed with management our consolidated financial statements as of and for the fiscal year ended January 31, 2015.

We have reviewed and discussed with management and the independent auditor management's assessment of the effectiveness of the Company's internal control over financial reporting and the independent auditor's opinion about the effectiveness of the Company's internal control over financial reporting.

We have discussed with the independent auditor the matters required to be discussed by Public Company Accounting Oversight Board (PCAOB) Auditing Standard No. 16 (Communication with Audit Committees).

We have received and reviewed the written disclosures and the letter from our independent auditor required by applicable requirements of the PCAOB regarding the independent auditor's communications with the audit committee concerning independence, and have discussed with the independent auditor their independence.

Based on the reviews and discussions referred to previously, we recommended to our board of directors that the financial statements referred to previously be included in our Annual Report on Form 10-K.

THE AUDIT COMMITTEE

Ernest R. Johnson, Chairman
Sarah (Sally) G. McCoy
Travis D. Smith
Kalen F. Holmes

The audit committee report does not constitute soliciting material, and shall not be deemed to be filed or incorporated by reference into any other filing under the Securities Act of 1933, or the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates the audit committee report by reference therein.

Fees Paid to Independent Registered Public Accounting Firm for Fiscal 2014 and 2013

The aggregate fees billed by Moss Adams LLP for professional services rendered for fiscal 2014 and fiscal 2013, are as follows:

	<u>Fiscal 2014</u>	<u>Fiscal 2013</u>
Audit fees (1)	\$448,000	\$443,000
Audit-related fees (2)	18,000	16,000
Tax fees (3)	—	84,000
Total fees	<u>\$466,000</u>	<u>\$543,000</u>

- (1) Audit fees include services and costs in connection with the audit of the consolidated annual financial statements of the Company and reviews of the interim condensed consolidated financial statements included in the Company's quarterly reports.
- (2) Audit-related fees include services and costs in connection with the audit of the Company's 401K plan.
- (3) Tax fees include services and costs in connection with federal, state and foreign tax compliance and tax advice.

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm

The audit committee pre-approves all auditing services, internal control-related services and permitted non-audit services (including the fees and terms thereof) to be performed for the Company by its independent auditor, subject to the "de minimis exception" (discussed below) for non-audit services that are approved by the audit committee prior to the completion of the audit. The audit committee may form and delegate authority to subcommittees consisting of one or more members when appropriate, including the authority to grant pre-approvals of audit and permitted non-audit services, provided that decisions of such subcommittee to grant pre-approvals shall be presented to the full audit committee at its next scheduled meeting. The audit committee will evaluate whether any permitted non-audit services are compatible with maintaining the auditor's independence.

As discussed previously, all services of the auditor must be pre-approved by the audit committee except for certain services other than audit, review or attest services that meet the "de minimis exception" under 17 CFR Section 210.2-01, namely:

- the aggregate amount of fees paid for all such services is not more than 5% of the total fees paid by the Company to its auditor during the fiscal year in which the services are provided;
- such services were not recognized by the Company at the time of the engagement to be non-audit services; and
- such services are promptly brought to the attention of the audit committee and approved prior to the completion of the audit.

During fiscal 2014 and 2013, there were no services that were performed pursuant to the "*de minimis exception.*"

PROPOSAL 2

RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Upon the recommendation of the audit committee, the board of directors has reappointed Moss Adams LLP to audit our consolidated financial statements for the fiscal year ending January 30, 2016 (“fiscal 2015”). Moss Adams LLP has served as our independent registered public accounting firm since 2006. A representative from Moss Adams LLP will be at the meeting to answer any questions that may arise.

If the shareholders do not ratify the selection of Moss Adams LLP as our independent registered public accounting firm for fiscal 2015, our board of directors will evaluate what would be in the best interests of our Company and our shareholders and consider whether to select a new independent registered public accounting firm for the current fiscal year or whether to wait until the completion of the audit for the current fiscal year before changing our independent registered public accounting firm.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR RATIFICATION OF ITS SELECTION OF MOSS ADAMS LLP AS THE COMPANY’S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL 2015

HOUSEHOLDING OF PROXY MATERIALS

The SEC has adopted rules that permit companies and intermediaries (e.g., brokers, banks and other agents) to satisfy the delivery requirements for proxy statements and annual reports with respect to two or more shareholders sharing the same address by delivering a single proxy statement addressed to those shareholders. This process, which is commonly referred to as “householding,” potentially means extra convenience for shareholders and cost savings for companies.

A number of brokers, banks or other agents with account holders who are shareholders of Zumiez will be “householding” our proxy materials. A single proxy statement will be delivered to multiple shareholders sharing an address unless contrary instructions have been received from the affected shareholders. Once you have received notice from your broker, bank or other agent that it will be “householding” communications to your address, “householding” will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in “householding” and would prefer to receive a separate proxy statement and annual report, please notify your broker, bank or other agent, and direct a written request for the separate proxy statement and annual report to Secretary, Zumiez Inc., 4001 204th Street SW, Lynnwood, Washington 98036. Shareholders whose shares are held by their broker, bank or other agent as nominee and who currently receive multiple copies of the proxy statement at their address that would like to request “householding” of their communications should contact their broker, bank or other agent.

PROPOSALS OF SHAREHOLDERS

We expect to hold our next annual meeting on or about May 26, 2016. If you wish to submit a proposal for inclusion in the proxy materials for that meeting, you must send the proposal to our Secretary at the address below. The proposal must be received at our executive offices no later than December 18, 2015, to be considered for inclusion. Among other requirements set forth in the SEC’s proxy rules, you must have continuously held at least \$2,000 in market value or 1% of our outstanding stock for at least one year by the date of submitting the proposal, and you must continue to own such stock through the date of the meeting.

If you intend to nominate candidates for election as directors or present a proposal at the meeting without including it in our proxy materials, you must provide notice of such proposal to us no later than January 28, 2016, and not before December 29, 2015. Our bylaws outline procedures for giving the required notice. If you would like a copy of the procedures contained in our bylaws, please contact:

Secretary
Zumiez Inc.
4001 204th Street SW
Lynnwood, Washington 98036

OTHER MATTERS

Our board of directors knows of no other matters that will be presented for consideration at the annual meeting. If any other matters are properly brought before the meeting, it is the intention of the persons named in the accompanying proxy to vote on such matters in accordance with their best judgment.

By Order of the Board of Directors
Chris K. Visser
Executive Vice President, General Counsel and
Secretary

Lynnwood, Washington
April 17, 2015

A copy of our Annual Report on Form 10-K for the fiscal year ended January 31, 2015 filed with the SEC is available without charge upon written request to: Secretary, Zumiez Inc., 4001 204th Street SW, Lynnwood, Washington 98036.

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

**FORM 10-K/A
(Amendment No. 1)**

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

Commission File Number: **000-51300**

ZUMIEZ INC.

(Exact name of Registrant as specified in its charter)

Washington
(State or other jurisdiction of
incorporation or organization)

91-1040022
(IRS Employer
Identification No.)

4001 204th Street SW
Lynnwood, Washington
(Address of principal executive offices)

98036
(Zip Code)

(425) 551-1500

(Registrant's telephone number, including area code)

Securities registered under Section 12(b) of the Act: **Common Stock**

Name of each exchange on which registered: **The Nasdaq Global Select Market**

Securities registered under 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 No

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

Act. Yes 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 last 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) 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.

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

The aggregate market value of the voting and non-voting stock held by non-affiliates of the registrant as of the last business day of the second fiscal quarter, August 1, 2014, was \$602,237,794.

At March 6, 2015, there were 29,417,024 shares outstanding of common stock.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III of this report is incorporated by reference from the Registrant's definitive proxy statement, relating to the Annual Meeting of Shareholders scheduled to be held May 28, 2015, which definitive proxy statement will be filed not later than 120 days after the end of the fiscal year to which this report relates.

The information required by Part III of this report is incorporated by reference from the Registrant's definitive proxy statement, relating to the Annual Meeting of Shareholders scheduled to be held May 28, 2015, which definitive proxy statement will be filed not later than 120 days after the end of the fiscal year to which this report relates.

EXPLANATORY NOTE

This Amendment No. 1 to our Annual Report on Form 10-K ("Form 10-K/A") is being filed to amend our Annual Report on Form 10-K for the year ended January 31, 2015 ("Form 10-K"), which was originally filed with the Securities and Exchange Commission (the "SEC") on March 17, 2015. We are amending Part II, Item 8 in this Form 10-K/A to revise Note 10 to the Consolidated Financial statements of Zumiez Inc. (the "Company") to reflect a correction to certain rent expense and executory costs disclosed in Note 10 for the year ended January 31, 2015. We are also amending Part I, Item 1A to correct the same amounts disclosed in the Risk Factors. These changes do not affect the consolidated balance sheets as of January 31, 2015 and February 1, 2014, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended January 31, 2015.

For the convenience of the reader, this Amendment No. 1 amends in its entirety the original filing of the Annual Report on Form 10-K. This Amendment No. 1 does not reflect events occurring after the March 17, 2015 original filing date of the Company's Annual Report on Form 10-K for the year ended January 31, 2015 or modify or update those disclosures set forth in that Annual Report on Form 10-K, except to reflect the revision to Note 10 and the Risk Factors.

ZUMIEZ INC.
FORM 10-K
TABLE OF CONTENTS

PART I

Item 1.	Business	3
Item 1A.	Risk Factors	10
Item 1B.	Unresolved Staff Comments	21
Item 2.	Properties	21
Item 3.	Legal Proceedings	21
Item 4.	Mine Safety Disclosures	21

PART II

Item 5.	Market for the Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities	22
Item 6.	Selected Financial Data	25
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	26
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	40
Item 8.	Financial Statements and Supplementary Data	41
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	41
Item 9A.	Controls and Procedures	41
Item 9B.	Other Information	44

PART III

Item 10.	Directors, Executive Officers and Corporate Governance	44
Item 11.	Executive Compensation	44
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters	44
Item 13.	Certain Relationships and Related Transactions, and Director Independence	44
Item 14.	Principal Accountant Fees and Services	44

PART IV

Item 15.	Exhibits, Financial Statement Schedules	45
Signatures	74

ZUMIEZ INC.
FORM 10-K
PART I.

This Form 10-K contains forward-looking statements. These statements relate to our expectations for future events and future financial performance. Generally, the words “anticipates,” “expects,” “intends,” “may,” “should,” “plans,” “believes,” “predicts,” “potential,” “continue” and similar expressions identify forward-looking statements. Forward-looking statements involve risks and uncertainties, and future events and circumstances could differ significantly from those anticipated in the forward-looking statements. These statements are only predictions. Actual events or results may differ materially. Factors which could affect our financial results are described in Item 1A below and in Item 7 of Part II of this Form 10-K. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Moreover, neither we nor any other person assume responsibility for the accuracy and completeness of the forward-looking statements. We undertake no duty to update any of the forward-looking statements after the date of this report to conform such statements to actual results or to changes in our expectations.

We use a fiscal calendar widely used by the retail industry that results in a fiscal year consisting of a 52- or 53-week period ending on the Saturday closest to January 31. Each fiscal year consists of four 13-week quarters, with an extra week added to the fourth quarter every five or six years. Fiscal 2015 will be the 52 week period ending January 30, 2016. Fiscal 2014 was the 52-week period ending January 31, 2015. Fiscal 2013 was the 52-week period ending February 1, 2014. Fiscal 2012 was the 53-week period ending February 2, 2013. Fiscal 2011 was the 52-week period ending January 28, 2012. Fiscal 2010 was the 52-week period ending January 29, 2011.

“Zumiez,” the “Company,” “we,” “us,” “its,” “our” and similar references refer to Zumiez Inc. and its wholly-owned subsidiaries.

Item 1. BUSINESS

Zumiez is a leading multi-channel specialty retailer of apparel, footwear, accessories and hardgoods rooted in youth culture as expressed through music, art, fashion and action sports lifestyle for young men and women. Zumiez Inc. was formed in August 1978 and is a Washington State corporation.

At January 31, 2015, we operated 603 stores; 550 in the United States (“U.S.”), 35 in Canada and 18 in Europe. We operate under the names Zumiez and Blue Tomato. Additionally, we operate ecommerce websites at www.zumiez.com and www.blue-tomato.com.

We completed the acquisition of Snowboard Dachstein Tauern GmbH and Blue Tomato Graz Handel GmbH (collectively, “Blue Tomato”) during fiscal 2012. Blue Tomato is a multi-channel retailer for board sports and related apparel and footwear that operates primarily in the European marketplace.

We operate a sales strategy that integrates our stores with our ecommerce platform. There is significant interaction between our store sales and our ecommerce sales channels and we believe that they are utilized in tandem to serve our customers. Our selling platforms bring the look and feel of an independent specialty shop by emphasizing the action sports lifestyle through a distinctive store environment and high-energy sales personnel. We seek to staff our stores with store associates who are knowledgeable users of our products, which we believe provides our customers with enhanced customer service and supplements our ability to identify and react quickly to emerging trends and fashions. We design our selling platforms to appeal to teenagers and young adults and to serve as a destination for our customers. We believe that our distinctive selling platforms concepts and compelling economics will provide continued opportunities for growth in both new and existing markets.

We believe that our customers desire authentic merchandise and fashion that is rooted in the action sports lifestyle and reflects their individuality. We strive to keep our merchandising mix fresh by continuously introducing new brands, styles and categories of product. Our focus on a diverse collection of brands allows us to quickly adjust to changing fashion trends. We believe that our strategic mix of apparel, footwear, accessories and hardgoods, including skateboards, snowboards, bindings, components and other equipment, allows us to strengthen the potential of the brands we sell and helps to affirm our credibility with our customers. In addition, we supplement our merchandise mix with a select offering of private label apparel and products as a value proposition that we believe complements our overall merchandise selection.

Over our 36-year history, we have developed a corporate culture based on a passion for the action sports lifestyle. Our management philosophy emphasizes an integrated combination of results measurement, training and incentive programs, all designed to drive sales productivity at the individual store associate level. We have increased our store count from 377 as of the end of fiscal 2009 to 603 as of the end of fiscal 2014, representing a compound annual growth rate of 9.8%; increased net sales from \$407.6 million in fiscal 2009 to \$811.6 million in fiscal 2014, representing a compound annual growth rate of 14.8%; and been profitable in every fiscal year of our 36-year history.

Competitive Strengths

We believe that the following competitive strengths differentiate us from our competitors and are critical to our continuing success.

Attractive Lifestyle Retailing Concept. We target a large population of young men and women, many of whom we believe are attracted to the action sports lifestyle and desire to promote their personal independence and style through the apparel, footwear and accessories they wear and the equipment they use. We believe that action sports is a permanent aspect of youth culture, reaching not only consumers that actually participate in action sports, but also those who seek brands and styles that fit a desired image. We believe we have developed a brand image that our customers view as consistent with their attitudes, fashion tastes and identity that should allow us to benefit and differentiates us in our market.

Differentiated Merchandising Strategy. We have created a highly differentiated retailing concept by offering an extensive selection of current and relevant action sports brands encompassing apparel, footwear, accessories and hardgoods. The breadth of merchandise offered through our sales channels exceeds that offered by many other action sports specialty stores and includes some brands and products that are available only at our stores within many malls or shopping areas. The action sports lifestyle includes activities that are popular at different times throughout the year, providing us the opportunity to shift our merchandise selection seasonally. Many of our customers desire to update their wardrobes and equipment as fashion trends evolve or the action sports season dictates. We believe that our ability to quickly recognize changing brand and style preferences and transition our merchandise offerings allows us to continually provide a compelling offering to our customers.

Deep-rooted Culture. We believe our culture and brand image enable us to successfully attract and retain high quality employees who are passionate and knowledgeable about the products we sell. We place great emphasis on customer service and satisfaction, and we have made this a defining feature of our corporate culture. To preserve our culture, we strive to promote from within and we provide our employees with the knowledge and tools to succeed through our comprehensive training programs and the empowerment to manage their stores to meet localized customer demand.

Distinctive Customer Experience. We strive to provide a convenient shopping environment that is appealing and clearly communicates our distinct brand image. We seek to attract knowledgeable store associates who identify with the action sports lifestyle and are able to offer superior customer service, advice and product expertise. We believe that our distinctive store environment and ecommerce experience enhances our image as a leading source for apparel and equipment for the action sports lifestyle.

Disciplined Operating Philosophy. We have an experienced senior management team. Our management team has built a strong operating foundation based on sound retail principles that underlie our unique culture. Our philosophy emphasizes an integrated combination of results measurement, training and incentive programs, all designed to drive sales productivity to the individual store associate level. Our comprehensive training programs are designed to provide our employees with enhanced product knowledge, selling skills and operational expertise. We believe that our merchandising teams' immersion in the action sports lifestyle, supplemented with feedback from our customers, store associates and omni-channel leadership, allows us to consistently identify and react to emerging fashion trends. We believe that this, combined with our inventory planning and allocation processes and systems, helps us better manage markdown and fashion risk.

High-Impact, Integrated Marketing Approach. We seek to build relationships with our customers through a multi-faceted marketing approach that is designed to integrate our brand images with the action sports lifestyle. Our marketing efforts focus on reaching our customers in their environment and feature extensive grassroots marketing events. Our marketing efforts also incorporate local sporting and music event promotions, advertising in magazines popular with our target market, interactive contest sponsorships that actively involve our customers with our brands and products and various social network channels. Events and activities such as these provide opportunities for our customers to develop a strong identity with our culture and brands. We believe that our immersion in the action sports lifestyle allows us to build credibility with our customers and gather valuable feedback on evolving customer preferences.

Growth Strategy

We intend to expand our presence as a leading action sports lifestyle retailer by:

Opening New Store Locations. We believe that the action sports lifestyle has appeal that provides store expansion opportunities throughout the U.S. and internationally. During the last three fiscal years, we have opened or acquired 174 new stores consisting of 56 stores in fiscal 2014, 59 stores in fiscal 2013 and 59 stores in fiscal 2012. We have successfully opened stores in diverse markets throughout the U.S. and internationally, which we believe demonstrates the portability and growth potential of our concepts. To take advantage of what we believe to be a compelling economic store model, we plan to open approximately 57 new stores in fiscal 2015, including stores in our existing markets and in new markets domestically and internationally. The number of anticipated store openings may increase or decrease due to market conditions and other factors.

Continuing to Generate Sales Growth through Existing Channels. We seek to maximize our comparable sales by maintaining consistent store-level execution and offering our customers a broad and relevant selection of action sports brands and products. We seek to continue to grow our ecommerce sales with a continued focus on enhancing and integrating the unique Zumiez and Blue Tomato brand experiences through this channel.

Enhancing our Brand Awareness through Continued Marketing and Promotion. We believe that a key component of our success is the brand exposure that we receive from our marketing events, promotions and activities that embody the action sports lifestyle. These are designed to assist us in increasing brand awareness in our existing markets and expanding into new markets by strengthening our connection with our target customer base. We believe that our marketing efforts have also been successful in generating and promoting interest in our product offerings. In addition, we use our ecommerce presence, designed to convey our passion for the action sports lifestyle, to increase our brand awareness. We plan to continue to expand our integrated marketing efforts by promoting more events and activities in our existing and new markets. We also benefit from branded vendors' marketing.

Merchandising and Purchasing

Our goal is to be viewed by our customers as the definitive source of merchandise for the action sports lifestyle across all channels in which we operate. We believe that the breadth of merchandise that we offer, which includes apparel, footwear, accessories and hardgoods, exceeds that offered by many other action sports specialty stores at a single location, and makes us a single-stop purchase destination for our target customers.

We seek to identify action sports oriented fashion trends as they develop and to respond in a timely manner with a relevant product assortment. We strive to keep our merchandising mix fresh by continuously introducing new brands or styles in response to the evolving desires of our customers. We also take advantage of the change in action sports seasons during the year to maintain an updated product selection. Our merchandise mix may vary by region and country, reflecting the specific action sports preferences and seasons in each market.

We believe that offering an extensive selection of current and relevant brands used and sometimes developed by professional action sports athletes is integral to our overall success. No single brand, including private label, accounted for more than 8.7%, 7.6% and 9.0% of our net sales in fiscal 2014, 2013 and 2012. We believe that our strategic mix of apparel, footwear, accessories and hardgoods allows us to strengthen the potential of the brands we sell and affirms our credibility with our customers.

We believe that our ability to maintain an image consistent with the action sports lifestyle is important to our key vendors. Given our scale and market position, we believe that many of our key vendors view us as an important retail partner. This position helps ensure our ability to procure a relevant product assortment and quickly respond to the changing fashion interests of our customers. Additionally, we believe we are presented with a greater variety of products and styles by some of our vendors, as well as certain specially designed items that we exclusively distribute. We supplement our merchandise assortment with a select offering of private label products across many of our product categories. Our private label products complement the branded products we sell, and some of our private label brands allow us to cater to the more value-oriented customer. For fiscal 2014, 2013 and 2012, our private label merchandise represented 19.9%, 17.7% and 16.9% of our net sales.

We have developed a disciplined approach to buying and a dynamic inventory planning and allocation process to support our merchandise strategy. We utilize a broad vendor base that allows us to shift our merchandise purchases as required to react quickly to changing consumer demands and market conditions. We manage the purchasing and allocation process by reviewing branded merchandise lines from new and existing vendors, identifying emerging fashion trends and selecting branded merchandise styles in quantities, colors and sizes to meet inventory levels established by management. We also coordinate inventory levels in connection with individual stores' sales strength, our promotions and seasonality.

Our merchandising staff remains in tune with the action sports culture by participating in action sports, attending relevant events and concerts, watching action sports related programming and reading action sports publications and relevant social network channels. In order to identify evolving trends and fashion preferences, our staff spends considerable time analyzing sales data, gathering feedback from our stores and customers, shopping in key markets and soliciting input from our vendors.

We source our private label merchandise from primarily foreign manufacturers around the world. We have cultivated our private label sources with a view towards high quality merchandise, production reliability and consistency of fit. We believe that our knowledge of fabric and production costs combined with a flexible sourcing base enables us to source high-quality private label goods at favorable costs.

Stores

Store Locations. At January 31, 2015, we operated 603 stores in the following locations:

United States and Puerto Rico - 550 Stores

Alabama	1	Indiana	10	New Hampshire	6	South Carolina	3
Alaska	3	Iowa	4	New Jersey	20	South Dakota	2
Arizona	13	Kansas	3	New Mexico	5	Tennessee	6
Arkansas	2	Kentucky	2	New York	32	Texas	50
California	85	Louisiana	6	Nevada	9	Utah	14
Colorado	19	Maine	3	North Carolina	10	Vermont	1
Connecticut	9	Maryland	10	North Dakota	1	Virginia	13
Delaware	4	Massachusetts	11	Ohio	9	Washington	25
Florida	27	Michigan	9	Oklahoma	6	West Virginia	2
Georgia	9	Minnesota	11	Oregon	13	Wisconsin	14
Hawaii	6	Missouri	7	Pennsylvania	19	Wyoming	2
Idaho	6	Montana	5	Puerto Rico	1		
Illinois	18	Nebraska	2	Rhode Island	2		

Canada - 35 Stores

Alberta	5	New Brunswick	1
British Columbia	9	Nova Scotia	2
Manitoba	2	Ontario	16

Europe - 18 Stores

Austria	9
Germany	9

The following table shows the number of stores (excluding temporary stores that we operate from time to time for special or seasonal events) opened, acquired and closed in each of our last three fiscal years:

<u>Fiscal Year</u>	<u>Stores Opened</u>	<u>Stores Acquired</u>	<u>Stores Closed</u>	<u>Total Number of Stores End of Year</u>
2014	56	0	4	603
2013	59	0	6	551
2012	53	6	5	498

Store Design and Environment. We design our stores to create a distinctive and engaging shopping environment that we believe resonates with our customers. Our stores feature an industrial look, dense merchandise displays, action sports lifestyle focused posters and signage and popular music, all of which are consistent with the look and feel of an independent action sports specialty shop. Our stores are designed to encourage our customers to shop for longer periods of time, to interact with each other and our store associates and to visit our stores more frequently. Our stores are constructed and finished to allow us to efficiently shift merchandise displays throughout the year as the action sports season dictates. We believe that our store atmosphere enhances our image as a leading provider of action sports lifestyle merchandise.

At January 31, 2015, our stores averaged approximately 2,936 square feet. All references in this Annual Report on Form 10-K to square footage of our stores refers to gross square footage, including retail selling, storage and back-office space. In fiscal 2015, we plan on opening new stores with square footage similar to this average.

Expansion Opportunities and Site Selection. In selecting a location for a new store, we target high-traffic locations with suitable demographics and favorable lease terms. For mall locations, we seek locations near busy areas of the mall such as food courts, movie theaters, game stores and other popular teen retailers. We generally locate our stores in malls in which other teen-oriented retailers have performed well. We also focus on evaluating the market and mall-specific competitive environment for potential new store locations. We seek to diversify our store locations regionally and by caliber of mall.

Store Management, Operations and Training. We believe that our success is dependent in part on our ability to attract, train, retain and motivate qualified employees at all levels of our organization. We have developed a corporate culture that we believe empowers the individual store managers to make store-level business decisions and consistently rewards their success. We are committed to improving the skills and careers of our workforce and providing advancement opportunities for employees.

We believe we provide our managers with the knowledge and tools to succeed through our comprehensive training programs and the flexibility to manage their stores to meet customer demands. While general guidelines for our merchandise assortments, store layouts and in-store visuals are provided by our home offices, we give our managers substantial discretion to tailor their stores to the individual market and empower them to make store-level business decisions. We design group training programs for our managers to improve both operational expertise and supervisory skills.

Our store associates generally have an interest in the action sports lifestyle and are knowledgeable about our products. Through our training, evaluation and incentive programs, we seek to enhance the productivity of our store associates. These programs are designed to promote a competitive, yet fun, culture that is consistent with the action sports lifestyle we seek to promote.

Marketing and Advertising

We seek to reach our target customer audience through a multi-faceted marketing approach that is designed to integrate our brand image with the action sports lifestyle. Our marketing efforts focus on reaching our customers in their environment, and feature extensive grassroots marketing events, which give our customers an opportunity to experience and participate in the action sports lifestyle. Our grassroots marketing events are built around the demographics of our customer base and offer an opportunity for our customers to develop a strong identity with our brands and culture.

Our marketing efforts also incorporate local sporting and music event promotions, advertising in magazines popular with our target market, interactive contest sponsorships that actively involve our customers with our brands and products, the Zumiez Stash, which is our customer loyalty program, catalogs and various social network channels. We believe that our immersion in the action sports lifestyle allows us to build credibility with our target audience and gather valuable feedback on evolving customer preferences.

Distribution and Fulfillment

Timely and efficient distribution of merchandise to our stores is an important component of our overall business strategy. Domestically, our distribution center is located in Corona, California. At this facility, merchandise is inspected, allocated to stores, ticketed when necessary and distributed to our stores. Each store is typically shipped merchandise five times a week, providing our stores with a steady flow of new merchandise.

During fiscal 2012, we relocated our domestic ecommerce fulfillment center from Everett, Washington to Edwardsville, Kansas to provide the additional capacity needed to support the continued growth of our domestic ecommerce operations, while also increasing the speed at which we get product to our customers. Additionally, we utilize our domestic store network to provide fulfillment services for certain customer purchases.

Internationally, we operate a combined distribution and ecommerce fulfillment center located in Graz, Austria that supports our Blue Tomato ecommerce and store operations in Europe and we operate a distribution center located in Delta, British Columbia, Canada to distribute merchandise to our Canadian stores.

Management Information Systems

Our management information systems provide integration of store, merchandising, distribution, financial and human resources functions. The systems include applications related to point-of-sale, inventory management, supply chain, planning, sourcing, merchandising and financial reporting. We continue to invest in technology to align our systems with our business requirements and to support our continuing growth.

Competition

The teenage and young adult retail apparel, hardgoods, footwear and accessories industry is highly competitive. We compete with other retailers for vendors, customers, suitable store locations and qualified store associates and management personnel. In the softgoods market, which includes apparel, footwear and accessories, we currently compete with other teenage and young adult focused retailers. In addition, in the softgoods markets we compete with independent specialty shops, department stores and direct marketers that sell similar lines of merchandise and target customers through catalogs and ecommerce. In the hardgoods markets, which includes skateboards, snowboards, bindings, components and other equipment, we compete directly or indirectly with the following categories of companies: other specialty retailers that compete with us across a significant portion of our merchandising categories, such as local snowboard and skate shops; large-format sporting goods stores and chains and ecommerce retailers.

Competition in our sector is based on, among other things, merchandise offerings, store location, price and the ability to identify with the customer. We believe that our ability to compete favorably with many of our competitors is due to our differentiated merchandising strategy, compelling store environment and deep-rooted culture.

Seasonality

Historically, our operations have been seasonal, with the largest portion of net sales and net income occurring in the third and fourth fiscal quarters, reflecting increased demand during the back-to-school and winter holiday selling seasons. During fiscal 2014, approximately 58% of our net sales occurred in the third and fourth quarters combined, similar to previous years. As a result of this seasonality, any factors negatively affecting us during the last half of the year, including unfavorable economic conditions, adverse weather or our ability to acquire seasonal merchandise inventory, could have a material adverse effect on our financial condition and results of operations for the entire year. Our quarterly results of operations may also fluctuate based upon such factors as the timing of certain holiday seasons, the popularity of seasonal merchandise offered, the timing and amount of markdowns, competitive influences and the number and timing of new store openings, remodels and closings.

Trademarks

The “Zumiez” and “Blue Tomato” trademarks and certain other trademarks, have been registered, or are the subject of pending trademark applications, with the U.S. Patent and Trademark Office and with the registries of certain foreign countries. We regard our trademarks as valuable and intend to maintain such marks and any related registrations and vigorously protect our trademarks. We also own numerous domain names, which have been registered with the Corporation for Assigned Names and Numbers.

Employees

At January 31, 2015, we employed approximately 2,100 full-time and approximately 4,400 part-time employees globally. However, the number of part-time employees fluctuates depending on our seasonal needs and generally increases during peak selling seasons, particularly the back-to-school and the winter holiday seasons. None of our employees are represented by a labor union and we believe that our relationship with our employees is good.

Financial Information about Segments

See Note 17, "Segment Reporting," in the Notes to Consolidated Financial Statements found in Part IV Item 15 of this Form 10-K, for information regarding our segments, product categories and certain geographical information.

Available Information

Our principal website address is www.zumiez.com. We make available, free of charge, our proxy statement, annual report to shareholders, annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission ("SEC") at <http://ir.zumiez.com>. Information available on our website is not incorporated by reference in, and is not deemed a part of, this Form 10-K. The SEC maintains a website that contains electronic filings by Zumiez and other issuers at www.sec.gov. In addition, the public may read and copy any materials Zumiez files with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

Item 1A. RISK FACTORS

Investing in our securities involves a high degree of risk. The following risk factors, issues and uncertainties should be considered in evaluating our future prospects. In particular, keep these risk factors in mind when you read "forward-looking" statements elsewhere in this report. Forward-looking statements relate to our expectations for future events and time periods. Generally, the words "anticipates," "expects," "intends," "may," "should," "plans," "believes," "predicts," "potential," "continue" and similar expressions identify forward-looking statements. Forward-looking statements involve risks and uncertainties, and future events and circumstances could differ significantly from those anticipated in the forward-looking statements. Any of the following risks could harm our business, operating results or financial condition and could result in a complete loss of your investment. Additional risks and uncertainties that are not yet identified or that we currently think are immaterial may also harm our business and financial condition in the future.

Our ability to attract customers to our stores depends heavily on the success of the shopping malls in which many of our stores are located; any decrease in customer traffic in those malls could cause our sales to be less than expected.

In order to generate customer traffic we depend heavily on locating many of our stores in prominent locations within successful shopping malls. Sales at these stores are derived, in part, from the volume of traffic in those malls. Our stores benefit from the ability of a mall's other tenants to generate consumer traffic in the vicinity of our stores and the continuing popularity of malls as shopping destinations. Our sales volume and mall traffic generally may be adversely affected by, among other things, economic downturns in a particular area, competition from ecommerce retailers, non-mall retailers and other malls, increases in gasoline prices and the closing or decline in popularity of other stores in the malls in which we are located. An uncertain economic outlook could curtail new shopping mall development, decrease shopping mall traffic, reduce the number of hours that shopping mall operators keep their shopping malls open or force them to cease operations entirely. A reduction in mall traffic as a result of these or any other factors could have a material adverse effect on our business, results of operations and financial condition.

Our growth strategy depends on our ability to open and operate new stores each year, which could strain our resources and cause the performance of our existing stores to suffer.

Our growth largely depends on our ability to open and operate new stores successfully. However, our ability to open new stores is subject to a variety of risks and uncertainties, and we may be unable to open new stores as planned, and any failure to successfully open and operate new stores could have a material adverse effect on our

results of operations. We intend to continue to open new stores in future years while remodeling a portion of our existing store base annually. In addition, our proposed expansion will place increased demands on our operational, managerial and administrative resources. These increased demands could cause us to operate our business less effectively, which in turn could cause deterioration in the financial performance of our individual stores and our overall business. To the extent our new store openings are in markets where we already have stores, we may experience reduced net sales in existing stores in those markets. In addition, successful execution of our growth strategy may require that we obtain additional financing, and we cannot assure you that we will be able to obtain that financing on acceptable terms or at all.

In addition, we plan to open new stores in regions of the U.S. or international locations in which we currently have few, or no, stores. The expansion into these markets may present competitive, merchandising, hiring and distribution challenges that are different from those currently encountered in our existing markets. Any of these challenges could adversely affect our business and results of operations.

Failure to successfully integrate any businesses or stores that we acquire could have an adverse impact on our results of operations and financial performance.

We may, from time to time, acquire other retail stores or businesses, such as our acquisition of Blue Tomato, a leading European multi-channel retailer for board sports and related apparel and footwear, which was completed in fiscal 2012. We may experience difficulties in integrating any stores or businesses we may acquire, including their facilities, personnel, financial systems, distribution, operations and general operating procedures, and any such acquisitions may also result in the diversion of our capital and our management's attention from other business issues and opportunities. If we experience difficulties in integrating acquisitions or if such acquisitions do not provide the benefits that we expect to receive, we could experience increased costs and other operating inefficiencies, which could have an adverse effect on our results of operations and overall financial performance.

Our plans for international expansion include risks that could have a negative impact on our results of operations.

In fiscal 2011, we opened our first store locations in Canada and we plan to continue to open new stores in Canada. During fiscal 2012, we acquired Blue Tomato, which operates primarily in the European market, and we plan to open new stores in Europe in the future. We may continue to expand internationally, either organically, or through additional acquisitions. International markets may have different competitive conditions, consumer tastes and discretionary spending patterns than our existing U.S. market. As a result, operations in international markets may be less successful than our operations in the U.S. Additionally, consumers in international markets may not be familiar with us and the brands we sell, and we may need to build brand awareness in the markets. Furthermore, we have limited experience with the legal and regulatory environments and market practices outside of the U.S. and cannot guarantee that we will be able to penetrate or successfully operate in international markets. We also expect to incur additional costs in complying with applicable foreign laws and regulations as they pertain to both our products and our operations.

Additionally, the results of operations of our international subsidiaries are exposed to foreign exchange rate fluctuations. Upon translation, operating results may differ materially from expectations. As we expand our international operations, our exposure to exchange rate fluctuations will increase.

Our business is dependent upon our being able to anticipate, identify and respond to changing fashion trends, customer preferences and other fashion-related factors; failure to do so could have a material adverse effect on us.

Customer tastes and fashion trends in the action sports lifestyle market are volatile and tend to change rapidly. Our success depends on our ability to effectively anticipate, identify and respond to changing fashion tastes and consumer preferences, and to translate market trends into appropriate, saleable product offerings in a

timely manner. If we are unable to successfully anticipate, identify or respond to changing styles or trends and misjudge the market for our products or any new product lines, our sales may be lower than predicted and we may be faced with a substantial amount of unsold inventory or missed opportunities. In response to such a situation, we may be forced to rely on markdowns or promotional sales to dispose of excess or slow-moving inventory, which could have a material adverse effect on our results of operations.

The current uncertainty surrounding the U.S. and global economies, including the European economy, coupled with cyclical economic trends in action sports retailing could have a material adverse effect on our results of operations.

The action sports retail industry historically has been subject to substantial cyclicity. As the U.S. and global economic conditions change, the trends in discretionary consumer spending become unpredictable and discretionary consumer spending could be reduced due to uncertainties about the future. When discretionary consumer spending is reduced, purchases of action sports apparel and related products may decline. The current uncertainty in the U.S. and global economies and increased government debt may have a material adverse impact on our results of operations and financial position.

Because of this cycle, we believe the “value” message has become more important to consumers. As a retailer that sells approximately 80% to 85% branded merchandise, this trend may negatively affect our business, as we generally will have to charge more than vertically integrated private label retailers.

Our sales and inventory levels fluctuate on a seasonal basis, leaving our operating results particularly susceptible to changes in back-to-school and winter holiday shopping patterns. Accordingly, our quarterly results of operations are volatile and may fluctuate significantly.

Our quarterly results of operations have fluctuated significantly in the past and can be expected to continue to fluctuate significantly in the future. Our sales and profitability are typically disproportionately higher in the third and fourth fiscal quarters of each fiscal year due to increased sales during the back-to-school and winter holiday shopping seasons. Sales during these periods cannot be used as an accurate indicator of annual results. As a result of this seasonality, any factors negatively affecting us during the last half of the year, including unfavorable economic conditions, adverse weather or our ability to acquire seasonal merchandise inventory, could have a material adverse effect on our financial condition and results of operations for the entire year. In addition, in order to prepare for the back-to-school and winter holiday shopping seasons, we must order and keep in stock significantly more merchandise than we carry during other times of the year. Any unanticipated decrease in demand for our products during these peak shopping seasons could require us to sell excess inventory at a substantial markdown, which could have a material adverse effect on our business, results of operations and financial condition.

Our quarterly results of operations are affected by a variety of other factors, including:

- the timing of new store openings and the relative proportion of our new stores to mature stores;
- whether we are able to successfully integrate any new stores that we acquire and the presence of any unanticipated liabilities in connection therewith;
- fashion trends and changes in consumer preferences;
- calendar shifts of holiday or seasonal periods;
- changes in our merchandise mix;
- timing of promotional events;
- general economic conditions and, in particular, the retail sales environment;
- actions by competitors or mall anchor tenants;
- weather conditions;
- the level of pre-opening expenses associated with our new stores; and
- inventory shrinkage beyond our historical average rates.

Significant fluctuations and volatility in the price of cotton, foreign labor costs and other raw materials used in the production of our merchandise may have a material adverse effect on our business, results of operations and financial conditions.

Increases in the cost of cotton, other raw materials, foreign labor costs and transportation costs used in the production of our merchandise can result in higher costs in the price we pay for this merchandise. The costs for cotton are affected by weather, consumer demand, speculation on the commodities market and other factors that are generally unpredictable and beyond our control. Our gross profit and results of operations could be adversely affected to the extent that the selling prices of our products do not increase proportionately with the increases in the costs of cotton or other materials. Increasing labor costs and oil-related product costs, such as manufacturing and transportation costs, could also adversely impact gross profit. Additionally, significant changes in the relationship between carrier capacity and shipper demand could increase transportation costs, which could also adversely impact gross profit.

Most of our merchandise is produced by foreign manufacturers; therefore, the availability and costs of these products may be negatively affected by risks associated with international trade and other international conditions.

Most of our merchandise is produced by manufacturers around the world. Some of these facilities are located in regions that may be affected by natural disasters, political instability or other conditions that could cause a disruption in trade. Trade restrictions such as increased tariffs or quotas, or both, could also increase the cost and reduce the supply of merchandise available to us. Any reduction in merchandise available to us or any increase in its cost due to tariffs, quotas or local issues that disrupt trade could have a material adverse effect on our results of operations. Our business could be adversely affected by disruptions in the supply chain, such as strikes, work stoppages, or port closures. Although the prices charged by vendors for the merchandise we purchase are primarily denominated in U.S. dollars, a decline in the relative value of the U.S. dollar to foreign currencies could lead to increased merchandise costs, which could negatively affect our competitive position and our results of operations.

The regulatory requirements regarding conflict minerals could have a negative impact on our results of operations.

Pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act, the SEC promulgated final rules regarding disclosure of the use of certain minerals (tantalum, tin, gold and tungsten) known as conflict minerals, which are mined from the Democratic Republic of the Congo and adjoining countries, as well as procedures regarding a manufacturer's efforts to prevent the sourcing of such minerals and metals produced from those minerals. We conducted required due diligence activities for the 2013 calendar year and filed our first Form SD report with the SEC in June 2014. While the conflict minerals rule continues in effect as adopted, there remains uncertainty regarding how the conflict minerals rule, and our compliance obligations, will be affected in the future. Specifically, the Court of Appeals for the D.C. Circuit largely upheld the conflict minerals rule in April 2014, but in November 2014, it granted the SEC's and Amnesty International's petitions for rehearing regarding certain disclosure requirements of the rule. Additional requirements under the rule could affect sourcing at competitive prices and availability in sufficient quantities of certain of the conflict minerals used in the manufacture of our products, which could have a material adverse effect on our ability to purchase these products in the future. The costs of compliance, including those related to supply chain research, the limited number of suppliers and possible changes in the sourcing of these minerals, could have a material adverse effect on our results of operations or cash flow.

Our business is susceptible to weather conditions that are out of our control, including the potential risks of unpredictable weather patterns and any weather patterns associated with naturally occurring global climate change, and the resultant unseasonable weather could have a negative impact on our results of operations.

Our business is susceptible to unseasonable weather conditions. For example, extended periods of unseasonably warm temperatures during the winter season or cool weather during the summer season (including

any weather patterns associated with global warming and cooling) could render a portion of our inventory incompatible with those unseasonable conditions. These prolonged unseasonable weather conditions could have a material adverse effect on our business and results of operations.

We may be unable to compete favorably in the highly competitive retail industry, and if we lose customers to our competitors, our sales could decrease.

The teenage and young adult retail apparel, footwear, accessories and hardgoods industry is highly competitive. We compete with other retailers for vendors, teenage and young adult customers, suitable store locations, qualified store associates and management personnel. Some of our competitors are larger than we are and have substantially greater financial, marketing, including advanced ecommerce marketing capabilities, and other resources than we do. Additionally, some of our competitors may offer more options for free and/or expedited shipping for ecommerce sales. Direct competition with these and other retailers may increase significantly in the future, which could require us, among other things, to lower our prices and could result in the loss of our customers. Current and increased competition could have a material adverse effect on our business, results of operations and financial condition.

If we fail to maintain good relationships with vendors or if a vendor is otherwise unable or unwilling to supply us with adequate quantities of their products at acceptable prices, our business and financial performance could suffer.

Our business is dependent on continued good relations with our vendors. In particular, we believe that we generally are able to obtain attractive pricing and other terms from vendors because we are perceived as a desirable customer, and deterioration in our relationship with our vendors could have a material adverse effect on our business. There can be no assurance that our vendors will provide us with an adequate supply or quality of products or acceptable pricing. Our vendors could discontinue selling to us, raise the prices they charge at any time or allow their merchandise to be discounted by other retailers. There can be no assurance that we will be able to acquire desired merchandise in sufficient quantities on terms acceptable to us in the future. In addition, certain of our vendors sell their products directly to the retail market and therefore compete with us directly and other vendors may decide to do so in the future. There can be no assurance that such vendors will not decide to discontinue supplying their products to us, supply us only less popular or lower quality items, raise the prices they charge us or focus on selling their products directly. In addition, a number of our vendors are smaller, less capitalized companies and are more likely to be impacted by unfavorable general economic and market conditions than larger and better capitalized companies. These smaller vendors may not have sufficient liquidity during economic downturns to properly fund their businesses and their ability to supply their products to us could be negatively impacted. Any inability to acquire suitable merchandise at acceptable prices, or the loss of one or more key vendors, could have a material adverse effect on our business, results of operations and financial condition.

Our ecommerce operations subject us to numerous risks that could have an adverse effect on our results of operations.

Our ecommerce operations subject us to certain risks that could have an adverse effect on our operational results, including:

- rapid technological change;
- liability for online content; and
- risks related to the computer systems that operate our website and related support systems, including computer viruses, electronic break-ins and similar disruptions.

In addition, risks beyond our control, such as governmental regulation of ecommerce, entry of our vendors in the ecommerce business in competition with us, online security breaches and general economic conditions specific to ecommerce could have an adverse effect on our results of operations.

If we lose key executives or are unable to attract and retain the talent required for our business, our financial performance could suffer.

Our performance depends largely on the efforts and abilities of our key executives. If we lose the services of one or more of our key executives, we may not be able to successfully manage our business or achieve our growth objectives. As our business grows, we will need to attract and retain additional qualified personnel in a timely manner and we may not be able to do so.

Our failure to meet our staffing needs could adversely affect our ability to implement our growth strategy and could have a material impact on our results of operations.

Our success depends in part upon our ability to attract, motivate and retain a sufficient number of qualified employees who understand and appreciate our culture based on a passion for the action sports lifestyle and are able to adequately represent this culture to our customers. Qualified individuals of the requisite caliber, skills and number needed to fill these positions may be in short supply in some areas, and the employee turnover rate in the retail industry is high. Competition for qualified employees could require us to pay higher wages to attract a sufficient number of suitable employees. If we are unable to hire and retain store managers and store associates capable of consistently providing a high level of customer service, as demonstrated by their enthusiasm for our culture and knowledge of our merchandise, our ability to open new stores may be impaired and the performance of our existing and new stores could be materially adversely affected. We are also dependent upon temporary personnel to adequately staff our stores and distribution and ecommerce fulfillment centers particularly during busy periods such as the back-to-school and winter holiday seasons. There can be no assurance that we will receive adequate assistance from our temporary personnel, or that there will be sufficient sources of temporary personnel. Although none of our employees are currently covered by collective bargaining agreements, we cannot guarantee that our employees will not elect to be represented by labor unions in the future, which could increase our labor costs and could subject us to the risk of work stoppages and strikes. Any such failure to meet our staffing needs, any material increases in employee turnover rates, any increases in labor costs or any work stoppages, interruptions or strikes could have a material adverse effect on our business or results of operations.

Our business could suffer with the closure or disruption of our home office or our distribution or ecommerce fulfillment centers.

Domestically, we rely on a single distribution center located in Corona, California to receive, store and distribute the vast majority of our merchandise to our domestic stores and we primarily rely on a single ecommerce fulfillment center located in Edwardsville, Kansas to ship merchandise purchased on the www.zumiez.com website. Internationally, we operate a combined distribution and ecommerce fulfillment center located in Graz, Austria that support our Blue Tomato ecommerce and store operations in Europe and we operate a distribution center located in Delta, British Columbia, Canada to distribute our merchandise to our Canadian stores. Additionally, we are headquartered in Lynnwood, Washington. As a result, a natural disaster or other catastrophic event that affects one of the regions where we operate these centers could significantly disrupt our operations and have a material adverse effect on our business, results of operations and financial condition.

We are required to make substantial rental payments under our operating leases and any failure to make these lease payments when due could have a material adverse effect on our business and growth plans.

Payments under operating leases account for a significant portion of our operating expenses and has historically been our third largest expense behind cost of sales and our employee related costs. Total rent expense, including contingent rent based on sales of some of our stores, was \$64.6 million, \$53.4 million and \$50.0 million for fiscal 2014, 2013 and 2012. Total rent expense amounts do not include real estate taxes, insurance, common area maintenance charges and other executory costs, which were \$35.6 million, \$32.0 million and \$28.0 million for fiscal 2014, 2013 and 2012.

At January 31, 2015, we were committed to property owners for minimum lease payments of \$423.8 million. In addition to minimum lease payments, substantially all of our store leases provide for contingent rent payments

based on sales of the respective stores, as well as real estate taxes, insurance, common area maintenance charges and other executory costs. These amounts generally escalate each year. We expect that any new stores we open will also be leased by us under operating leases, which will further increase our operating lease expenses and obligations.

Our substantial operating lease obligations could have significant negative consequences, including:

- increasing our vulnerability to general adverse economic and industry conditions;
- limiting our ability to obtain additional financing;
- requiring that a substantial portion of our available cash be applied to pay our rental obligations, thus reducing cash available for other purposes; and
- limiting our flexibility in planning for or reacting to changes in our business or in the industry in which we compete, and placing us at a disadvantage with respect to some of our competitors.

We depend on cash flow from operations to pay our lease expenses and to fulfill our other cash needs. If our business does not generate sufficient cash flow from operating activities, and sufficient funds are not otherwise available to us from borrowings under bank loans or from other sources, we may not be able to service our operating lease expenses, grow our business, respond to competitive challenges or fund our other liquidity and capital needs, which could have a material adverse effect on our business.

The terms of our primary credit facility impose operating and financial restrictions on us that may impair our ability to respond to changing business and economic conditions. These restrictions could have a significant adverse impact on our business. Additionally, our business could suffer if our ability to acquire financing is reduced or eliminated.

We maintain a secured credit agreement with Wells Fargo Bank, N.A., which provides us with a secured revolving credit facility until September 1, 2016 of up to \$25.0 million, which, pursuant to an accordion feature, may be increased to \$35.0 million at our discretion. The credit agreement contains a number of restrictions and covenants that generally limit our ability to, among other things, (1) incur additional debt, (2) undergo a change in ownership and (3) enter into certain transactions. The credit agreement also contains financial covenants that require us to meet certain specified financial tests and ratios, including, a maximum net income after taxes of not less than one dollar on a trailing four-quarter basis provided, that, there shall be added to net income all charges for impairment of goodwill and other intangibles and up to an aggregate of \$5.0 million of store asset impairment, and a minimum quick ratio of 1.25. The quick ratio is defined as our cash and near cash equivalents plus certain defined receivables divided by the borrowings outstanding. Our accounts receivable, general intangibles, inventory and equipment have been pledged to secure our obligations under the credit agreement. We must also provide financial information and statements to our lender. We were in compliance with all such covenants at January 31, 2015. There were no borrowings outstanding under the secured revolving credit facility at January 31, 2015 and February 1, 2014. We had open commercial letters of credit outstanding under our secured revolving credit facility of \$0.3 million at January 31, 2015 and February 1, 2014.

A breach of any of these restrictive covenants or our inability to comply with the required financial tests and ratios could result in a default under the credit agreement. If a default occurs, the lender may elect to declare all borrowings outstanding, together with accrued interest and other fees, to be immediately due and payable. If we are unable to repay borrowings outstanding when due, whether at their maturity or if declared due and payable by the lender following a default, the lender has the right to proceed against the collateral granted to it to secure the indebtedness. As a result, any breach of these covenants or failure to comply with these tests and ratios could have a material adverse effect on us. There can be no assurance that we will not breach the covenants or fail to comply with the tests and ratios in our credit agreement or any other debt agreements we may enter into in the future and, if a breach occurs, there can be no assurance that we will be able to obtain necessary waivers or amendments from the lenders.

The restrictions contained in our credit agreement could: (1) limit our ability to plan for or react to market conditions or meet capital needs or otherwise restrict our activities or business plans; and (2) adversely affect our ability to finance our operations, strategic acquisitions, investments or other capital needs or to engage in other business activities that would be in our interest.

Additionally, in the current economic environment, we cannot be assured that our borrowing relationship with our lenders will continue or that our lenders will remain able to support their commitments to us in the future. If our lenders fail to do so, then we may not be able to secure alternative financing on commercially reasonable terms, or at all.

Our business could suffer if a manufacturer fails to use acceptable labor practices.

We do not control our vendors or the manufacturers that produce the products we buy from them, nor do we control the labor practices of our vendors and these manufacturers. The violation of labor or other laws by any of our vendors or these manufacturers, or the divergence of the labor practices followed by any of our vendors or these manufacturers from those generally accepted as ethical in the U.S., could interrupt, or otherwise disrupt, the shipment of finished products to us or damage our reputation. Any of these, in turn, could have a material adverse effect on our financial condition and results of operations. In that regard, most of the products we sell are manufactured overseas, primarily in Asia and Central America, which may increase the risk that the labor practices followed by the manufacturers of these products may differ from those considered acceptable in the U.S.

Additionally, our products are subject to regulation of and regulatory standards set by various governmental authorities with respect to quality and safety. Regulations and standards in this area are currently in place. These regulations and standards may change from time to time. Our inability to comply on a timely basis with regulatory requirements could result in significant fines or penalties, which could adversely affect our reputation and sales. Issues with the quality and safety of merchandise we sell, regardless of our culpability, or customer concerns about such issues, could result in damage to our reputation, lost sales, uninsured product liability claims or losses, merchandise recalls and increased costs.

Our failure to adequately anticipate a correct mix of private label merchandise may have a material adverse effect on our business.

Sales from private label merchandise account for approximately 15% to 20% of our net sales and generally carry higher gross margins than our other merchandise. We may take steps to increase the percentage of net sales of private label merchandise in the future, although there can be no assurance that we will be able to achieve increases in private label merchandise sales as a percentage of net sales. Our failure to anticipate, identify and react in a timely manner to fashion trends with our private label merchandise, could have a material adverse effect on our comparable sales, financial condition and results of operations.

If our information systems hardware or software fails to function effectively or does not scale to keep pace with our planned growth, our operations could be disrupted and our financial results could be harmed.

We are continuing to make investments to improve our information systems infrastructure. If our information systems and software do not work effectively, this could adversely impact the promptness and accuracy of our transaction processing, financial accounting and reporting and our ability to manage our business and properly forecast operating results and cash requirements. Additionally, we rely on third-party service providers for certain information systems functions. If a service provider fails to provide the data quality, communications capacity or services we require, the failure could interrupt our services and could have a material adverse effect on our business, financial condition and results of operations. To manage the anticipated growth of our operations and personnel, we may need to continue to improve our operational and financial systems, transaction processing, procedures and controls, and in doing so could incur substantial additional expenses that could impact our financial results.

The security of our databases that contain personal information of our retail customers could be breached, which could subject us to adverse publicity, litigation and expenses. In addition, if we are unable to comply with security standards created by the credit card industry, our operations could be adversely affected.

Database privacy, network security and identity theft are matters of growing public concern. In an attempt to prevent unauthorized access to our network and databases containing confidential, third-party information, we have installed privacy protection systems, devices and activity monitoring on our networks. Nevertheless, if unauthorized parties gain access to our networks or databases, they may be able to steal, publish, delete or modify our private and sensitive third-party information. In such circumstances, we could be held liable to our customers or other parties or be subject to regulatory or other actions for breaching privacy rules and we may be exposed to reputation damage and loss of customers' trust and business. This could result in costly investigations and litigation, civil or criminal penalties and adverse publicity that could adversely affect our financial condition, results of operations and reputation. Further, if we are unable to comply with the security standards established by banks and the credit card industry, we may be subject to fines, restrictions and expulsion from card acceptance programs, which could adversely affect our retail operations.

Our inability or failure to protect our intellectual property or our infringement of other's intellectual property could have a negative impact on our operating results.

We believe that our trademarks and domain names are valuable assets that are critical to our success. The unauthorized use or other misappropriation of our trademarks or domain names could diminish the value of the Zumiez or Blue Tomato brands, our store concepts, our private label brands or our goodwill and cause a decline in our net sales. Although we have secured or are in the process of securing protection for our trademarks and domain names in a number of countries outside of the U.S., there are certain countries where we do not currently have or where we do not currently intend to apply for protection for certain trademarks or at all. Also, the efforts we have taken to protect our trademarks may not be sufficient or effective. Therefore, we may not be able to prevent other persons from using our trademarks or domain names outside of the U.S., which also could adversely affect our business. We are also subject to the risk that we may infringe on the intellectual property rights of third parties. Any infringement or other intellectual property claim made against us, whether or not it has merit, could be time-consuming, result in costly litigation, cause product delays or require us to pay royalties or license fees. As a result, any such claim could have a material adverse effect on our operating results.

The effects of war or acts of terrorism, or other types of mall violence, could adversely affect our business.

Most of our stores are located in shopping malls. Any threat of terrorist attacks or actual terrorist events, or other types of mall violence, such as shootings in malls, particularly in public areas, could lead to lower customer traffic in shopping malls. In addition, local authorities or mall management could close shopping malls in response to security concerns. Mall closures, as well as lower customer traffic due to security concerns, could result in decreased sales. Additionally, the armed conflicts in the Middle East, or the threat, escalation or commencement of war or other armed conflict elsewhere, could significantly diminish consumer spending, and result in decreased sales for us. Decreased sales could have a material adverse effect on our business, financial condition and results of operations.

The outcome of litigation could have a material adverse effect on our business, and may result in substantial costs and could divert management's attention.

We are involved, from time to time, in litigation incidental to our business including complaints filed by investors. This litigation could result in substantial costs, and could divert management's attention and resources, which could harm our business. Risks associated with legal liability are often difficult to assess or quantify, and their existence and magnitude can remain unknown for significant periods of time. There can be no assurance that the actual outcome of pending or future litigation will not have a material adverse effect on our results of operations or financial condition. Additionally, while we maintain director and officer liability insurance for litigation surrounding investor lawsuits, the amount of insurance coverage may not be sufficient to cover a claim and the continued availability of this insurance cannot be assured.

Our operations expose us to the risk of litigation, which could lead to significant potential liability and costs that could harm our business, financial condition or results of operations.

We employ a substantial number of full-time and part-time employees, a majority of whom are employed at our store locations. As a result, we are subject to a large number of federal, state and foreign laws and regulations relating to employment. This creates a risk of potential claims that we have violated laws related to discrimination and harassment, health and safety, wage and hour laws, criminal activity, personal injury and other claims. We are also subject to other types of claims in the ordinary course of our business. Some or all of these claims may give rise to litigation, which could be time-consuming for our management team, costly and harmful to our business.

In addition, we are exposed to the risk of class action litigation. The costs of defense and the risk of loss in connection with class action suits are greater than in single-party litigation claims. Due to the costs of defending against such litigation, the size of judgments that may be awarded against us, and the loss of significant management time devoted to such litigation, we cannot assure you that such litigation will not disrupt our business or impact our financial results.

Our failure to comply with federal, state, local or foreign laws, or changes in these laws, could have an adverse impact on our results of operations and financial performance.

Our business is subject to a wide array of laws and regulations. Changes in the regulations, the imposition of additional regulations, or the enactment of any new legislation including those related to health care, taxes, privacy, environmental issues and trade, could adversely affect our results of operations or financial condition.

Our business could be adversely affected by increased labor costs, including costs related to an increase in the minimum wage and new health care laws.

Labor is a primary component in the cost of operating our business. Increased labor costs, whether due to competition, unionization, increased minimum wage, state unemployment rates, employee benefits costs or otherwise, may adversely impact our operating expenses. A considerable amount of our store team members are paid at rates related to the federal or state minimum wage and any changes to the minimum wage rate may increase our operating expenses. Additionally, we are self-insured with respect to our health care coverage in the U.S. and do not purchase third party insurance for the health insurance benefits provided to employees with the exception of pre-defined stop loss coverage, which helps limit the cost of large claims. In March 2010, The Patient Protection and Affordable Care Act was enacted requiring employers such as us to provide health insurance for all qualifying employees or pay penalties for not providing coverage. The most significant increases in cost will occur in fiscal 2015 and fiscal 2016. We evaluated the impact the new law will have on us, and although we cannot predict with certainty the financial and operational impacts the new law will have, we expect to be required to provide health benefits to more employees than we currently do, which we expect to raise our labor costs. While the majority of these costs will begin in fiscal 2015 and fiscal 2016, there is no assurance that we will be able to absorb and/or pass through the costs of such legislation in a manner that will not adversely impact our results or operations.

We have incurred and will continue to incur significant expenses as a result of being a public company, which will negatively impact our financial performance.

We completed our initial public offering in May 2005 and we have incurred and could continue to incur significant legal, accounting, insurance and other expenses as a result of being a public company. Rules and regulations implemented by Congress, the SEC and the Nasdaq Global Select Market have required changes in corporate governance practices of public companies. Compliance with these laws could cause us to incur significant costs and expenses, including legal and accounting costs, and could make some compliance activities more time-consuming and negatively impact our financial performance. Additionally, these rules and regulations may make it more expensive for us to obtain director and officer liability insurance. As a result, it may be more difficult for us to attract and retain qualified persons to serve on our board of directors or as officers.

Failure to maintain adequate financial and management processes and controls could lead to errors in our financial reporting and could harm our ability to manage our expenses.

Reporting obligations as a public company and our anticipated growth, both domestically and internationally, are likely to place a considerable strain on our financial and management systems, processes and controls, as well as on our personnel. In addition, we are required to document and test our internal controls over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 so that our management can certify as to the effectiveness of our internal controls and our independent registered public accounting firm can render an opinion on the effectiveness of our internal control over financial reporting on an annual basis. This process requires us to document our internal controls over financial reporting and to potentially make significant changes thereto, if applicable. As a result, we have incurred and expect to continue to incur substantial expenses to test our financial controls and systems, and we have been and in the future may be required to improve our financial and managerial controls, reporting systems and procedures, to incur substantial expenses to make such improvements and to hire additional personnel. If our management is ever unable to certify the effectiveness of our internal controls or if our independent registered public accounting firm cannot render an opinion on the effectiveness of our internal control over financial reporting, or if material weaknesses in our internal controls are ever identified, we could be subject to regulatory scrutiny and a loss of public confidence, which could have a material adverse effect on our business and our stock price. In addition, if we do not maintain adequate financial and management personnel, processes and controls, we may not be able to accurately report our financial performance on a timely basis, which could cause a decline in our stock price and adversely affect our ability to raise capital.

Changes to accounting rules or regulations could significantly affect our financial results.

Our consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”). New accounting rules or regulations and changes to existing accounting rules or regulations have occurred and may occur in the future. Future changes to accounting rules or regulations, such as changes to lease accounting guidance or a requirement to convert to international financial reporting standards, could negatively affect our results of operations and financial condition through increased cost of compliance.

We may fail to meet analyst expectations, which could cause the price of our stock to decline.

Our common stock is traded publicly and various securities analysts follow our financial results and issue reports on us. These reports include information about our historical financial results as well as the analysts’ estimates of our future performance. The analysts’ estimates are based upon their own independent opinions and can be different from our estimates or expectations. If our operating results are below the estimates or expectations of public market analysts and investors, our stock price could decline. In December 2007, a securities class action litigation and associated derivative lawsuits were brought against us and such actions are frequently brought against other companies following a decline in the market price of their securities. These lawsuits were dismissed with prejudice in March 2009. If our stock price is volatile, we may become involved in this type of litigation in the future. Any litigation could result in substantial costs and a diversion of management’s attention and resources that are needed to successfully run our business.

The value of our investments may fluctuate.

We have our excess cash primarily invested in state and local municipal securities and variable-rate demand notes. These investments have historically been considered very safe investments with minimal default rates. At January 31, 2015, we had \$138.2 million of investments in state and local government securities and variable-rate demand notes. These securities are not guaranteed by the U.S. government and are subject to additional credit risk based upon each local municipality’s tax revenues and financial stability. As a result, we may experience a reduction in value or loss of liquidity of our investments, which may have a negative adverse effect on our results of operations, liquidity and financial condition.

A decline in the market price of our stock and/or our performance may trigger an impairment of the goodwill and other indefinite-lived intangible assets recorded on the consolidated balance sheets.

Goodwill and other indefinite-lived intangible assets are required to be tested for impairment at least annually or more frequently if management believes indicators of impairment exist. Any reduction in the carrying value of our goodwill or other indefinite-lived intangible assets as a result of our impairment analysis could result in a non-cash impairment charge, which could have a significant impact on our results of operations.

Reduced operating results and cash flows may cause us to incur impairment charges.

We review the carrying value of our fixed assets for impairment whenever events or changes in circumstances indicate that the carrying value of such asset may not be recoverable. The review could result in a non-cash impairment charge related to underperforming stores, which could impact our results of operations.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

All of our stores are occupied under operating leases and encompassed approximately 1.8 million total square feet at January 31, 2015.

We own approximately 356,000 square feet of land in Lynnwood, Washington, and completed construction of a 63,071 square foot global home office in fiscal 2012. Additionally, we lease 14,208 square feet of office space in Schladming, Austria for our European home office. This lease is set to expire in 2017.

We own a 168,450 square foot building in Corona, California that serves as our domestic warehouse and distribution center. We lease 123,761 square feet of a facility in Edwardsville, Kansas that serves as our zumiez.com ecommerce fulfillment center. This lease is set to expire in 2022.

We lease a 82,064 square feet combined distribution and ecommerce fulfillment center in Graz, Austria that supports our Blue Tomato ecommerce and store operations in Europe. This lease is set to expire in 2019. We lease 17,168 square feet of a distribution facility in Delta, British Columbia, Canada that supports our store operations in Canada. This lease is set to expire in 2018.

Item 3. LEGAL PROCEEDINGS

We are involved from time to time in litigation incidental to our business. We believe that the outcome of current litigation is not expected to have a material adverse effect on our results of operations or financial condition.

See Note 10, "Commitments and Contingencies," in the Notes to Consolidated Financial Statements found in Part IV Item 15 of this Form 10-K, for additional information related to legal proceedings.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock is traded on the Nasdaq Global Select Market under the symbol "ZUMZ." At January 31, 2015, there were 29,417,712 shares of common stock outstanding. The following table sets forth the high and low sales prices for our common stock on the Nasdaq Global Select Market.

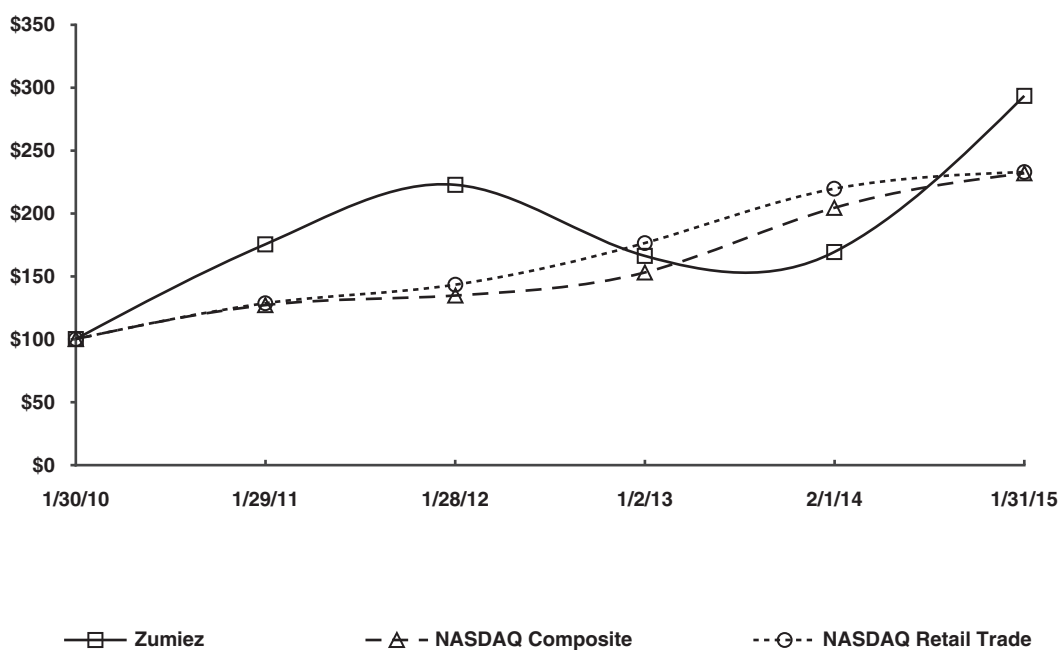
<u>Fiscal 2014</u>	<u>High</u>	<u>Low</u>
First Fiscal Quarter (February 2, 2014—May 3, 2014)	\$26.50	\$20.68
Second Fiscal Quarter (May 4, 2014—August 2, 2014)	\$30.75	\$24.25
Third Fiscal Quarter (August 3, 2014—November 1, 2014)	\$34.64	\$27.21
Fourth Fiscal Quarter (November 2, 2013—January 31, 2015)	\$41.81	\$32.68
<u>Fiscal 2013</u>	<u>High</u>	<u>Low</u>
First Fiscal Quarter (February 3, 2013—May 4, 2013)	\$30.32	\$20.47
Second Fiscal Quarter (May 5, 2013—August 3, 2013)	\$33.50	\$26.67
Third Fiscal Quarter (August 4, 2013—November 2, 2013)	\$30.18	\$23.93
Fourth Fiscal Quarter (November 3, 2013—February 1, 2014)	\$30.90	\$21.01

Performance Measurement Comparison

The following graph shows a comparison for total cumulative returns for Zumiez, the Nasdaq Composite Index and the Nasdaq Retail Trade Index during the period commencing on January 30, 2010 and ending on January 31, 2015. The comparison assumes \$100 was invested on January 30, 2010 in each of Zumiez, the Nasdaq Composite Index and the Nasdaq Retail Trade Index, and assumes the reinvestment of all dividends, if any. The comparison in the following graph and table is required by the SEC and is not intended to be a forecast or to be indicative of future Company common stock performance.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Zumiez, the NASDAQ Composite Index
and the NASDAQ Retail Trade Index



*\$100 invested on 1/30/10 in stock or 1/31/10 in index, including reinvestment of dividends.
Indexes calculated on month-end basis.

	<u>1/30/10</u>	<u>1/29/11</u>	<u>1/28/12</u>	<u>2/2/13</u>	<u>2/1/14</u>	<u>1/31/15</u>
Zumiez	100.00	175.26	222.55	165.83	169.05	292.93
NASDAQ Composite	100.00	126.90	134.50	152.96	204.19	231.72
NASDAQ Retail Trade	100.00	128.20	143.05	176.27	219.05	232.39

Holder of the Company's Capital Stock

We had 360 shareholders of record as of February 27, 2015.

Dividends

No cash dividends have been declared on our common stock to date nor have any decisions been made to pay a dividend in the foreseeable future. Payment of dividends is evaluated on a periodic basis.

Recent Sales of Unregistered Securities

None

Issuer Purchases of Equity Securities

The share repurchase program is conducted under authorizations made from time to time by our Board of Directors. In November 2012, we publicly announced that our Board of Directors authorized us to repurchase \$22.0 million of our common stock. This repurchase program was completed in December 2012. In December 2012, we publicly announced that our Board of Directors authorized us to repurchase up to an additional \$20.0 million of our common stock. On December 4, 2013, our Board of Directors superseded and replaced this program with a new \$30.0 million share repurchase program that is expected to continue through January 31, 2015, unless the time period is extended or shortened by the Board of Directors. On December 10, 2014 our Board of Directors superseded and replaced this program with a new \$30.0 million share repurchase program that is expected to continue through January 30, 2016, unless the time period is extended or shortened by the Board of Directors. There were no purchases with respect to our common stock made during the thirteen weeks ended January 31, 2015.

Item 6. SELECTED FINANCIAL DATA

The following selected consolidated financial information has been derived from our audited Consolidated Financial Statements. The data should be read in conjunction with our Consolidated Financial Statements and the notes thereto, and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere herein.

	Fiscal 2014 (1)	Fiscal 2013 (2)	Fiscal 2012 (3)	Fiscal 2011	Fiscal 2010 (4)
Statement of Operations Data (in thousands, except per share data):					
Net sales	\$811,551	\$724,337	\$669,393	\$555,874	\$478,849
Cost of goods sold	524,468	462,577	428,109	354,198	311,028
Gross profit	287,083	261,760	241,284	201,676	167,821
Selling, general and administrative expenses	215,512	188,918	172,742	141,444	130,454
Operating profit	71,571	72,842	68,542	60,232	37,367
Interest income, net	637	711	1,410	1,836	1,496
Other (expense) income, net	(557)	(1,589)	327	(379)	(8)
Earnings before income taxes	71,651	71,964	70,279	61,689	38,855
Provision for income taxes	28,459	26,016	28,115	24,338	14,652
Net income	<u>\$ 43,192</u>	<u>\$ 45,948</u>	<u>\$ 42,164</u>	<u>\$ 37,351</u>	<u>\$ 24,203</u>
Earnings per share:					
Basic	<u>\$ 1.50</u>	<u>\$ 1.54</u>	<u>\$ 1.37</u>	<u>\$ 1.22</u>	<u>\$ 0.81</u>
Diluted	<u>\$ 1.47</u>	<u>\$ 1.52</u>	<u>\$ 1.35</u>	<u>\$ 1.20</u>	<u>\$ 0.79</u>
Weighted average shares outstanding:					
Basic	28,871	29,810	30,742	30,527	29,971
Diluted	29,288	30,206	31,273	31,119	30,794
Balance Sheet Data (in thousands):					
Cash, cash equivalents and current marketable securities	\$154,644	\$117,155	\$103,172	\$172,798	\$128,801
Working capital (5)	198,316	168,472	146,115	197,927	155,400
Total assets	493,705	443,403	409,098	362,157	301,631
Total long-term liabilities	52,734	46,375	48,478	34,304	29,435
Total shareholders' equity	359,524	335,654	303,421	272,277	226,735
Other Financial Data (in thousands, except gross margin and operating margin):					
Gross margin (6)	35.4%	36.1%	36.0%	36.3%	35.0%
Operating margin (7)	8.8%	10.1%	10.2%	10.8%	7.8%
Capital expenditures	\$ 35,758	\$ 35,969	\$ 41,070	\$ 25,508	\$ 29,124
Depreciation, amortization and accretion	\$ 29,167	\$ 26,596	\$ 22,957	\$ 19,744	\$ 17,923
Company Data:					
Number of stores open at end of period	603	551	498	444	400
Comparable sales increase (decrease) (8)	4.6%	(0.3%)	5.0%	8.7%	11.9%
Net sales per store (9) (in thousands)	\$ 1,390	\$ 1,366	\$ 1,403	\$ 1,303	\$ 1,221
Total store square footage (10) (in thousands)	1,770	1,624	1,480	1,308	1,174
Average square footage per store (11)	2,936	2,947	2,961	2,945	2,935
Net sales per square foot (12)	\$ 473	\$ 462	\$ 475	\$ 443	\$ 416

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- (1) Included in the results for fiscal 2014 is a charge of \$6.4 million for the expense associated with the estimated future incentive payments to be paid in conjunction with our acquisition of Blue Tomato and an expense of \$2.3 million of amortization of intangible assets.
 - (2) Included in the results for fiscal 2013 are the following charges: a) a benefit of \$2.7 million representing the correction of an error related to our calculation to account for rent expense on a straight-line basis, b) a benefit of \$2.6 million for the reversal of the previously recorded expense associated with the future incentive payments to be paid in conjunction with our acquisition of Blue Tomato, c) an expense of \$2.3 million for the amortization of intangible assets, d) an expense of \$1.3 million for a litigation settlement and e) a benefit of \$0.4 million for the release of a valuation allowance to net operating losses in foreign subsidiaries.
 - (3) Fiscal 2012 consisted of 53 weeks. All other fiscal years presented consisted of 52 weeks. In fiscal 2012, we acquired Blue Tomato for cash consideration of 59.5 million Euros (\$74.8 million). Additionally, included in the results for fiscal 2012 are the following charges: a) an expense of \$2.3 million associated with the future incentive payments to be paid in conjunction with our acquisition of Blue Tomato, b) an expense of \$2.2 million related to a step-up in inventory to estimated fair value in conjunction with our acquisition of Blue Tomato, c) an expense of \$2.1 million associated with the relocation of our ecommerce fulfillment center and home office, d) an expense of \$1.9 million in transaction costs incurred in conjunction with our acquisition of Blue Tomato and e) an expense of \$1.3 million for the amortization of intangible assets.
 - (4) Included in the results of fiscal 2010 are the following charges: a) an expense of \$2.4 million associated with the relocation of our distribution center and b) an expense of \$2.1 million for a litigation settlement. Additionally, we changed our estimate of the useful lives of our leasehold improvements and the effect of this change reduced depreciation expense by \$4.2 million.
 - (5) Working capital is defined as current assets minus current liabilities.
 - (6) Gross margin represents gross profit divided by net sales.
 - (7) Operating margin represents operating profit divided by net sales.
 - (8) See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—General” for more information about how we compute comparable sales.
 - (9) Net sales per store represents net sales, including ecommerce sales, for the period divided by the average number of stores open during the period. For purposes of this calculation, the average number of stores open during the period is equal to the sum of the number of stores open as of the end of each month during the fiscal year divided by the number of months in the fiscal year.
 - (10) Total store square footage includes retail selling, storage and back office space at the end of the fiscal year.
 - (11) Average square footage per store is calculated based on the total store square footage at the end of the fiscal year, including retail selling, storage and back office space, of all stores open at the end of the fiscal year.
 - (12) Net sales per square foot represents net sales, including ecommerce sales, for the period divided by the average square footage of stores open during the period. For purposes of this calculation, the average square footage of stores open during the period is equal to the sum of the total square footage of the stores open as of the end of each month during the fiscal year divided by the number of months in the fiscal year.

Item 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this document. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those discussed in “Item 1A Risk Factors.” See the cautionary note regarding forward-looking statements set forth at the beginning of Part I of the Annual Report on Form 10-K.

Fiscal 2014—A Review of This Past Year

Teen retail in general began fiscal 2014 in a challenging sales environment, with many mall based teen retailers seeing significant sales and earnings declines over the past couple of years. As the year progressed some signs of a stronger retail landscape began to appear, culminating with a considerably stronger fourth quarter. Coming into fiscal 2014 our sales performance continued to be lower than historical results and in the first quarter of the year we saw some margin erosion as we successfully cleaned up our inventory position following a tough Holiday season in the prior fiscal year. Comparable sales trends improved as the year progressed, particularly in the important fourth quarter, and for the year we achieved a comparable sales increase of 4.6%. As a leading lifestyle retailer we continue to differentiate ourselves through our distinctive brand offering and diverse product selection, as well as the unique customer experience our sales associates provide. In addition, the investments and efforts we have made toward expanding our North America footprint, establishing a progressive omni-channel platform and international expansion are enhancing our sales results.

In 2014 we continued to fund our growth initiatives with a focus on long-term returns. These investments included continued expansion of our stores in North America, technology enhancements, fortifying our commerce platform through further upgrades to our digital infrastructure, and the ongoing build out of our European operations. In North America we opened 50 stores made up of 43 in the U.S. and 7 in Canada, and in Europe we opened 6 stores bringing our total stores count to 603. Additionally we made further progress across our omni-channel initiatives, enhancing our customers sales experience by serving them better whenever and wherever they want to interact with us.

The following table shows net sales, operating profit and margin and diluted earnings per share for fiscal 2014 compared to fiscal 2013. The fiscal 2014 results include \$8.7 million of charges associated with the acquisition of Blue Tomato made up of \$6.4 million for future incentive payments related to the transaction and \$2.3 million for the amortization of intangible assets. The fiscal 2013 results include a \$2.7 million benefit for the correction of a prior year error related to our calculation to account for rent expense on a straight-line basis, a \$1.3 million expense for a litigation settlement, and charges associated with the acquisition of Blue Tomato netting to a benefit of \$0.1 million primarily related to a \$2.6 million benefit for the reversal of the previously recorded expense associated with future incentive payments related to the transaction, offset by \$2.3 million for the amortization of intangible assets.

	<u>Fiscal 2014</u>	<u>Fiscal 2013</u>	<u>% Change</u>
Net sales (in thousands)	\$811,551	\$724,337	12%
Operating profit (in thousands)	\$ 71,571	\$ 72,842	-2%
Operating margin	8.8%	10.1%	
Diluted earnings per share	\$ 1.47	\$ 1.52	-3%

The increase in net sales was primarily driven by the net addition of 52 stores (56 new stores offset by four store closures) and a 4.6% comparable sales increase. The increase in comparable sales was driven by an increase in transactions and an increase in dollars per transaction. Dollars per transaction increased primarily due to an increase in units per transaction and a slight increase in average unit retail. Operating margin was down in fiscal 2014 compared to fiscal 2013 primarily as a result of the charges discussed above and a slight decrease in product margin for the year offset slightly by leveraging operating costs on a 12.0% sales increase.

Fiscal 2015—A Look At the Upcoming Year

We enter fiscal 2015 with some sales momentum, having achieved an 8.3% comparable sales increase in fiscal fourth quarter 2014. While we are encouraged with the improved performance, there is not enough evidence to suggest this is the beginning of a sustained retail trend. As such we remain cautious on our expectations for fiscal 2015 although we do believe sales, including comparable sales, and earnings will increase for the year. Our focus will be on continued execution of our proven strategies as well as investments centered on long-term quality growth. These investments will largely be focused on continued store growth, both domestic and international, and further enhancements across the business to support our omni-channel capabilities. In fiscal 2015, excluding costs associated with the acquisition of Blue Tomato, we expect our cost structure will grow at a similar rate to fiscal 2014.

Long-term we aim to grow sales annually and grow operating profit at a faster rate than sales by focusing on our growth initiatives while managing our cost structure. Our primary growth vehicles in both our domestic and international markets are:

1. Initiatives that drive comparable sales gains;
2. Opening high return new stores;
3. Ecommerce penetration; and
4. Omni-channel initiatives.

In fiscal 2015, we are expecting total sales to increase driven in part by an increase in comparable sales, recognizing that our performance can be impacted by a variety of factors including external influences. We are also planning sales growth from the opening of approximately 57 new stores, including approximately six stores in Europe. It is our goal to run quality sales gains and expect gross margins to have some fluctuation quarter to quarter but generally remain in-line with fiscal 2014. We will make further investments in people and infrastructure and expect earnings to increase. We anticipate inventory levels per square foot to be flat or grow slightly. We expect our cash, short-term investments and working capital to increase, and do not anticipate any new borrowings during the year.

General

Net sales constitute gross sales (net of actual and estimated returns and deductions for promotions) and shipping revenue. Net sales include our store sales and our ecommerce sales. Net sales are allocated between store and ecommerce based on the location where the sale is fulfilled, which does not always represent where the customer originated the sale. We record the sale of gift cards as a current liability and recognize revenue when a customer redeems a gift card. Additionally, the portion of gift cards that will not be redeemed (“gift card breakage”) is recognized in net sales after 24 months, at which time the likelihood of redemption is considered remote based on our historical redemption data.

We report “comparable sales” based on net sales beginning on the first anniversary of the first day of operation of a new store or ecommerce business. We operate a sales strategy that integrates our stores with our ecommerce platform. There is significant interaction between our store sales and our ecommerce sales channels and we believe that they are utilized in tandem to serve our customers. Therefore, our comparable sales also include our ecommerce sales. Changes in our comparable sales between two periods are based on net sales of store or ecommerce businesses which were in operation during both of the two periods being compared and, if a store or ecommerce business is included in the calculation of comparable sales for only a portion of one of the two periods being compared, then that store or ecommerce business is included in the calculation for only the comparable portion of the other period. Any change in square footage of an existing comparable store, including remodels and relocations, does not eliminate that store from inclusion in the calculation of comparable sales. Any store or ecommerce business that we acquire will be included in the calculation of comparable sales after the first anniversary of the acquisition date. Current year foreign exchange rates are applied to both current year and prior year comparable sales to achieve a consistent basis for comparison. There may be variations in the way in which some of our competitors and other apparel retailers calculate comparable sales. As a result, data herein regarding our comparable sales may not be comparable to similar data made available by our competitors or other retailers.

Cost of goods sold consists of branded merchandise costs and our private label merchandise costs including design, sourcing, importing and inbound freight costs. This may not be comparable to the way in which our competitors or other retailers compute their cost of goods sold. Cash consideration received from vendors is reported as a reduction of cost of goods sold if the inventory has sold, a reduction of the carrying value of the inventory if the inventory is still on hand, or a reduction of selling, general and administrative expense if the amounts are reimbursements of specific, incremental and identifiable costs of selling the vendors’ products.

With respect to the freight component of our ecommerce sales, amounts billed to our customers are included in net sales and the related freight cost is charged to cost of goods sold.

Selling, general and administrative expenses consist primarily of store personnel wages and benefits, administrative staff and infrastructure expenses, freight costs for merchandise shipments from the distribution centers to the stores, store supplies, depreciation on fixed assets at our home office and stores, facility expenses, training expenses and advertising and marketing costs. Credit card fees, insurance, public company expenses, legal expenses, amortization of intangibles, future incentive payments, and other miscellaneous operating costs are also included in selling, general and administrative expenses. This may not be comparable to the way in which our competitors or other retailers compute their selling, general and administrative expenses.

Key Performance Indicators

Our management evaluates the following items, which we consider key performance indicators, in assessing our performance:

Comparable sales. As previously described in detail under the caption “General,” comparable sales provide a measure of sales growth for stores and ecommerce businesses open at least one year over the comparable prior year period.

We consider comparable sales to be an important indicator of our current performance. Comparable sales results are important to achieve leveraging of our costs, including store payroll and store occupancy. Comparable sales also have a direct impact on our total net sales, operating profit, cash and working capital.

Gross profit. Gross profit measures whether we are optimizing the price and inventory levels of our merchandise. Gross profit is the difference between net sales and cost of goods sold. Any inability to obtain acceptable levels of initial markups or any significant increase in our use of markdowns could have an adverse effect on our gross profit and results of operations.

Operating profit. We view operating profit as a key indicator of our success. Operating profit is the difference between gross profit and selling, general and administrative expenses. The key drivers of operating profit are comparable sales, gross profit, our ability to control selling, general and administrative expenses and our level of capital expenditures affecting depreciation expense.

Results of Operations

The following table presents selected items on the consolidated statements of income as a percent of net sales:

	<u>Fiscal 2014</u>	<u>Fiscal 2013</u>	<u>Fiscal 2012</u>
Net sales	100.0%	100.0%	100.0%
Cost of goods sold	<u>64.6%</u>	<u>63.9%</u>	<u>64.0%</u>
Gross profit	35.4%	36.1%	36.0%
Selling, general and administrative expenses	<u>26.6%</u>	<u>26.0%</u>	<u>25.8%</u>
Operating profit	8.8%	10.1%	10.2%
Interest and other (expenses)/income, net	<u>0.0%</u>	<u>(0.2%)</u>	<u>0.3%</u>
Earnings before income taxes	8.8%	9.9%	10.5%
Provision for income taxes	<u>3.5%</u>	<u>3.6%</u>	<u>4.2%</u>
Net income	<u><u>5.3%</u></u>	<u><u>6.3%</u></u>	<u><u>6.3%</u></u>

Fiscal 2014 Results Compared With Fiscal 2013

Net Sales

Net sales were \$811.6 million for fiscal 2014 compared to \$724.3 million for fiscal 2013, an increase of \$87.2 million or 12.0%. The increase reflected the net addition of 52 stores (made up of 50 new stores in North America and six new stores in Europe offset by four store closures in North America) and a \$33.2 million increase due to comparable sales for fiscal 2014. By region, North America sales increased \$71.5 million or 10.6% and European sales increased \$15.7 million or 32.4% during fiscal 2014 compared to fiscal 2013.

The 4.6% increase in comparable sales was primarily driven by an increase in comparable transactions and dollars per transaction. Dollars per transaction increased due to an increase in units per transaction and an increase in average unit retail. Comparable sales increases in hardgoods, accessories, junior's apparel, and men's apparel were partially offset by a comparable sales decrease in footwear. For information as to how we define comparable sales, see "General" above.

Gross Profit

Gross profit was \$287.1 million for fiscal 2014 compared to \$261.8 million for fiscal 2013, an increase of \$25.3 million, or 9.7%. As a percentage of net sales, gross profit decreased 70 basis points in fiscal 2014 to 35.4%. The decrease was primarily driven by a 40 basis points benefit from the correction of an error in our calculation to account for rent expense recorded in fiscal 2013, 30 basis point decrease in product margin, 10 basis point impact due to deleveraging of our store occupancy costs, and 10 basis points impact of the increase in ecommerce related costs due to growth in ecommerce sales as a percentage of total sales. These decreases were partially offset by 20 basis points impact due to distribution center efficiencies.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses were \$215.5 million for fiscal 2014 compared to \$188.9 million for fiscal 2013, an increase of \$26.6 million, or 14.0%. SG&A expenses as a percent of net sales increased by 60 basis points in fiscal 2014 to 26.6%. The increase was primarily driven by a 110 basis points impact from the expense associated with the estimated future incentive payments to be paid in conjunction with our acquisition of Blue Tomato and 10 basis point impact due to an increase in incentive compensation. These increases were partially offset by a 40 basis point impact due to corporate costs savings, and 20 basis points impact due to a litigation settlement charge incurred in fiscal 2013. See Note 3, "Business Combination," in the Notes to Consolidated Financial Statements found in Part IV Item 15 of the Form 10-K, for additional information related to our future incentive payments.

Net Income

Net income for fiscal 2014 was \$43.2 million, or \$1.47 per diluted share, compared with net income of \$45.9 million, or \$1.52 per diluted share, for fiscal 2013. Our effective income tax rate for fiscal 2014 was 39.7% compared to 36.1% for fiscal 2013. The increase in the effective tax rate for fiscal 2014 compared to fiscal 2013 was primarily due to the tax impact on the estimated future incentive payments in fiscal 2013 and 2014 and the release of valuation allowance related to net operating losses and other deferred tax assets of foreign subsidiaries in fiscal 2013.

Fiscal 2013 Results Compared With Fiscal 2012

Net Sales

Fiscal 2013 had 52 weeks versus 53 weeks in fiscal 2012. Net sales numbers for fiscal 2012 include an additional week and fiscal 2013 comparable sales are compared to the comparable sales for the 52 weeks ended February 2, 2013. Net sales were \$724.3 million for fiscal 2013 compared to \$669.4 million for fiscal 2012, an

increase of \$54.9 million or 8.2%. The increase reflected the net addition of 53 stores (made up of 53 new stores in North America and six new stores in Europe offset by six store closures in North America) and Blue Tomato sales during fiscal 2013 that were not comparable to the prior year, partially offset by a \$9.3 million decrease due to the impact of the 53rd week included in fiscal 2012 results and a \$1.7 million decrease due to comparable sales for fiscal 2013. By region, North America sales increased \$35.2 million and European sales increased \$19.7 million during fiscal 2013 compared to fiscal 2012.

The 0.3% decrease in comparable sales was primarily driven by increasing due to Blue Tomato ecommerce sales that were not comparable to the prior year and the growth in comparable ecommerce sales mentioned above. The decrease in comparable sales was primarily driven by a decline in comparable transactions, partially offset by an increase in dollars per transaction. Dollars per transaction increased due to an increase in units per transaction, partially offset by a decrease in average unit retail due to changes in sales product mix. Comparable sales decreases in men's apparel, footwear and boy's apparel were partially offset by comparable sales increases in junior's apparel, hardgoods and accessories. For information as to how we define comparable sales, see "General" above.

Gross Profit

Gross profit was \$261.8 million for fiscal 2013 compared to \$241.3 million for fiscal 2012, an increase of \$20.5 million, or 8.5%. As a percentage of net sales, gross profit increased 10 basis points in fiscal 2013 to 36.1%. The increase was primarily driven by a 40 basis points benefit due to prior year costs related to a step-up in inventory to estimated fair value in conjunction with our acquisition of Blue Tomato and a 40 basis points impact of the correction of an error related to our calculation to account for rent expense on a straight-line basis. These increases were partially offset by a 50 basis points impact due to the deleveraging of our store occupancy costs and a 50 basis points impact of the increase in ecommerce related costs due to ecommerce sales increasing as a percent of total sales.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses were \$188.9 million for fiscal 2013 compared to \$172.7 million for fiscal 2012, an increase of \$16.2 million, or 9.4%. SG&A expenses as a percent of net sales increased by 20 basis points in fiscal 2013 to 26.0%. The increase was primarily driven by a 60 basis points impact of the increase in ecommerce corporate costs due to the growth and investments in our ecommerce business as a percent of total sales, a 40 basis points impact due to the deleveraging of our store operating expenses, a 20 basis points impact due to the deleveraging of our corporate costs and a 20 basis points impact of a litigation settlement charge incurred in fiscal 2013. These increases were partially offset by a 70 basis points impact of the reversal of the previously recorded expense associated with the future incentive payments to be paid in conjunction with our acquisition of Blue Tomato, a 30 basis points benefit due to prior year costs related to transaction costs incurred in conjunction with our acquisition of Blue Tomato and a 20 basis point impact due to a decrease in incentive compensation. See Note 3, "Business Combination," in the Notes to Consolidated Financial Statements found in Part IV Item 15 of the Form 10-K, for additional information related to our future incentive payments.

Net Income

Net income for fiscal 2013 was \$45.9 million, or \$1.52 per diluted share, compared with net income of \$42.2 million, or \$1.35 per diluted share, for fiscal 2012. Our effective income tax rate for fiscal 2013 was 36.1% compared to 40.0% for fiscal 2012. The decrease in the effective tax rate for fiscal 2013 compared to fiscal 2012 was primarily due to the impact of non-taxable acquisition related expenses incurred in fiscal 2012, the release of valuation allowance related to net operating losses and other deferred tax assets of foreign subsidiaries and a reduction of state and local income taxes.

Seasonality and Quarterly Results

As is the case with many retailers of apparel and related merchandise, our business is subject to seasonal influences. As a result, we have historically experienced, and expect to continue to experience, seasonal and quarterly fluctuations in our net sales and operating results. Our net sales and operating results are typically lower in the first and second quarters of our fiscal year, while the back-to-school and winter holiday periods in our third and fourth fiscal quarters historically have accounted for the largest percentage of our annual net sales. Quarterly results of operations may also fluctuate significantly as a result of a variety of factors, including the timing of store openings and the relative proportion of our new stores to mature stores, fashion trends and changes in consumer preferences, calendar shifts of holiday or seasonal periods, changes in merchandise mix, timing of promotional events, general economic conditions, competition and weather conditions.

The following table sets forth selected unaudited quarterly consolidated statements of income data. The unaudited quarterly information has been prepared on a basis consistent with the audited consolidated financial statements included elsewhere herein and includes all adjustments that we consider necessary for a fair presentation of the information shown. This information should be read in conjunction with our audited consolidated financial statements and the notes thereto. The operating results for any fiscal quarter are not indicative of the operating results for a full fiscal year or for any future period and there can be no assurance that any trend reflected in such results will continue in the future.

	Fiscal 2014			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter (1)
	(in thousands, except stores and per share data)			
Net sales	\$162,932	\$176,709	\$213,341	\$258,569
Gross profit	\$ 50,533	\$ 60,912	\$ 77,860	\$ 97,778
Operating profit	\$ 3,713	\$ 11,605	\$ 24,975	\$ 31,278
Net income	\$ 2,496	\$ 7,456	\$ 15,727	\$ 17,513
Basic earnings per share	\$ 0.09	\$ 0.26	\$ 0.54	\$ 0.60
Diluted earnings per share	\$ 0.09	\$ 0.26	\$ 0.54	\$ 0.60
Number of stores open at the end of the period	558	582	602	603
Comparable sales increase (decrease)	1.8%	3.4%	3.7%	8.3%
	Fiscal 2013			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter (2)
	(in thousands, except stores and per share data)			
Net sales	\$148,496	\$157,858	\$191,145	\$226,838
Gross profit	\$ 47,972	\$ 55,120	\$ 70,789	\$ 87,879
Operating profit	\$ 4,029	\$ 7,835	\$ 20,678	\$ 40,300
Net income	\$ 2,498	\$ 4,739	\$ 11,860	\$ 26,851
Basic earnings per share	\$ 0.08	\$ 0.16	\$ 0.40	\$ 0.90
Diluted earnings per share	\$ 0.08	\$ 0.16	\$ 0.39	\$ 0.89
Number of stores open at the end of the period	503	529	548	551
Comparable sales (decrease) increase	(0.7%)	0.9%	1.5%	(2.2%)

- (1) Included in the results for the fourth quarter of fiscal 2014 is \$6.4 million expense associated with the estimated future incentive payments to be paid in conjunction with our acquisition of Blue Tomato.
- (2) Included in the results for the fourth quarter of fiscal 2013 are the following: a) a benefit of \$5.8 million, of which \$2.6 million related to prior fiscal years, for the reversal of the previously recorded expense associated with the future incentive payments to be paid in conjunction with our acquisition of Blue Tomato and b) a benefit of \$3.3 million, of which \$2.7 million related to prior fiscal years, representing the correction of an error related to our calculation to account for rent expense on a straight-line basis.

Liquidity and Capital Resources

Our primary uses of cash are for operational expenditures, inventory purchases and capital investments, including new stores, store remodels, store relocations, store fixtures and ongoing infrastructure improvements. Additionally, we may use cash for the repurchase of our common stock. Historically, our main source of liquidity has been cash flows from operations.

The significant components of our working capital are inventories and liquid assets such as cash, cash equivalents, current marketable securities and receivables, reduced by accounts payable and accrued expenses. Our working capital position benefits from the fact that we generally collect cash from sales to customers the same day or within several days of the related sale, while we typically have longer payment terms with our vendors.

At January 31, 2015 and February 1, 2014, cash, cash equivalents and current marketable securities were \$154.6 million and \$117.2 million. Working capital, the excess of current assets over current liabilities, was \$198.3 million at the end of fiscal 2014, an increase of 17.7% from \$168.5 million at the end of fiscal 2013. The increase in cash, cash equivalents and current marketable securities in fiscal 2014 were due primarily to cash provided by operating activities of \$89.9 million, partially offset by capital expenditures of \$35.8 million due primarily to the opening of 56 new stores in fiscal 2014 and the \$19.6 million repurchase of common stock.

The following table summarizes our cash flows from operating, investing and financing activities (in thousands):

Operating Activities

	<u>Fiscal 2014</u>	<u>Fiscal 2013</u>	<u>Fiscal 2012</u>
Total cash provided by (used in)			
Operating activities	\$ 89,937	\$ 66,894	\$ 66,225
Investing activities	(73,873)	(49,619)	(41,079)
Financing activities	(13,933)	(15,233)	(22,519)
Effect of exchange rate changes on cash and cash equivalents	(903)	13	173
Increase in cash and cash equivalents	<u>\$ 1,228</u>	<u>\$ 2,055</u>	<u>\$ 2,800</u>

Net cash provided by operating activities increased by \$23.0 million in fiscal 2014 to \$89.9 million from \$66.9 million in fiscal 2013. Net cash provided by operating activities increased by \$0.7 million in fiscal 2013 to \$66.9 million from \$66.2 million in fiscal 2012. Our operating cash flows result primarily from cash received from our customers, offset by cash payments we make for inventory, employee compensation, store occupancy expenses and other operational expenditures. Cash received from our customers generally corresponds to our net sales. Because our customers primarily use credit cards or cash to buy from us, our receivables from customers settle quickly. Changes to our operating cash flows have historically been driven primarily by changes in operating income, which is impacted by changes to non-cash items such as depreciation, amortization and accretion, deferred taxes and excess tax benefit from stock-based compensation, and changes to the components of working capital.

Investing Activities

Net cash used in investing activities was \$73.9 million in fiscal 2014 related to \$35.8 of capital expenditures primarily for new store openings and existing store remodels or relocations and \$38.1 million in net purchases of marketable securities. Net cash used in investing activities was \$49.6 million in fiscal 2013 related to \$36.0 million of capital expenditures primarily for new store openings and existing store remodels or relocations and \$13.6 million in net purchases of marketable securities and other investments. Net cash used in investing

activities was \$41.1 million in fiscal 2012 primarily related to \$69.7 million cash paid (net of cash acquired) for the acquisition of Blue Tomato and \$41.1 million of capital expenditures primarily for new store openings, existing store remodels or relocations and the construction of our new home office building in Lynnwood, Washington, partially offset by \$70.7 million in net sales of marketable securities.

Financing Activities

Net cash used in financing activities in fiscal 2014 was \$13.9 million, related to \$19.6 million cash paid for repurchase of common stock and \$2.1 million of net payments on long term debt, revolving credit facilities, and other liabilities, partially offset by proceeds from stock-based compensation exercises and related tax benefits of \$7.7 million. Net cash used in financing activities in fiscal 2013 was \$15.2 million, primarily related to \$17.6 million cash paid for repurchase of common stock, partially offset by proceeds from stock-based compensation exercises and related tax benefits of \$2.6 million. Net cash used in financing activities in fiscal 2012 was \$22.5 million, primarily related to \$25.2 million cash paid for the repurchase of common stock, partially offset by proceeds from stock-based compensation exercises and related tax benefits of \$3.0 million.

Sources of Liquidity

Our most significant sources of liquidity continue to be funds generated by operating activities and available cash, cash equivalents and current marketable securities. We expect these sources of liquidity and available borrowings under our revolving credit facility will be sufficient to meet our foreseeable cash requirements for operations and planned capital expenditures for at least the next twelve months. Beyond this time frame, if cash flows from operations are not sufficient to meet our capital requirements, then we will be required to obtain additional equity or debt financing in the future. However, there can be no assurance that equity or debt financing will be available to us when we need it or, if available, that the terms will be satisfactory to us and not dilutive to our then-current shareholders.

We maintain a secured credit agreement with Wells Fargo Bank, N.A., which provides us with a secured revolving credit facility until September 1, 2016 of up to \$25.0 million, which, pursuant to an accordion feature, may be increased to \$35.0 million at our discretion. The secured revolving credit facility provides for the issuance of a standby letter of credit in an amount not to exceed \$5.0 million outstanding at any time and with a term not to exceed 365 days. The commercial line of credit provides for the issuance of a commercial letter of credit in an amount not to exceed \$10.0 million and with terms not to exceed 120 days. The amount of borrowings available at any time under our secured revolving credit facility is reduced by the amount of standby and commercial letters of credit outstanding at that time. There were no borrowings outstanding under the secured revolving credit facility at January 31, 2015 and February 1, 2014. We had open commercial letters of credit outstanding under our secured revolving credit facility of \$0.3 million at January 31, 2015 and February 1, 2014. The secured revolving credit facility bears interest at the Daily Three Month LIBOR rate plus 1.00%.

Additionally, we have revolving lines of credit of up to 9.0 million Euros and other long-term debt, the proceeds of which are used to fund certain international operations. There were no borrowings outstanding under these revolving lines of credit at January 31, 2015 and February 1, 2014. There were no borrowings under the other long-term debt at January 31, 2015 and \$1.9 million at February 1, 2014.

Capital Expenditures

Our capital requirements include construction and fixture costs related to the opening of new stores and remodel and relocation expenditures for existing stores. Future capital requirements will depend on many factors, including the pace of new store openings, the availability of suitable locations for new stores and the nature of arrangements negotiated with landlords. In that regard, our net investment to open a new store has varied significantly in the past due to a number of factors, including the geographic location and size of the new store, and is likely to vary significantly in the future.

During fiscal 2014, we spent \$35.8 million on capital expenditures, which consisted of \$31.5 million of costs related to investment in 56 new stores and 19 remodeled or relocated stores, \$1.7 million associated with improvements to our websites and \$2.6 million in other improvements.

During fiscal 2013, we spent \$36.0 million on capital expenditures, which consisted of \$30.2 million of costs related to investment in 59 new stores and 13 remodeled or relocated stores, \$3.1 million associated with improvements to our websites and \$2.7 million in other improvements.

During fiscal 2012, we spent \$41.1 million on capital expenditures, which consisted of \$28.7 million of costs related to investment in 53 new stores and 19 remodeled or relocated stores, \$9.8 million of costs associated with the construction of our new home office building in Lynnwood, Washington and \$2.6 million in other improvements.

In fiscal 2015, we expect to spend approximately \$39 million to \$41 million on capital expenditures, a majority of which will relate to leasehold improvements and fixtures for the approximately 57 new stores we plan to open in fiscal 2015 and remodels or relocations of existing stores. There can be no assurance that the number of stores that we actually open in fiscal 2015 will not be different from the number of stores we plan to open, or that actual fiscal 2015 capital expenditures will not differ from this expected amount.

Critical Accounting Estimates

Our consolidated financial statements are prepared in accordance with U.S. GAAP. In connection with the preparation of our consolidated financial statements, we are required to make assumptions and estimates about future events, and apply judgments that affect the reported amounts of assets, liabilities, revenue, expenses and the related disclosures. We base our assumptions, estimates and judgments on historical experience, current trends and other factors that we believe to be relevant at the time our consolidated financial statements are prepared. On a regular basis, we review the accounting policies, assumptions, estimates and judgments to ensure that our consolidated financial statements are presented fairly and in accordance with U.S. GAAP. However, because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such differences could be material.

Our significant accounting policies are discussed in Note 2, "Summary of Significant Accounting Policies," in the Notes to Consolidated Financial Statements found in Part IV Item 15 of this Form 10-K. We believe that the following accounting estimates are the most critical to aid in fully understanding and evaluating our reported financial results, and they require our most difficult, subjective or complex judgments, resulting from the need to make estimates about the effect of matters that are inherently uncertain.

Description	Judgments and Uncertainties	Effect If Actual Results Differ From Assumptions
<i>Valuation of Merchandise Inventories</i>		
<p>We value our inventory at the lower of cost or fair market value through the establishment of write-down and inventory loss reserves.</p> <p>Our write-down reserve represents the excess of the carrying value over the amount we expect to realize from the ultimate sales or other disposal of the inventory. Write-downs establish a new cost basis for our inventory. Subsequent changes in facts or circumstances do not result in the restoration of previously recorded write-downs or an increase in that newly established cost basis.</p> <p>Our inventory loss reserve represents anticipated physical inventory losses (“shrinkage reserve”) that have occurred since the last physical inventory.</p>	<p>Our write-down reserve contains uncertainties because the calculation requires management to make assumptions based on the current rate of sales, the age and profitability of inventory and other factors.</p> <p>Our shrinkage reserve contains uncertainties because the calculation requires management to make assumptions and to apply judgment regarding a number of factors, including historical percentages that can be affected by changes in merchandise mix and changes in actual shrinkage trends.</p>	<p>We have not made any material changes in the accounting methodology used to calculate our write-down and shrinkage reserves in the past three fiscal years. We do not believe there is a reasonable likelihood that there will be a material change in the future estimates or assumptions we use to calculate our inventory reserves. However, if actual results are not consistent with our estimates and assumptions, we may be exposed to losses or gains that could be material.</p> <p>A 10% decrease in the sales price of our inventory at January 31, 2015 would have decreased net income by \$0.1 million in fiscal 2014.</p> <p>A 10% increase in actual physical inventory shrinkage rate at January 31, 2015 would have decreased net income by \$0.2 million in fiscal 2014.</p>
<i>Fixed Assets</i>		
<p>We review the carrying value of our fixed assets for impairment whenever events or changes in circumstances indicate that the carrying value of such asset may not be recoverable.</p> <p>Recoverability of assets to be held and used is determined by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered impaired, the impairment recognized is measured by comparing the projected discounted cash flow of the asset to the asset carrying value. Declines in projected cash flow of the assets could result in impairment.</p> <p>The actual economic lives of our fixed assets may be different from our estimated useful lives, thereby resulting in a different carrying value. These evaluations could result in a change in the depreciable lives of these assets and therefore our depreciation expense in future periods.</p>	<p>Our impairment loss calculations contain uncertainties because they require management to make assumptions and to apply judgment to estimate future cash flows and asset fair values, including forecasting future sales, gross profit and operating expenses.</p> <p>Our fixed assets accounting methodology contains uncertainties because it requires management to make estimates with respect to the useful lives of our fixed assets that we believe are reasonable.</p>	<p>We do not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions we use to calculate fixed asset impairment losses. However, if actual results are not consistent with our estimates and assumptions, our operating results could be adversely affected.</p> <p>Although management believes that the current useful life estimates assigned to our fixed assets are reasonable, factors could cause us to change our estimates, thus affecting the future calculation of depreciation.</p>

Description	Judgments and Uncertainties	Effect If Actual Results Differ From Assumptions
Revenue Recognition	Our revenue recognition accounting methodology contains uncertainties because it requires management to make assumptions regarding future sales returns and the amount and timing of gift cards projected to be redeemed by gift card recipients. Our estimate of the amount and timing of sales returns and gift cards to be redeemed is based primarily on historical transaction experience.	<p>We have not made any material changes in the accounting methodology used to measure future sales returns or recognize revenue for our gift card program in the past three fiscal years. We do not believe there is a reasonable likelihood that there will be a material change in the future estimates or assumptions we use to recognize revenue. However, if actual results are not consistent with our estimates or assumptions, we may be exposed to losses or gains that could be material.</p> <p>A 10% increase in our sales return reserve at January 31, 2015 would have decreased net income by \$0.1 million in fiscal 2014.</p> <p>A 10% increase in our unredeemed gift card breakage life at January 31, 2015 would have decreased net income by \$0.3 million in fiscal 2014.</p>
Stock-Based Compensation	The calculation of stock-based compensation expense requires management to make assumptions and to apply judgment to estimate the number of stock awards that will ultimately vest and to determine the fair value of our stock option awards. These assumptions and judgments include estimating future employee turnover rates and the inputs to the Black-Scholes option pricing model, including expected term. Changes in these assumptions can materially affect our stock-based compensation expense.	We do not believe there is a reasonable likelihood there will be a material change in the future estimates or assumptions we use to determine stock-based compensation expense. However, if actual results are not consistent with our estimates or assumptions, we may be exposed to changes in stock-based compensation expense that could be material.

Description	Judgments and Uncertainties	Effect If Actual Results Differ From Assumptions
<p><i>Accounting for Income Taxes</i></p> <p>As part of the process of preparing the consolidated financial statements, income taxes are estimated for each of the jurisdictions in which we operate. This process involves estimating actual current tax exposure together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included on the consolidated balance sheets. Valuation allowances may be established when necessary to reduce deferred tax assets to the amount expected to be realized.</p> <p>We regularly evaluate the likelihood of realizing the benefit for income tax positions we have taken in various federal, state and foreign filings by considering all relevant facts, circumstances and information available to us. If we believe it is more likely than not that our position will be sustained, we recognize a benefit at the largest amount that we believe is cumulatively greater than 50% likely to be realized.</p> <p><i>Accounting for Contingencies</i></p> <p>We are subject to various claims and contingencies related to lawsuits, insurance, regulatory and other matters arising out of the normal course of business. We accrue a liability if the likelihood of an adverse outcome is probable and the amount is estimable. If the likelihood of an adverse outcome is only reasonably possible (as opposed to probable), or if an estimate is not determinable, we provide disclosure of a material claim or contingency in the Notes to the Consolidated Financial Statements.</p>	<p>Significant judgment is required in evaluating our tax positions and determining our provision for income taxes. During the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. For example, our effective tax rates could be adversely affected by earnings being lower than anticipated in jurisdictions where we have lower statutory rates and higher than anticipated in jurisdictions where we have higher statutory rates, by changes in the valuation of our deferred tax assets and liabilities or by changes in the relevant tax, accounting and other laws, regulations, principles and interpretations.</p> <p>Unrecognized tax benefits require significant management judgment regarding applicable statutes and their related interpretation and our particular facts and circumstances.</p> <p>Significant judgment is required in evaluating our claims and contingencies, including determining the probability that a liability has been incurred and whether such liability is reasonably estimable. The estimated accruals for claims and contingencies are made based on the best information available, which can be highly subjective.</p>	<p>Although management believes that the income tax related judgments and estimates are reasonable, actual results could differ and we may be exposed to losses or gains that could be material.</p> <p>Upon income tax audit, any unfavorable tax settlement generally would require use of our cash and may result in an increase in our effective income tax rate in the period of resolution. A favorable tax settlement may be recognized as a reduction in our effective income tax rate in the period of resolution.</p> <p>Although management believes that the contingency related judgments and estimates are reasonable, our accrual for claims and contingencies could fluctuate as additional information becomes known, thereby creating variability in our results of operations from period to period. Additionally, actual results could differ and we may be exposed to losses or gains that could be material.</p>

Description	Judgments and Uncertainties	Effect If Actual Results Differ From Assumptions
<p><i>Goodwill and Other Indefinite-lived Intangible Assets</i></p> <p>We test goodwill and other indefinite-lived intangible assets for impairment on an annual basis, or as indicators of impairment are present.</p> <p>We have an option to first assess qualitative factors for our goodwill impairment analysis to determine whether it is necessary to perform the quantitative test based on whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If we choose not to perform the qualitative test, or we determine that it is more likely than not that the fair value of the reporting unit is less than the carrying amount, we perform a quantitative two-step impairment test.</p> <p>We test our indefinite-lived assets by estimating the fair value of the asset and comparing that to the carrying value, an impairment loss is recorded for the amount that carrying value exceeds the estimated fair value. The fair value of the trade names and trademarks is determined using the relief from royalty method, which requires management to make assumptions and to apply judgment, including forecasting future sales, expenses, discount rates and royalty rates.</p> <p><i>Future Incentive Payments</i></p> <p>In conjunction with our acquisition of Blue Tomato in fiscal 2012, there is the possibility of future incentive payments to the sellers and certain employees of Blue Tomato in an aggregate amount of up to 22.1 million Euros (\$25.0 million, using the exchange rate as of January 31, 2015) to the extent that certain financial metrics are met for the fiscal year ending April 30, 2015 and the sellers and certain employees remain employed with Blue Tomato through April 30, 2015. Of the 22.1 million Euros (\$25.0 million) future incentive payments, 17.1 million Euros (\$19.4 million) is payable in cash, while 5.0 million Euros (\$5.7 million) is payable in shares of our common stock. We estimate future incentive payments based on internal projections of future Blue Tomato financial performance.</p>	<p>Our goodwill and other indefinite-lived intangible assets impairment loss calculations contain uncertainties because they require management to make assumptions in the qualitative assessment of relevant events and circumstances and estimating the fair value of our reporting units and indefinite-lived intangible assets, including estimating future cash flows and other inputs. These calculations contain uncertainties because they require management to make assumptions and to apply judgment to estimate economic factors and the profitability of future business operations and if necessary, the fair value of a reporting units' assets and liabilities. Further, our ability to realize the future cash flows used in our fair value calculations is affected by factors such as changes in economic conditions, changes in our operating performance and changes in our business strategies.</p> <p>Our future incentive payments calculation contains uncertainties because it requires management to make assumptions and to apply judgment to estimate future Blue Tomato performance, including forecasting future sales, gross profit, operating expenses, number of new stores and capital expenditures.</p>	<p>We do not believe there is a reasonable likelihood that there will be a material change in the future estimates or assumptions we use to test for impairment losses on goodwill. Based on the results of our annual impairment test for goodwill and other indefinite-lived intangible assets, no impairment was recorded. We believe based on our assessment discussed above our goodwill and other indefinite-lived intangible assets are not at risk of impairment. However, if actual results are not consistent with our estimates or assumptions or there are significant changes in any of these estimates, projections and assumptions could have a material effect of the fair value of these assets in future measurement periods and result in an impairment which could materially affect our results of operations.</p> <p>At January 31, 2015, we estimated that we will be obligated for future incentive payments of 6.0 million Euros (\$6.8 million) of which 3.0 million (\$3.4 million) is payable in cash and 3.0 million (\$3.4 million) is payable in shares of common stock. Although management believes that the judgments and estimates related to the future incentive payments are probable at January 31, 2015, actual results through the end of the performance period could differ and we may be exposed to losses or gains related to the future incentive payments.</p>

Contractual Obligations and Commercial Commitments

There were no material changes outside the ordinary course of business in our contractual obligations during fiscal 2014. The following table summarizes the total amount of future payments due under our contractual obligations at January 31, 2015 (in thousands):

	Total	Fiscal 2015	Fiscal 2016 and Fiscal 2017	Fiscal 2018 and Fiscal 2019	Thereafter
Operating lease obligations (1) . .	\$423,764	\$ 61,452	\$116,311	\$94,528	\$151,473
Purchase obligations (2)	192,949	192,949	—	—	—
Total (3)	<u>\$616,713</u>	<u>\$254,401</u>	<u>\$116,311</u>	<u>\$94,528</u>	<u>\$151,473</u>

- (1) Amounts do not include contingent rent and real estate taxes, insurance, common area maintenance charges and other executory costs obligations. See Note 10, “Commitments and Contingencies,” in the Notes to Consolidated Financial Statements found in Part IV Item 15 of the Form 10-K, for additional information related to our operating leases.
- (2) We have an option to cancel these commitments with no notice prior to shipment, except for certain private label purchase orders in which we are obligated to repay contractual amounts upon cancellation.
- (3) The table above excludes the potential future incentive payments to the sellers and certain employees of Blue Tomato in an aggregate amount of up to 22.1 million Euros (\$25.0 million, using the exchange rate as of January 31, 2015) to the extent that certain financial metrics are met and the sellers and certain employees remain employed with Blue Tomato through April 2015. At January 31, 2015, we estimated that we will be obligated for future incentive payments of 6.0 million (\$6.8 million) of which 3.0 million (\$3.4 million) to be paid in cash and 3.0 million (\$3.4 million) to be paid in common stock. See Note 3, “Business Combination,” in the Notes to Consolidated Financial Statements found in Part IV Item 15 of the Form 10-K, for additional information related to the future incentive payments. Also excluded from the table above are unrecognized tax benefits of \$0.5 million, as we are unable to reasonably estimate the timing of future cash payments, if any, for these liabilities.

Off-Balance Sheet Arrangements

At January 31, 2015, we did not have any off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K.

Impact of Inflation/Deflation

We do not believe that inflation has had a material impact on our net sales or operating results for the past three fiscal years. However, substantial increases in costs, including the price of raw materials, labor, energy and other inputs used in the production of our merchandise, could have a significant impact on our business and the industry in the future. Additionally, while deflation could positively impact our merchandise costs, it could have an adverse effect on our average unit retail price, resulting in lower sales and operating results.

Recent Accounting Pronouncements

See Note 2, “Significant Accounting Policies,” in the Notes to Consolidated Financial Statements found in Part IV Item 15 of this Form 10-K.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

Our earnings are affected by changes in market interest rates as a result of our short-term and long-term marketable securities, which are primarily invested in state and local municipal securities and variable-rate demand notes, which have long-term nominal maturity dates but feature variable interest rates that reset at short-

term intervals. If our current portfolio average yield rate decreased by 10% in fiscal 2014, our net income would have decreased by \$0.1 million. This amount is determined by considering the impact of the hypothetical yield rates on our cash, cash equivalents, short-term and long-term marketable securities balances and assumes no changes in our investment structure.

During different times of the year, due to the seasonality of our business, we may borrow under our revolving credit lines. To the extent we borrow under this revolving credit lines, we are exposed to the market risk related to changes in interest rates. At January 31, 2015, we had no borrowings outstanding under revolving lines of credit and other long-term debt.

Foreign Exchange Rate Risk

Our international subsidiaries operate with functional currencies other than the U.S. dollar. Therefore, we must translate revenues, expenses, assets and liabilities from functional currencies into U.S. dollars at exchange rates in effect during, or at the end of, the reporting period. The fluctuation in the value of the U.S. dollar against other currencies affects the reported amounts of revenues, expenses, assets and liabilities. As we expand our international operations, our exposure to exchange rate fluctuations will increase.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Information with respect to this item is set forth in “Index to the Consolidated Financial Statements,” found in Part IV Item 15 of this Form 10-K.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

Item 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures. We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Securities Exchange Act Rule 13a-15(e)). Based on this evaluation, our CEO and CFO concluded that, as of January 31, 2015, our disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting. There has been no change in our internal control over financial reporting (as defined in Securities Exchange Act Rule 13a-15(f)) during the quarter ended January 31, 2015 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Management’s Annual Report on Internal Control over Financial Reporting. The management of Zumiez Inc. (the “Company”) is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) of the Securities Exchange Act of 1934. The Company’s internal control over financial reporting is a process designed 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.

This process includes policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions of the Company; (ii) 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 (iii) 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 its inherent limitations, internal control over financial reporting may not prevent or detect misstatements, and can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Furthermore, because of changes in conditions, the effectiveness of internal control may vary over time.

The Company's management, with the participation of the Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of the Company's internal control over financial reporting as of January 31, 2015. Management's assessment was based on criteria described in the Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management concluded that the Company's internal control over financial reporting was effective as of January 31, 2015.

The effectiveness of the Company's internal control over financial reporting as of January 31, 2015 has been audited by Moss Adams LLP, the Company's independent registered public accounting firm, as stated in their report, which is included below.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
Zumiez Inc.

We have audited Zumiez Inc.'s (the "Company") internal control over financial reporting 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 Annual 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, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included 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 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 its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that 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, Zumiez Inc. maintained, in all material respects, effective internal control over financial reporting 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.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Zumiez Inc. as of January 31, 2015 and February 1, 2014, and the consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the three years in the period ended January 31, 2015, and our report dated March 17, 2015, expressed an unqualified opinion on those consolidated financial statements.

/s/ Moss Adams LLP

Seattle, Washington
March 17, 2015

Item 9B. OTHER INFORMATION

None.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information regarding our directors and nominees for directorship is presented under the headings “Election of Directors,” in our definitive proxy statement for use in connection with our 2015 Annual Meeting of Shareholders (the “Proxy Statement”) that will be filed within 120 days after our fiscal year ended January 31, 2015 and is incorporated herein by this reference thereto. Information concerning our executive officers is set forth under the heading “Executive Officers” in our Proxy Statement, and is incorporated herein by reference thereto. Information regarding compliance with Section 16(a) of the Exchange Act, our code of conduct and ethics and certain information related to the Company’s Audit Committee, Compensation Committee and Governance Committee is set forth under the heading “Corporate Governance” in our Proxy Statement, and is incorporated herein by reference thereto.

Item 11. EXECUTIVE COMPENSATION

Information regarding the compensation of our directors and executive officers and certain information related to the Company’s Compensation Committee is set forth under the headings “Executive Compensation,” “Director Compensation,” “Compensation Discussion and Analysis,” “Report of the Compensation Committee of the Board of Directors” and “Compensation Committee Interlocks and Insider Participation” in our Proxy Statement, and is incorporated herein by this reference thereto.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS, AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS

Information with respect to security ownership of certain beneficial owners and management is set forth under the headings “Security Ownership of Certain Beneficial Owners and Management” and “Equity Compensation Plan Information” in our Proxy Statement, and is incorporated herein by this reference thereto.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information regarding certain relationships and related transactions and director independence is presented under the heading “Corporate Governance” in our Proxy Statement, and is incorporated herein by this reference thereto.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information concerning principal accounting fees and services is presented under the heading “Fees Paid to Independent Registered Public Accounting Firm for Fiscal 2014 and 2013” in our Proxy Statement, and is incorporated herein by this reference thereto.

PART IV

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a)(1) Consolidated Financial Statements

(2) Consolidated Financial Statement Schedules:

All financial statement schedules are omitted because the required information is presented either in the consolidated financial statements or notes thereto, or is not applicable, required or material.

(3) Exhibits included or incorporated herein:

See Exhibit Index.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm	47
Consolidated Balance Sheets	48
Consolidated Statements of Income	49
Consolidated Statements of Comprehensive Income	50
Consolidated Statements of Changes in Shareholders' Equity	51
Consolidated Statements of Cash Flows	52
Notes to Consolidated Financial Statements	53

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
Zumiez Inc.

We have audited the accompanying consolidated balance sheets of Zumiez Inc. (the “Company”) as of January 31, 2015 and February 1, 2014, and the related consolidated statements of income, comprehensive income, changes in shareholders’ equity and cash flows for each of the three years in the period ended January 31, 2015. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Zumiez Inc. as of January 31, 2015 and February 1, 2014, and the consolidated results of its operations and its cash flows for each of the three years in the period ended January 31, 2015, in conformity with generally accepted accounting principles in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Zumiez Inc.’s internal control over financial reporting 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 and our report dated March 17, 2015 expressed an unqualified opinion thereon.

/s/ Moss Adams LLP

Seattle, Washington
March 17, 2015

ZUMIEZ INC.
CONSOLIDATED BALANCE SHEETS
(In thousands)

	<u>January 31,</u> <u>2015</u>	<u>February 1,</u> <u>2014</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 20,862	\$ 19,634
Marketable securities	133,782	97,521
Receivables	12,653	10,294
Inventories	93,850	87,182
Prepaid expenses and other	11,651	10,021
Deferred tax assets	6,965	5,194
Total current assets	<u>279,763</u>	<u>229,846</u>
Fixed assets, net	135,642	127,343
Goodwill	55,852	64,195
Intangible assets, net	13,062	17,970
Long-term other assets	9,386	4,049
Total long-term assets	<u>213,942</u>	<u>213,557</u>
Total assets	<u>\$493,705</u>	<u>\$443,403</u>
Liabilities and Shareholders' Equity		
Current liabilities		
Trade accounts payable	\$ 32,094	\$ 18,343
Accrued payroll and payroll taxes	13,047	10,581
Income taxes payable	4,651	4,696
Deferred rent and tenant allowances	7,083	6,478
Other liabilities	24,572	21,276
Total current liabilities	<u>81,447</u>	<u>61,374</u>
Long-term deferred rent and tenant allowances	42,553	37,658
Long-term deferred tax liabilities	5,738	4,649
Long-term debt and other liabilities	4,443	4,068
Total long-term liabilities	<u>52,734</u>	<u>46,375</u>
Total liabilities	<u>134,181</u>	<u>107,749</u>
Commitments and contingencies (Note 10)		
Shareholders' equity		
Preferred stock, no par value, 20,000 shares authorized; none issued and outstanding . . .	—	—
Common stock, no par value, 50,000 shares authorized; 29,418 shares issued and outstanding at January 31, 2015 and 29,619 shares issued and outstanding at February 1, 2014	129,094	114,983
Accumulated other comprehensive income	(11,278)	4,710
Retained earnings	241,708	215,961
Total shareholders' equity	<u>359,524</u>	<u>335,654</u>
Total liabilities and shareholders' equity	<u>\$493,705</u>	<u>\$443,403</u>

See accompanying notes to consolidated financial statements

ZUMIEZ INC.
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share amounts)

	Fiscal Year Ended		
	January 31, 2015	February 1, 2014	February 2, 2013
Net sales	\$811,551	\$724,337	\$669,393
Cost of goods sold	524,468	462,577	428,109
Gross profit	287,083	261,760	241,284
Selling, general and administrative expenses	215,512	188,918	172,742
Operating profit	71,571	72,842	68,542
Interest income, net	637	711	1,410
Other (expense) income, net	(557)	(1,589)	327
Earnings before income taxes	71,651	71,964	70,279
Provision for income taxes	28,459	26,016	28,115
Net income	<u>\$ 43,192</u>	<u>\$ 45,948</u>	<u>\$ 42,164</u>
Basic earnings per share	<u>\$ 1.50</u>	<u>\$ 1.54</u>	<u>\$ 1.37</u>
Diluted earnings per share	<u>\$ 1.47</u>	<u>\$ 1.52</u>	<u>\$ 1.35</u>
Weighted average shares used in computation of earnings per share:			
Basic	28,871	29,810	30,742
Diluted	29,288	30,206	31,273

See accompanying notes to consolidated financial statements

ZUMIEZ INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

	<u>Fiscal Year Ended</u>		
	<u>January 31, 2015</u>	<u>February 1, 2014</u>	<u>February 2, 2013</u>
Net income	\$ 43,192	\$45,948	\$42,164
Other comprehensive (loss) income, net of tax and reclassification adjustments:			
Foreign currency translation	(15,995)	(1,231)	6,040
Net change in unrealized gain/loss on available-for-sale investments	7	(69)	(165)
Other comprehensive (loss) income, net	<u>(15,988)</u>	<u>(1,300)</u>	<u>5,875</u>
Comprehensive income	<u>\$ 27,204</u>	<u>\$44,648</u>	<u>\$48,039</u>

See accompanying notes to consolidated financial statements

ZUMIEZ INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(In thousands)

	Common Stock		Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
	Shares	Amount			
Balance at January 28, 2012	31,170	\$ 99,412	\$ 135	\$172,730	\$272,277
Net income	—	—	—	42,164	42,164
Other comprehensive income, net	—	—	5,875	—	5,875
Issuance and exercise of stock-based compensation, including net tax benefit of \$2,094	209	2,952	—	—	2,952
Stock-based compensation expense	—	5,996	—	—	5,996
Repurchase of common stock	(1,265)	—	—	(25,843)	(25,843)
Balance at February 2, 2013	30,114	\$108,360	\$ 6,010	\$189,051	\$303,421
Net income	—	—	—	45,948	45,948
Other comprehensive income, net	—	—	(1,300)	—	(1,300)
Issuance and exercise of stock-based compensation, including net tax benefit of \$1,232	344	2,529	—	—	2,529
Stock-based compensation expense	—	4,094	—	—	4,094
Repurchase of common stock	(839)	—	—	(19,038)	(19,038)
Balance at February 1, 2014	29,619	\$114,983	\$ 4,710	\$215,961	\$335,654
Net income	—	—	—	43,192	43,192
Other comprehensive loss, net	—	—	(15,988)	—	(15,988)
Issuance and exercise of stock-based compensation, including net tax benefit of \$1,355	557	6,591	—	—	6,591
Stock-based compensation expense	—	7,520	—	—	7,520
Repurchase of common stock	(758)	—	—	(17,445)	(17,445)
Balance at January 31, 2015	29,418	\$129,094	\$(11,278)	\$241,708	\$359,524

See accompanying notes to consolidated financial statements

ZUMIEZ INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Fiscal Year Ended		
	January 31, 2015	February 1, 2014	February 2, 2013
Cash flows from operating activities:			
Net income	\$ 43,192	\$ 45,948	\$ 42,164
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization and accretion	29,167	26,596	22,957
Deferred taxes	(610)	(978)	(1,630)
Stock-based compensation expense	7,520	4,094	5,996
Excess tax benefit from stock-based compensation	(1,355)	(1,232)	(2,094)
Lease termination costs	(55)	405	1,397
Other	1,164	1,842	389
Changes in operating assets and liabilities:			
Receivables	(2,990)	(739)	(2,568)
Inventories	(10,850)	(9,968)	(2,987)
Prepaid expenses and other	(4,702)	(1,789)	(1,125)
Trade accounts payable	14,744	1,714	(5,626)
Accrued payroll and payroll taxes	2,718	(426)	1,207
Income taxes payable	(23)	(1,484)	1,843
Deferred rent and tenant allowances	5,937	2,367	5,469
Other liabilities	6,080	544	833
Net cash provided by operating activities	<u>89,937</u>	<u>66,894</u>	<u>66,225</u>
Cash flows from investing activities:			
Additions to fixed assets	(35,758)	(35,969)	(41,070)
Acquisitions, net of cash acquired	—	—	(70,711)
Purchases of marketable securities and other investments	(125,971)	(124,129)	(121,003)
Sales and maturities of marketable securities and other investments	87,856	110,479	191,705
Net cash used in investing activities	<u>(73,873)</u>	<u>(49,619)</u>	<u>(41,079)</u>
Cash flows from financing activities:			
Proceeds from long-term debt and revolving credit facilities	6,943	4,182	—
Payments on long-term debt, revolving credit facilities, and other liabilities	(9,009)	(4,488)	(258)
Repurchase of common stock	(19,557)	(17,556)	(25,213)
Proceeds from exercise of stock-based compensation, net of withholding tax payments	6,335	1,397	858
Excess tax benefit from stock-based compensation	1,355	1,232	2,094
Net cash used in financing activities	<u>(13,933)</u>	<u>(15,233)</u>	<u>(22,519)</u>
Effect of exchange rate changes on cash and cash equivalents	(903)	13	173
Net increase in cash and cash equivalents	1,228	2,055	2,800
Cash and cash equivalents, beginning of period	19,634	17,579	14,779
Cash and cash equivalents, end of period	<u>\$ 20,862</u>	<u>\$ 19,634</u>	<u>\$ 17,579</u>
Supplemental disclosure on cash flow information:			
Cash paid during the period for income taxes	\$ 28,770	\$ 28,105	\$ 27,840
Accrual for purchases of fixed assets	2,372	1,491	1,942
Accrual for repurchase of common stock	—	2,112	630

See accompanying notes to consolidated financial statements

ZUMIEZ INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Business and Basis of Presentation

Nature of Business—Zumiez Inc., including its wholly-owned subsidiaries, (the “Company,” “we,” “us,” “its” and “our”) is a leading multi-channel specialty retailer of apparel, footwear, accessories and hardgoods rooted in youth culture as expressed through music, art, fashion and action sports lifestyle for young men and women. At January 31, 2015, we operated 603 stores; 550 in the United States (“U.S.”), 35 in Canada and 18 in Europe. We operate under the names Zumiez and Blue Tomato. Additionally, we operate ecommerce websites at www.zumiez.com and www.blue-tomato.com.

Fiscal Year—We use a fiscal calendar widely used by the retail industry that results in a fiscal year consisting of a 52- or 53-week period ending on the Saturday closest to January 31. Each fiscal year consists of four 13-week quarters, with an extra week added to the fourth quarter every five or six years. The fiscal years ended January 31, 2015 and February 1, 2013 were 52-week periods. The fiscal year ended February 2, 2013 was a 53-week period.

Basis of Presentation—The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”). The consolidated financial statements include the accounts of Zumiez Inc. and its wholly-owned subsidiaries. All significant intercompany transactions and balances are eliminated in consolidation.

Correction of an Error—Included in cost of goods sold for the fiscal year ended February 1, 2014 was a \$2.7 million benefit representing the correction of an error in prior periods related to our calculation to account for rent expense on a straight-line basis. The correction was not material to any previously reported financial period or to the fiscal year ended February 1, 2014.

2. Summary of Significant Accounting Policies

Use of Estimates—The preparation of financial statements in conformity with U.S. GAAP requires estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements as well as the reported amounts of revenues and expenses during the reporting period. These estimates can also affect supplemental information disclosed by us, including information about contingencies, risk and financial condition. Actual results could differ from these estimates and assumptions.

Fair Value of Financial Instruments—We disclose the estimated fair value of our financial instruments. Financial instruments are generally defined as cash, evidence of ownership interest in an entity or a contractual obligation that both conveys to one entity a right to receive cash or other financial instruments from another entity and imposes on the other entity the obligation to deliver cash or other financial instruments to the first entity. Our financial instruments, other than those presented in Note 11, “Fair Value Measurements,” include cash and cash equivalents, receivables, payables and other liabilities. The carrying amounts of cash and cash equivalents, receivables, payables and other liabilities approximate fair value because of the short-term nature of these instruments.

Cash and Cash Equivalents—We consider all highly liquid investments with original maturity of three months or less when purchased to be cash equivalents.

Concentration of Risk—We maintain our cash and cash equivalents in accounts with major financial institutions in the form of demand deposits, money market accounts and state and local municipal securities. Deposits in these financial institutions may exceed the amount of federal deposit insurance provided on such deposits. We have not experienced any losses on our deposits of cash and cash equivalents.

Marketable Securities—Our marketable securities primarily consist of state and local municipal securities and variable-rate demand notes. Variable-rate demand notes are considered highly liquid. Although the variable-rate demand notes have long-term nominal maturity dates, the interest rates generally reset weekly. Despite the long-term nature of the underlying securities of the variable-rate demand notes, we have the ability to quickly liquidate these securities, which have an embedded put option that allows the bondholder to sell the security at par plus accrued interest.

Investments are considered to be impaired when a decline in fair value is determined to be other-than-temporary. If the cost of an investment exceeds its fair value, we evaluate information about the underlying investment that is publicly available such as analyst reports, applicable industry data and other pertinent information and assess our intent and ability to hold the security. For fixed-income securities, we also evaluate whether we have plans to sell the security or it is more likely than not we will be required to sell the security before recovery. The investment would be written down to its fair value at the time the impairment is deemed to have occurred and a new cost basis is established. Future adverse changes in market conditions, continued poor operating results of underlying investments or other factors could result in further losses that may not be reflected in an investment's current carrying value, possibly requiring an additional impairment charge in the future.

Inventories—Merchandise inventories are valued at the lower of cost or fair market value. The cost of merchandise inventories are based upon an average cost methodology. Merchandise inventories may include items that have been written down to our best estimate of their net realizable value. Our decisions to write-down our merchandise inventories are based on their current rate of sale, the age of the inventory, the profitability of the inventory and other factors. We have reserved for inventory at January 31, 2015 and February 1, 2014 in the amounts of \$3.7 million and \$2.9 million. The inventory reserve includes inventory whose estimated market value is below cost and an estimate for inventory shrinkage. We estimate an inventory shrinkage reserve for anticipated losses for the period. Shrinkage refers to a reduction in inventory due to shoplifting, employee theft and other matters. The inventory related to these reserves is not marked up in subsequent periods.

Fixed Assets—Fixed assets primarily consist of leasehold improvements, fixtures, land, buildings, computer equipment, software and store equipment. Fixed assets are stated at cost less accumulated depreciation utilizing the straight-line method over the assets' estimated useful lives. The useful lives of our major classes of fixed assets are as follows:

Leasehold improvements	Lesser of 10 years or the term of the lease
Fixtures	3 to 7 years
Computer equipment, software, store equipment & other	3 to 5 years
Buildings and building and land improvements	15 to 39 years

The cost and related accumulated depreciation of assets sold or otherwise disposed of is removed from the accounts and the related gain or loss is recorded in selling, general and administrative expenses on the consolidated statements of income.

Valuation of Long-Lived Assets—We review the carrying value of long-lived assets for impairment when factors and circumstances indicate that the carrying values may not be recoverable. Recoverability of assets to be held and used is determined by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered impaired, the impairment recognized is measured by comparing projected discounted cash flow of the asset to the asset carrying values. The estimation of future cash flows from operating activities requires significant judgments of factors that include future sales, gross profit and operating expenses. Impairment charges are included in selling, general and administrative expenses on the consolidated statements of income.

Goodwill—Goodwill represents the excess of purchase price over the fair value of acquired tangible and identifiable intangible net assets. We test goodwill for impairment on an annual basis or more frequently if

indicators of impairment are present. We perform our annual impairment measurement test on the first day of the fourth quarter. Events that may trigger an early impairment review include significant changes in the current business climate, future expectations of economic conditions, declines in our operating results of our reporting units, or an expectation that the carrying amount may not be recoverable.

We have an option to test goodwill for impairment by first performing a qualitative assessment to determine whether it is more likely than not that the fair value of the reporting unit is less than the carrying amount. If it is more likely than not that the fair value of the reporting unit is less than the carrying amount or if we choose not to perform the qualitative assessment, we perform a quantitative two-step impairment test. The first step compares the fair value of the reporting unit with its carrying amount of net assets, including goodwill. If the carrying amount exceeds fair value, then the second step of the impairment test is performed to measure the amount of impairment loss, if any. The second step includes estimating the fair value of the reporting unit by taking all of the tangible and intangible assets of the reporting unit as if the reporting unit had been acquired in a business combination. Then, the implied fair value of the reporting unit's goodwill is compared to the carrying amount of that goodwill. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of the goodwill, we recognize an impairment loss in an amount equal to the excess, not to exceed the carrying amount.

We generally determine the fair value of each of our reporting units based on a blended analysis of the present value of future discounted cash flows and market valuation approach using a multiple of an average annual earnings. Key assumptions used in this calculation include revenue growth, operating expenses, long-term rate of growth and the probability of the reporting unit, working capital impacts and a discount rate that we believe a buyer would assume when determining a purchase price for the reporting unit. Estimates of revenue growth and operating expenses are based on internal projections considering a reporting unit's past performance and forecasted growth, local market economics and the local business environment impacting the reporting unit's performance. These estimates are highly subjective judgments and can be significantly impacted by changes in the business or economic conditions.

Intangible Assets—Our intangible assets consist of trade names and trademarks with indefinite lives and certain definite-lived intangible assets. We test our indefinite-lived intangible assets for impairment on an annual basis, or more frequently if indicators of impairment are present. We test our indefinite-lived assets by estimating the fair value of the asset and comparing that to the carrying value, an impairment loss is recorded for the amount that carrying value exceeds the estimated fair value. The fair value of the trade names and trademarks is determined using the relief from royalty method. This method assumes that the trade name and trademarks have value to the extent that their owner is relieved of the obligation to pay royalties for the benefits received from them. The assumptions used in this method requires management judgment and estimates in forecasting future sales, expenses, discount rates, and royalty rates.

Definite-lived intangible assets, which consist of developed technology and customer relationships, are amortized using the straight-line method over their estimated useful lives. Additionally, we test the definite-lived intangible assets when facts and circumstances indicate that the carrying values may not be recoverable. We first assess the recoverability of our definite-lived intangible assets by comparing the undiscounted cash flows of the definite-lived asset less its carrying value. If the undiscounted cash flows are less than the carrying value, we then determine the estimated fair value of our definite-lived asset by taking the estimated future operating cash flows derived from the operation to which the asset relates over its remaining useful life, using a discounted cash flow analysis and comparing it to the carrying value. Any impairment would be measured as the difference between the carrying amount and the estimated fair value. Changes in any of these estimates, projections and assumptions could have a material effect of the fair value of these assets in future measurement periods and result in an impairment which could materially affect our results of operations.

Deferred Rent, Rent Expense and Tenant Allowances—We lease our stores and certain corporate and other operating facilities under operating leases. A majority of our leases provide for ongoing co-tenancy requirements or early cancellation clauses that would further lower rental rates, or permit lease terminations, or

both, in the event that co-tenants cease to operate for specific periods or if certain sales levels are not met in specific periods. Most of the store leases require payment of a specified minimum rent and a contingent rent based on a percentage of the store's net sales in excess of a specified threshold, as well as real estate taxes, insurance, common area maintenance charges and other executory costs. Most of the lease agreements have defined escalating rent provisions, which are straight-lined over the term of the related lease. We recognize rent expense over the term of the lease, plus the construction period prior to occupancy of the retail location. For certain locations, we receive tenant allowances and report these amounts as a liability, which is amortized as a reduction to rent expense over the term of the lease.

Claims and Contingencies—We are subject to various claims and contingencies related to lawsuits, insurance, regulatory and other matters arising out of the normal course of business. We accrue a liability if the likelihood of an adverse outcome is probable and the amount is estimable. If the likelihood of an adverse outcome is only reasonably possible (as opposed to probable), or if an estimate is not determinable, we provide disclosure of a material claim or contingency in the Notes to the Consolidated Financial Statements.

Revenue Recognition—Sales are recognized upon purchase at our retail store locations. For our ecommerce sales, revenue is recognized upon estimated delivery to the customer. Taxes collected from our customers are recorded on a net basis. We record the sale of gift cards as a current liability and recognize revenue when a customer redeems a gift card. Additionally, the portion of gift cards that will not be redeemed (“gift card breakage”) is recognized in net sales after 24 months, at which time the likelihood of redemption is considered remote based on our historical redemption patterns. For the fiscal years ended January 31, 2015, February 1, 2014 and February 2, 2013, we recorded net sales related to gift card breakage income of \$0.9 million, \$0.8 million and \$0.7 million. Revenue is recorded net of estimated and actual sales returns and deductions for promotions. We accrue for estimated sales returns by customers based on historical sales return results. The allowance for sales returns at January 31, 2015 and February 1, 2014 was \$2.0 million and \$1.6 million.

We have a customer loyalty program, the Zumiez Stash, which allows members to earn points for purchases or performance of certain activities. The points can be redeemed for a broad range of rewards, including product and experiential rewards. Points earned for purchases are recorded as a reduction of net sales based on the fair value of the points at the time the points are earned and the revenue is recognized upon redemption of points for rewards. Points earned for the performance of activities are recorded as marketing expense based on the estimated cost of the points.

Cost of Goods Sold—Cost of goods sold consists of branded merchandise costs and our private label merchandise costs including design, sourcing, importing and inbound freight costs. Our cost of goods sold also includes shrinkage, buying, occupancy, ecommerce fulfillment, distribution and warehousing costs (including associated depreciation) and freight costs for store merchandise transfers. Cash consideration received from vendors is reported as a reduction of cost of goods sold if the inventory has sold, a reduction of the carrying value of the inventory if the inventory is still on hand, or a reduction of selling, general and administrative expense if the amounts are reimbursements of specific, incremental and identifiable costs of selling the vendors' products.

Shipping Revenue and Costs—We include shipping revenue related to ecommerce sales in net sales and the related freight cost is charged to cost of goods sold.

Selling, General and Administrative Expense—Selling, general and administrative expenses consist primarily of store personnel wages and benefits, administrative staff and infrastructure expenses, freight costs for merchandise shipments from the distribution centers to the stores, store supplies, depreciation on fixed assets at the home office and stores, facility expenses, training expenses and advertising and marketing costs. Credit card fees, insurance, public company expenses, legal expenses, amortization of intangibles assets and other miscellaneous operating costs are also included in selling, general and administrative expenses.

Advertising—We expense advertising costs as incurred, except for catalog costs, which are expensed once the catalog is mailed. Advertising expenses are net of sponsorships and vendor reimbursements. Advertising expense was \$9.4 million, \$8.7 million and \$6.0 million for the fiscal years ended January 31, 2015, February 1, 2014 and February 2, 2013.

Future Incentive Payments—In conjunction with our acquisition of Blue Tomato during the fiscal year ended February 2, 2013, there is the possibility of future incentive payments to the sellers and certain employees of Blue Tomato in an aggregate amount of up to 22.1 million Euros (\$25.0 million, using the exchange rate as of January 31, 2015) to the extent that certain financial metrics are met and the sellers and certain employees remain employed with Blue Tomato through April 2015. We estimate future incentive payments based on internal projections of future Blue Tomato financial performance.

Stock-Based Compensation—We account for stock-based compensation by recording the estimated fair value of stock-based awards granted as compensation expense over the vesting period, net of estimated forfeitures. Stock-based compensation expense is attributed to earnings using an accelerated method for stock options and a straight-line method for restricted stock. We estimate forfeitures of stock-based awards based on historical experience and expected future activity.

The fair value of restricted stock awards is measured based on the closing price of our common stock on the date of grant. The fair value of stock option grants is estimated on the date of grant using the Black-Scholes option pricing model based on the following assumptions:

Volatility—This is a measure of the amount by which a stock price has fluctuated or is expected to fluctuate. We use actual daily historical changes in the market value of our stock equal to the expected term of the option.

Risk-free interest rate—This is the U.S. Treasury rate as of the grant date having a term equal to the expected term of the option.

Expected term—The expected term was calculated using the simplified method. Under this method, the expected term is equal to the sum of the weighted average vesting term plus the original contractual term divided by two. We have elected this method as we have concluded that we do not have sufficient historical exercise data to provide a reasonable basis upon which to estimate expected term due to the limited period of time our equity shares have been publicly traded.

Dividend yield—We do not have plans to pay dividends in the foreseeable future.

The following weighted-average assumptions were used to estimate the fair value of stock options granted:

	Fiscal Year Ended		
	January 31, 2015	February 1, 2014	February 2, 2013
Dividend yield	0.0%	0.0%	0.0%
Volatility rate	63.7%	66.4%	66.7%
Weighted-average expected life (in years)	6.25	6.25	6.25
Weighted-average risk-free interest rate	1.9%	1.1%	1.1%
Weighted-average fair value per share of stock options granted	\$15.26	\$15.07	\$19.40

Common Stock Share Repurchases—We may repurchase shares of our common stock under authorizations made from time to time by our Board of Directors. Under applicable Washington State law, shares repurchased are retired and not displayed separately as treasury stock on the consolidated financial statements. Instead, the value of repurchased shares is deducted from retained earnings.

Income Taxes—We use the asset and liability method of accounting for income taxes. Using this method, deferred tax assets and liabilities are recorded based on the differences between the financial reporting and tax basis of assets and liabilities. The deferred tax assets and liabilities are calculated using the enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse. We routinely evaluate the likelihood of realizing the benefit of our deferred tax assets and may record a valuation allowance if, based on all available evidence, it is determined that it is more likely than not that all or some portion of the deferred tax benefit will not to be realized.

We regularly evaluate the likelihood of realizing the benefit for income tax positions that we have taken in various federal, state and foreign filings by considering all relevant facts, circumstances and information available. If we believe it is more likely than not that our position will be sustained, we recognize a benefit at the largest amount that we believe is cumulatively greater than 50% likely to be realized. Interest and penalties related to income tax matters are classified as a component of income tax expense. Unrecognized tax benefits are recorded in other liabilities and long-term debt and other liabilities on the consolidated balance sheets.

Our tax provision for interim periods is determined using an estimate of our annual effective rate, adjusted for discrete items, if any, that are taken into account in the relevant period. As the fiscal year progresses, we periodically refine our estimate based on actual events and earnings by jurisdiction. This ongoing estimation process can result in changes to our expected effective tax rate for the full fiscal year. When this occurs, we adjust the income tax provision during the quarter in which the change in estimate occurs so that our year-to-date provision equals our expected annual rate.

Earnings per Share—Basic earnings per share is based on the weighted average number of common shares outstanding during the period. The dilutive effect of stock options and restricted stock is applicable only in periods of net income. Diluted earnings per share is based on the weighted average number of common shares and common share equivalents outstanding during the period. Common share equivalents included in the computation represent shares issuable upon assumed exercise of outstanding stock options, employee stock purchase plan funds held to acquire stock and non-vested restricted stock. Potentially anti-dilutive securities not included in the calculation of diluted earnings per share are options to purchase common stock where the option exercise price is greater than the average market price of our common stock during the period reported.

Foreign Currency Translation—Assets and liabilities denominated in foreign currencies were translated into U.S. dollars, the reporting currency, at the exchange rate prevailing at the balance sheet date. Revenue and expenses denominated in foreign currencies were translated into U.S. dollars at the monthly average exchange rate for the period and the translation adjustments are reported as an element of accumulated other comprehensive income on the consolidated balance sheets.

Segment Reporting—We identify our operating segments according to how our business activities are managed and evaluated. Our operating segments have been aggregated and are reported as one reportable segment based on the similar nature of products sold, production, merchandising and distribution processes involved, target customers and economic characteristics.

Recently Adopted Accounting Standards— In August 2014, the Financial Accounting Standards Board (“FASB”) issued new guidance which provides details on when and how to disclose going concern uncertainties. The new standard requires management to perform interim and annual assessments of an entity’s ability to continue as a going concern within one year and to provide certain footnote disclosures if conditions or events raise substantial doubt about an entity’s ability to continue as a going concern. The new standard is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2016, with early adoption permitted. We do not expect the adoption of this standard to have a material impact on our consolidated financial statements.

In June 2014, the FASB issued guidance which requires that a performance target that affects vesting and could be achieved after the requisite service period be treated as a performance condition. The guidance allows for a prospective adoption to all awards granted or modified after the effective date or retrospective adoption to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statement and to all new or modified awards thereafter. This guidance is effective for fiscal years and interim periods within those years beginning after December 15, 2015, with early adoption permitted. We early adopted this guidance for the fiscal quarter ended August 2, 2014 and the adoption did not have a material impact on our consolidated financial statements.

In May 2014, the FASB issued a comprehensive new revenue recognition standard. The new standard allows for a full retrospective approach to transition or a modified retrospective approach. This guidance is effective for fiscal years and interim periods within those years beginning after December 15, 2016. We will adopt this guidance for the fiscal quarter ending April 29, 2017. We are currently evaluating the method of adoption we plan to use and the effect the standard is expected to have on our financial position, results of operations and cash flows.

In April 2014, the FASB issued guidance that changes the criteria for reporting discontinued operations, as well as requiring new disclosures about discontinued operations and disposals of components of an entity that do not qualify for discontinued operations reporting. This guidance is effective for fiscal years beginning after December 15, 2014, with early adoption permitted for disposals that have not been reported in financial statements previously issued. We will adopt this guidance for the fiscal quarter ending May 2, 2015 and we do not expect the adoption will have a material impact on our consolidated financial statements.

3. Business Combination

Blue Tomato—On July 4, 2012, we acquired 100% of the outstanding stock of Blue Tomato for cash consideration of 59.5 million Euros (\$74.8 million). Blue Tomato is a leading European multi-channel retailer for board sports and related apparel and footwear and the acquisition allows us to enter into the European marketplace.

In addition, there is the possibility of future incentive payments to the sellers and certain employees of Blue Tomato in an aggregate amount of up to 22.1 million Euros (\$25.0 million, using the exchange rate as of January 31, 2015) to the extent that certain financial metrics are met related to (i) the obtainment of certain EBITDA performance of Blue Tomato for the twelve months ending April 30, 2015 and (ii) the opening and performance of certain defined incremental stores in the European market by April 30, 2015. The payout of the financial incentive payments requires that the sellers and certain employees remain employed with Blue Tomato through April 30, 2015. Of the 22.1 million Euros future incentive payments, 17.1 million Euros (\$19.4 million) is payable in cash, while 5.0 million Euros (\$5.7 million) is payable in shares of our common stock. Our future incentive payments calculation requires estimates of future Blue Tomato performance, including forecasting future sales, gross profit, operating expenses, number of new stores and capital expenditures. We account for the estimated future incentive payments as compensation expense, which is included in selling, general and administrative expense on the consolidated statements of income, and recognize this amount ratably over the term of service through April 2015.

At January 31, 2015, we estimated that it was probable that Blue Tomato will achieve the metrics related to the opening and performance of certain defined incremental stores and we will be obligated to pay 6.0 million Euros (\$6.8 million) for future incentive payments of which 3.0 million Euros (\$3.4 million) will be payable in cash and 3.0 million Euros (\$3.4 million) will be payable in shares of our common stock. This was primarily due to strong performance in the European operations, driven by a \$15.7 million or 32.4% increase in net sales during fiscal 2014 compared to fiscal 2013, increased performance of certain incremental stores, and strengthening macro-economic factors. Our Blue Tomato operations are seasonal, with the largest portion of net sales and net income occurring in the fourth fiscal quarter. As a result of strong performance in the fourth quarter of fiscal 2014, driven by sales of winter related goods, we estimated at January 31, 2015 that the Blue Tomato business will achieve the metrics related to the opening and performance of certain defined incremental stores. For the fiscal year ended January 31, 2015, we recorded an expense for future incentive payments of \$6.4 million.

At February 1, 2014, we estimated that we would not be obligated for future incentive payments and reversed \$5.8 million of previously recorded expense associated with the future incentive payments. We determined in the fourth quarter of fiscal 2013 based on the internal projections, which considered historical performance, forecasted store openings and macro-economic factors, that the financial metrics were not expected to be met to achieve the payout of the financial incentive payments. Due to the difficult retail environment in fiscal 2013 and the fiscal 2014 outlook, we did not anticipate we would be obligated to pay a portion of the future incentive payments. For the fiscal year ended February 2, 2013, we recorded an expense for future incentive payments of \$2.3 million.

4. Goodwill and Intangible Assets

The following tables summarize the changes in the carrying amount of goodwill (in thousands):

Balance as of February 2, 2013	\$ 64,576
Effects of foreign currency translation	<u>(381)</u>
Balance as of February 1, 2014	64,195
Effects of foreign currency translation	<u>(8,343)</u>
Balance as of January 31, 2015	<u><u>\$ 55,852</u></u>

There was no impairment of goodwill for the fiscal years ended January 31, 2015, February 1, 2014 and February 2, 2013.

The following table summarizes the gross carrying amount, accumulated amortization and the net carrying amount of intangible assets (in thousands):

	<u>January 31, 2015</u>		
	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Intangible Assets, Net</u>
Intangible assets not subject to amortization:			
Trade names and trademarks	\$12,226	\$ —	\$12,226
Intangible assets subject to amortization:			
Developed technology	3,396	2,925	471
Customer relationships	<u>2,516</u>	<u>2,151</u>	<u>365</u>
Total intangible assets	<u><u>\$18,138</u></u>	<u><u>\$5,076</u></u>	<u><u>\$13,062</u></u>
	<u>February 1, 2014</u>		
	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Intangible Assets, Net</u>
Intangible assets not subject to amortization:			
Trade names and trademarks	\$14,615	\$ —	\$14,615
Intangible assets subject to amortization:			
Developed technology	4,060	2,143	1,917
Customer relationships	<u>3,008</u>	<u>1,570</u>	<u>1,438</u>
Total intangible assets	<u><u>\$21,683</u></u>	<u><u>\$3,713</u></u>	<u><u>\$17,970</u></u>

There was no impairment of intangible assets for the fiscal years ended January 31, 2015, February 1, 2014 and February 2, 2013.

Amortization expense of intangible assets for the fiscal years ended January 31, 2015, February 1, 2014 and February 2, 2015 was \$2.3 million, \$2.3 million and \$1.3 million. Amortization expense of intangible assets is recorded in selling, general and administrative expense on the consolidated statements of income. The future amortization expense of intangible assets will be \$0.8 million in fiscal 2015.

5. Cash, Cash Equivalents and Marketable Securities

The following tables summarize the estimated fair value of our cash, cash equivalents and marketable securities and the gross unrealized holding gains and losses (in thousands):

	January 31, 2015			
	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value
Cash and cash equivalents:				
Cash	\$ 10,251	\$—	\$ —	\$ 10,251
Money market funds	7,061	—	—	7,061
State and local government securities	3,550	—	—	3,550
Total cash and cash equivalents	<u>20,862</u>	<u>—</u>	<u>—</u>	<u>20,862</u>
Marketable securities:				
State and local government securities	102,888	73	(186)	102,775
Variable-rate demand notes	31,830	—	—	31,830
Total marketable securities	<u>\$134,718</u>	<u>\$ 73</u>	<u>\$(186)</u>	<u>\$134,605</u>
Less: Long-term marketable securities (1)				(823)
Total current marketable securities				<u>\$133,782</u>
February 1, 2014				
	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value
Cash and cash equivalents:				
Cash	\$ 17,973	\$—	\$ —	\$ 17,973
Money market funds	1,211	—	—	1,211
State and local government securities	450	—	—	450
Total cash and cash equivalents	<u>19,634</u>	<u>—</u>	<u>—</u>	<u>19,634</u>
Marketable securities:				
State and local government securities	72,968	64	(191)	72,841
Variable-rate demand notes	25,505	—	—	25,505
Total marketable securities	<u>\$ 98,473</u>	<u>\$ 64</u>	<u>\$(191)</u>	<u>\$ 98,346</u>
Less: Long-term marketable securities (1)				(825)
Total current marketable securities				<u>\$ 97,521</u>

(1) At January 31, 2015 and February 1, 2014, we held one auction rate security, classified as available-for-sale marketable securities and included in long-term other assets on the consolidated balance sheets.

All of our available-for-sale securities, excluding our auction rate security, have an effective maturity date of two years or less and may be liquidated, at our discretion, prior to maturity.

The following tables summarize the gross unrealized holding losses and fair value for investments in an unrealized loss position, and the length of time that individual securities have been in a continuous loss position (in thousands):

	January 31, 2015					
	Less Than Twelve Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Marketable securities:						
State and local government securities	\$27,701	\$ (9)	\$ 823	\$(177)	\$28,524	\$(186)
Total marketable securities	<u>\$27,701</u>	<u>\$ (9)</u>	<u>\$ 823</u>	<u>\$(177)</u>	<u>\$28,524</u>	<u>\$(186)</u>

	February 1, 2014					
	Less Than Twelve Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Marketable securities:						
State and local government securities	\$26,637	\$(15)	\$2,081	\$(176)	\$28,718	\$(191)
Total marketable securities	<u>\$26,637</u>	<u>\$(15)</u>	<u>\$2,081</u>	<u>\$(176)</u>	<u>\$28,718</u>	<u>\$(191)</u>

We did not record a realized loss for other-than-temporary impairments during the fiscal years ended January 31, 2015, February 1, 2014 and February 2, 2013.

6. Receivables

Receivables consisted of the following (in thousands):

	January 31, 2015	February 1, 2014
Credit cards receivable	\$ 7,781	\$ 5,299
Tenant allowances receivable	1,555	1,391
Other receivables	3,317	3,604
Receivables	<u>\$12,653</u>	<u>\$10,294</u>

7. Fixed Assets

Fixed assets consisted of the following (in thousands):

	January 31, 2015	February 1, 2014
Leasehold improvements	\$ 151,703	\$ 136,953
Fixtures	75,683	74,333
Buildings, land and building and land improvements ...	28,087	27,786
Computer equipment, software, store equipment and other	33,803	27,704
Fixed assets, at cost	289,276	266,776
Less: Accumulated depreciation	(153,634)	(139,433)
Fixed assets, net	<u>\$ 135,642</u>	<u>\$ 127,343</u>

Depreciation expense on fixed assets is recognized on our consolidated income statement as follows (in thousands):

	Fiscal Year Ended		
	January 31, 2015	February 1, 2014	February 2, 2013
Cost of goods sold	\$ 1,230	\$ 1,086	\$ 875
Selling, general and administrative expenses	<u>23,513</u>	<u>21,281</u>	<u>18,506</u>
Depreciation expense	<u>\$24,743</u>	<u>\$22,367</u>	<u>\$19,381</u>

8. Other Liabilities

Other liabilities consisted of the following (in thousands):

	January 31, 2015	February 1, 2014
Accrued payables	\$ 4,993	\$ 7,026
Unredeemed gift cards	4,980	4,410
Accrued indirect taxes	4,691	3,592
Deferred revenue	3,632	1,677
Future incentive payments	3,096	—
Allowance for sales returns	1,986	1,582
Accrued legal settlement	—	1,250
Other current liabilities	<u>1,194</u>	<u>1,739</u>
Other liabilities	<u>\$24,572</u>	<u>\$21,276</u>

9. Revolving Credit Facilities and Debt

We maintain a secured credit agreement with Wells Fargo Bank, N.A., which provides us with a secured revolving credit facility until September 1, 2016 of up to \$25.0 million, which, pursuant to an accordion feature, may be increased to \$35.0 million at our discretion. The secured revolving credit facility provides for the issuance of a standby letter of credit in an amount not to exceed \$5.0 million outstanding at any time and with a term not to exceed 365 days. The commercial line of credit provides for the issuance of a commercial letter of credit in an amount not to exceed \$10.0 million and with terms not to exceed 120 days. The amount of borrowings available at any time under our secured revolving credit facility is reduced by the amount of standby and commercial letters of credit outstanding at that time. The secured revolving credit facility bears interest at the Daily Three Month LIBOR rate plus 1.00%. The credit agreement contains a number of restrictions and covenants that generally limit our ability to, among other things, (1) incur additional debt, (2) undergo a change in ownership and (3) enter into certain transactions. The credit agreement also contains financial covenants that require us to meet certain specified financial tests and ratios, including, a maximum net income after taxes of not less than one dollar on a trailing four-quarter basis provided, that, there shall be added to net income all charges for impairment of goodwill and other intangibles and up to an aggregate of \$5.0 million of store asset impairment, and a minimum quick ratio of 1.25. The quick ratio is defined as our cash and near cash equivalents plus certain defined receivables divided by the borrowings outstanding. Our accounts receivable, general intangibles, inventory and equipment have been pledged to secure our obligations under the credit agreement. We must also provide financial information and statements to our lender. We were in compliance with all such covenants at January 31, 2015. There were no borrowings outstanding under the secured revolving credit facility at January 31, 2015 and February 1, 2014. We had open commercial letters of credit outstanding under our secured revolving credit facility at January 31, 2015 and February 1, 2014 of \$0.3 million.

Additionally, we have revolving lines of credit of up to 9.0 million Euros and other long-term debt, the proceeds of which are used to fund certain international operations. The revolving lines of credit bears interest at 1.60%-1.65%. There were no borrowings outstanding under these revolving lines of credit at January 31, 2015 and February 1, 2014. Long-term debt obligations are as follows (in thousands):

	<u>January 31, 2015</u>	<u>February 1, 2014</u>
Debt obligations	\$—	\$1,933
Less: Current portion of debt obligations (1)	<u>—</u>	<u>(325)</u>
Total long-term debt obligations (2)	<u>\$—</u>	<u>\$1,608</u>

- (1) The current portion of debt obligations is recorded in other liabilities on the consolidated balance sheets.
(2) The long-term portion of debt obligations is recorded in long-term debt and other liabilities on the consolidated balance sheets.

10. Commitments and Contingencies

Operating Leases—Total rent expense is as follows (in thousands):

	<u>Fiscal Year Ended</u>		
	<u>January 31, 2015</u>	<u>February 1, 2014</u>	<u>February 2, 2013</u>
Minimum rent expense (1)	\$62,336	\$51,131	\$47,279
Contingent rent expense	<u>2,219</u>	<u>2,312</u>	<u>2,705</u>
Total rent expense (2)	<u>\$64,555</u>	<u>\$53,443</u>	<u>\$49,984</u>

- (1) Included in minimum rent expense for the fiscal year ended February 1, 2014 is a benefit of \$2.7 million representing the correction of an error related to our calculation to account for rent expense on a straight-line basis.
(2) Total rent expense does not include real estate taxes, insurance, common area maintenance charges and other executory costs, which were \$35.6 million, \$32.0 million, and \$28.0 million for the fiscal years ended January 31, 2015, February 1, 2014, and February 2, 2013.

Future minimum lease payments at January 31, 2015 are as follows (in thousands):

Fiscal 2015	\$ 61,452
Fiscal 2016	60,191
Fiscal 2017	56,120
Fiscal 2018	50,686
Fiscal 2019	43,842
Thereafter	<u>151,473</u>
Total (1)	<u>\$423,764</u>

- (1) Amounts in the table do not include contingent rent and real estate taxes, insurance, common area maintenance charges and other executory costs obligations.

Purchase Commitments—At January 31, 2015 and February 1, 2014, we had outstanding purchase orders to acquire merchandise from vendors of \$192.9 million and \$132.6 million. We have an option to cancel these commitments with no notice prior to shipment, except for certain private label purchase orders in which we are obligated to repay contractual amounts upon cancellation.

Litigation—We are involved from time to time in claims, proceedings and litigation arising in the ordinary course of business. We have made accruals with respect to these matters, where appropriate, which are reflected

in our consolidated financial statements. For some matters, the amount of liability is not probable or the amount cannot be reasonably estimated and therefore accruals have not been made. We may enter into discussions regarding settlement of these matters, and may enter into settlement agreements, if we believe settlement is in the best interest of our shareholders.

On February 15, 2013, a putative class action lawsuit, Robert Steele v. Zumiez Inc., was filed against the Company in the Superior Court of the State of California, County of San Francisco. The lawsuit purported to be brought on behalf of a class of all persons who are employed, or who have worked as, assistant store managers for the Company in the State of California from February 15, 2009 through the date of certification of the class in the lawsuit. The lawsuit alleged causes of action for failure to pay overtime wages, failure to pay wages for work done off-the-clock, failure to provide meal periods and rest breaks (and to pay meal and rest period premiums), failure to pay terminated employees all wages due at the time of termination, failure to provide employees with accurate itemized wage statements, failure to reimburse employees for business expenses and unfair business practices and declaratory relief. On November 12, 2013, the parties in the Steele case agreed to a conditional settlement in the amount of \$1.3 million. A hearing was held on November 24, 2014 and the settlement was approved by the Court. The settlement was paid in the quarter ended January 31, 2015.

Insurance Reserves—We use a combination of third-party insurance and self-insurance for a number of risk management activities including workers’ compensation, general liability and employee-related health care benefits. We maintain reserves for our self-insured losses, which are estimated based on historical claims experience and actuarial and other assumptions. The self-insurance reserve at January 31, 2015 and February 1, 2014 was \$1.8 million and \$1.7 million.

11. Fair Value Measurements

We apply the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

- Level 1—Quoted prices in active markets for identical assets or liabilities;
- Level 2—Quoted prices for similar assets or liabilities in active markets or inputs that are observable; and
- Level 3—Inputs that are unobservable.

The following tables summarize assets measured at fair value on a recurring basis (in thousands):

	<u>January 31, 2015</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash equivalents:			
Money market funds	\$7,061	\$ —	\$—
State and local government securities	—	3,550	—
Marketable securities:			
State and local government securities	—	101,952	—
Variable-rate demand notes	—	31,830	—
Long-term other assets:			
State and local government securities	—	—	823
Equity investments	—	—	123
Total	<u>\$7,061</u>	<u>\$137,332</u>	<u>\$946</u>

	February 1, 2014		
	Level 1	Level 2	Level 3
Cash equivalents:			
Money market funds	\$1,211	\$ —	\$—
State and local government securities	—	450	—
Marketable securities:			
State and local government securities	—	72,016	—
Variable-rate demand notes	—	25,505	—
Long-term other assets:			
State and local government securities	—	—	825
Equity investments	—	—	147
Total	<u>\$1,211</u>	<u>\$97,971</u>	<u>\$972</u>

Our policy is to recognize transfers into and transfers out of hierarchy levels as of the actual date of the event or change in circumstances that caused the transfer.

The Level 2 marketable securities primarily include state and local municipal securities and variable-rate demand notes. Fair values are based on quoted market prices for similar assets or liabilities or determined using inputs that use readily observable market data that are actively quoted and can be validated through external sources, including third-party pricing services, brokers and market transactions. We review the pricing techniques and methodologies of the independent pricing service for Level 2 investments and believe that its policies adequately consider market activity, either based on specific transactions for the security valued or based on modeling of securities with similar credit quality, duration, yield and structure that were recently traded. We monitor security-specific valuation trends and we make inquiries with the pricing service about material changes or the absence of expected changes to understand the underlying factors and inputs and to validate the reasonableness of the pricing.

Assets measured at fair value on a nonrecurring basis include items such as long-lived assets resulting from impairment, if deemed necessary. There were no material assets measured at fair value on a nonrecurring basis for the fiscal years ended January 31, 2015 and February 1, 2014.

12. Stockholders' Equity

Share Repurchase— In November 2012, we publicly announced that our Board of Directors authorized us to repurchase \$22.0 million of our common stock. This repurchase program was completed in December 2012. In December 2012, our Board of Directors authorized a stock repurchase program that provided for the repurchase of up to an additional \$20.0 million of outstanding common stock and \$7.5 million of outstanding common stock was repurchased under that program. In December 2013, the Board of Directors authorized a stock repurchase program that provides for the repurchase of up to \$30.0 million of outstanding common stock. This stock repurchase program replaces the existing stock repurchase program that was authorized in December 2012, which had \$12.5 million remaining of the authorized amount to repurchase shares under that program and was set to expire on February 1, 2014. On December 10, 2014 our Board of Directors superseded and replaced this program with a new \$30.0 million share repurchase program that is expected to continue through January 30, 2016, unless the time period is extended or shortened by the Board of Directors.

The following table summarizes common stock repurchase activity during the fiscal year ended January 31, 2015 (in thousands except average price per repurchased shares):

Number of shares repurchased	758
Average price per share of repurchased shares (with commission)	\$ 23.03
Total cost of shares repurchased	\$ 17,445

At January 31, 2015, there remains \$30.0 million available to repurchase shares under the current share repurchase program.

Accumulated Other Comprehensive Income (Loss)—The component of accumulated other comprehensive income (loss) and the adjustments to other comprehensive income (loss) for amounts reclassified from accumulated other comprehensive income (loss) into net income is as follows (in thousands):

	Foreign currency translation adjustments	Net unrealized gains (losses) on available- for-sale investments	Accumulated other comprehensive income (loss)
Balance at January 28, 2012	\$ (19)	\$ 154	\$ 135
Other comprehensive income (loss) before reclassifications, net of tax (1)	6,040	(79)	5,961
Reclassifications recorded in:			
Other (expense) income, net	—	(141)	(141)
Provision for income taxes	—	55	55
Total reclassifications from accumulated other comprehensive income (loss), net of taxes	—	(86)	(86)
Other comprehensive income (loss), net	6,040	(165)	5,875
Balance at February 2, 2013	6,021	(11)	6,010
Other comprehensive income (loss) before reclassifications, net of tax (1)	(1,231)	(92)	(1,323)
Reclassifications recorded in:			
Other (expense) income, net	—	28	28
Provision for income taxes	—	(5)	(5)
Total reclassifications from accumulated other comprehensive income (loss), net of taxes	—	23	23
Other comprehensive income (loss), net	(1,231)	(69)	(1,300)
Balance at February 1, 2014	4,790	(80)	4,710
Other comprehensive income (loss) before reclassifications, net of tax (1)	(15,995)	6	(15,989)
Reclassifications recorded in:			
Other (expense) income, net	—	2	2
Provision for income taxes	—	(1)	(1)
Total reclassifications from accumulated other comprehensive income (loss), net of taxes	—	1	1
Other comprehensive income (loss), net	(15,995)	7	(15,988)
Balance at January 31, 2015	<u>\$ (11,205)</u>	<u>\$ (73)</u>	<u>\$ (11,278)</u>

(1) Other comprehensive income (loss) before reclassifications is net of taxes of less than \$0.1 million for the fiscal year ended January 31, 2015 and \$0.1 million for the fiscal years ended February 1, 2014 and February 2, 2013 for both net unrealized gains (losses) on available-for-sale investments and accumulated other comprehensive income (loss). Foreign currency translation adjustments are not adjusted for income taxes as they relate to permanent investments in our international subsidiaries.

13. Equity Awards

General—We maintain several equity incentive plans under which we may grant incentive stock options, nonqualified stock options, stock bonuses, restricted stock awards, restricted stock units and stock appreciation rights to employees (including officers), non-employee directors and consultants.

Stock-Based Compensation—Total stock-based compensation expense is recognized on our consolidated income statements as follows (in thousands):

	Fiscal Year Ended		
	<u>January 31, 2015</u>	<u>February 1, 2014</u>	<u>February 2, 2013</u>
Cost of goods sold	\$1,048	\$ 990	\$1,033
Selling, general and administrative expenses (1)	<u>6,472</u>	<u>3,104</u>	<u>4,963</u>
Total stock-based compensation expense	<u>\$7,520</u>	<u>\$4,094</u>	<u>\$5,996</u>

(1) Included in stock-based compensation expense recognized in selling, general and administrative expenses is \$3.1 million of expense associated with the estimated future incentive payments payable in shares of our common stock for the fiscal year ended January 31, 2015 and is a \$0.9 million benefit associated with the reversal of the estimated future incentive payments payable in shares of our common stock associated with the Blue Tomato acquisition for the fiscal year ended February 1, 2014.

At January 31, 2015, there was \$6.1 million of total unrecognized compensation cost related to unvested stock options and restricted stock. This cost has a weighted-average recognition period of 1.1 years.

Restricted Stock—The following table summarizes restricted stock activity (in thousands, except grant date weighted-average fair value):

	<u>Restricted Stock</u>	<u>Grant Date Weighted-Average Fair Value</u>	<u>Intrinsic Value (1)</u>
Outstanding at January 28, 2012	<u>503</u>	\$ 16.79	
Granted	154	\$ 33.98	
Vested	(236)	\$ 15.21	
Forfeited	(39)	\$ 24.03	
Outstanding at February 2, 2013	<u>382</u>	\$ 23.97	
Granted	<u>198</u>	\$ 25.45	
Vested	(193)	\$ 19.54	
Forfeited	(26)	\$ 27.27	
Outstanding at February 1, 2014	<u>361</u>	\$ 26.91	
Granted	176	\$ 25.76	
Vested	(154)	\$ 26.31	
Forfeited	(40)	\$ 27.14	
Outstanding at January 31, 2015	<u>343</u>	\$ 26.56	\$12,783

(1) Intrinsic value for restricted stock is defined as the market value of the outstanding restricted stock on the last business day of the fiscal year.

The following table summarizes additional information related to restricted stock activity (in thousands):

	Fiscal Year Ended		
	<u>January 31, 2015</u>	<u>February 1, 2014</u>	<u>February 2, 2013</u>
Vest-date fair value of restricted stock vested	\$3,916	\$4,981	\$8,174

Stock Options—The following table summarizes stock option activity (in thousands, except grant date weighted-average exercise price and weighted-average remaining contractual life):

	<u>Stock Options</u>	<u>Grant Date Weighted-Average Exercise Price</u>	<u>Weighted-Average Remaining Contractual Life (in Years)</u>	<u>Intrinsic Value (1)</u>
Outstanding at January 28, 2012	888	\$16.18		
Granted	55	\$31.79		
Exercised	(74)	\$ 8.53		
Forfeited	(49)	\$20.91		
Outstanding at February 2, 2013	820	\$17.62		
Granted	47	\$24.81		
Exercised	(152)	\$ 6.64		
Forfeited	(24)	\$35.96		
Outstanding at February 1, 2014	691	\$19.86		
Granted	31	\$25.49		
Exercised	(397)	\$14.82		
Forfeited	(74)	\$32.63		
Outstanding at January 31, 2015	<u>251</u>	\$24.76	4.4	\$3,154
Exercisable at January 31, 2015	<u>180</u>	\$24.14	2.9	\$2,387
Vested or expected to vest at January 31, 2015 (2) ..	<u>220</u>	\$24.27	4.0	\$3,153

- (1) Intrinsic value for stock options is defined as the difference between the market price of our common stock on the last business day of the fiscal year and the weighted average exercise price of in-the-money options outstanding at the end of the fiscal year.
- (2) Includes outstanding vested options as well as outstanding, non-vested options after a forfeiture rate is applied.

The following table summarizes additional information related to stock option activity (in thousands):

	Fiscal Year Ended		
	<u>January 31, 2015</u>	<u>February 1, 2014</u>	<u>February 2, 2013</u>
Aggregate intrinsic value of stock options exercised	\$6,756	\$3,408	\$1,655
Vest-date fair value of stock options	\$ 83	\$2,024	\$4,881

The following table summarizes outstanding and exercisable options by exercise price at January 31, 2015:

Exercise Price	Options Outstanding		Options Exercisable
	Number of Options (in thousands)	Weighted-Average Remaining Contractual Life	Number of Options (in thousands)
Under \$ 10.00	45	2.9	45
\$ 10.01-\$ 20.00	8	5.2	8
\$ 20.01-\$ 30.00	103	6.7	39
\$ 30.01-\$ 40.00	95	2.5	88
Total	251		180

Employee Stock Purchase Plan—We offer an Employee Stock Purchase Plan (the “ESPP”) for eligible employees to purchase our common stock at a 15% discount of the lesser of fair market value of the stock on the first business day or the last business day of the offering period, subject to maximum contribution thresholds. The number of shares issued under our ESPP was less than 0.1 million for each of the fiscal years ended January 31, 2015, February 1, 2014 and February 2, 2013.

14. Income Taxes

The components of earnings before income taxes are (in thousands):

	Fiscal Year Ended		
	January 31, 2015	February 1, 2014	February 2, 2013
United States	\$80,449	\$71,288	\$75,054
Foreign	(8,798)	676	(4,775)
Total earnings before income taxes	<u>\$71,651</u>	<u>\$71,964</u>	<u>\$70,279</u>

The components of the provision for income taxes are (in thousands):

	Fiscal Year Ended		
	January 31, 2015	February 1, 2014	February 2, 2013
Current:			
Federal	\$24,639	\$22,925	\$24,002
State and local	3,386	3,544	4,689
Foreign	1,044	525	1,054
Total current	<u>29,069</u>	<u>26,994</u>	<u>29,745</u>
Deferred:			
Federal	1,706	629	551
State and local	291	74	(370)
Foreign	(2,607)	(1,681)	(1,811)
Total deferred	<u>(610)</u>	<u>(978)</u>	<u>(1,630)</u>
Provision for income taxes	<u>\$28,459</u>	<u>\$26,016</u>	<u>\$28,115</u>

The reconciliation of the income tax provision at the U.S. federal statutory rate to our effective income tax rate is as follows:

	Fiscal Year Ended		
	January 31, 2015	February 1, 2014	February 2, 2013
Expected U.S. federal income taxes at statutory rates	35.0%	35.0%	35.0%
State and local income taxes, net of federal effect	3.4	3.3	4.4
Other	<u>1.3</u>	<u>(2.2)</u>	<u>0.6</u>
Effective tax rate	<u>39.7%</u>	<u>36.1%</u>	<u>40.0%</u>

The components of deferred income taxes are (in thousands):

	January 31, 2015	February 1, 2014
Deferred tax assets:		
Deferred rent	\$ 18,832	\$ 16,779
Employee benefits, including stock based compensation	3,595	5,967
Net operating losses	3,053	2,045
Accrued liabilities	1,971	2,507
Inventory	1,351	672
Other	<u>1,508</u>	<u>1,251</u>
Total deferred tax assets	<u>30,310</u>	<u>29,221</u>
Deferred tax liabilities:		
Property and equipment	(21,197)	(19,937)
Goodwill and other intangibles	(6,424)	(7,463)
Other	<u>(693)</u>	<u>(543)</u>
Total deferred tax liabilities	<u>(28,314)</u>	<u>(27,943)</u>
Net deferred tax assets	<u>\$ 1,996</u>	<u>\$ 1,278</u>
Reported as:		
Current deferred tax assets	\$ 6,965	\$ 5,194
Long-term deferred tax assets (included in long-term other assets)	769	733
Current deferred income tax liabilities (included in other liabilities)	—	—
Long-term deferred tax liabilities	<u>(5,738)</u>	<u>(4,649)</u>
Net deferred tax assets	<u>\$ 1,996</u>	<u>\$ 1,278</u>

At January 31, 2015 and February 1, 2014, we had \$12.1 million and \$8.0 million of foreign net operating loss carryovers that could be utilized to reduce future years' tax liabilities. The tax- effected foreign net operating loss carryovers were \$3.0 million and \$2.0 million at January 31, 2015 and February 1, 2014. The net operating loss carryovers have an indefinite carryforward period and currently will not expire.

At each reporting date, we consider new evidence, both positive and negative, that could impact our view with regards to future realization of deferred tax assets. At January 31, 2015, we recorded a valuation allowance of less than \$0.1 million. During the fiscal year ended February 1, 2014, we reversed the valuation allowance previously recorded on the deferred tax assets based on our reassessment of the amount of the deferred tax assets that are more likely than not to be realized. The net change in the total valuation allowance was an increase of less than \$0.1 million and a decrease of \$0.4 million for the fiscal years ended January 31, 2015 and February 1, 2014.

We file income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. Our U.S. federal income tax returns are no longer subject to examination for years before fiscal 2011, with few exceptions, we are no longer subject to U.S. state examinations for years before fiscal 2010 and we are no longer subject to examination for all foreign income tax returns before fiscal 2009.

15. Earnings per Share, Basic and Diluted

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share amounts):

	Fiscal Year Ended		
	January 31, 2015	February 1, 2014	February 2, 2013
Net income	\$43,192	\$45,948	\$42,164
Weighted average common shares for basic earnings per share	28,871	29,810	30,742
Dilutive effect of stock options and restricted stock	<u>417</u>	<u>396</u>	<u>531</u>
Weighted average common shares for diluted earnings per share	<u>29,288</u>	<u>30,206</u>	<u>31,273</u>
Basic earnings per share	<u>\$ 1.50</u>	<u>\$ 1.54</u>	<u>\$ 1.37</u>
Diluted earnings per share	<u>\$ 1.47</u>	<u>\$ 1.52</u>	<u>\$ 1.35</u>

Total anti-dilutive common stock options not included in the calculation of diluted earnings per share were 0.1 million, 0.2 million and 0.2 million for the fiscal years ended January 31, 2015, February 1, 2014 and February 2, 2013.

16. Related Party Transactions

The Zumiez Foundation is a charitable based nonprofit organization focused on meeting various needs of the under-privileged. Our Chairman of the Board is also the President of the Zumiez Foundation. We committed charitable contributions to the Zumiez Foundation of \$0.7 million for each of the fiscal years ended January 31, 2015, February 1, 2014 and February 2, 2013. We have accrued charitable contributions payable to the Zumiez Foundation of \$0.6 million at January 31, 2015 and February 1, 2014.

17. Segment Reporting

The following table is a summary of product categories as a percentage of merchandise sales:

	Fiscal Year Ended		
	January 31, 2015	February 1, 2014	February 2, 2013
Men's Apparel	34%	34%	36%
Accessories	20%	19%	19%
Footwear	19%	22%	23%
Hardgoods	14%	13%	11%
Junior's Apparel	<u>13%</u>	<u>12%</u>	<u>11%</u>
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

The following tables present summarized geographical information (in thousands):

	Fiscal Year Ended		
	<u>January 31, 2015</u>	<u>February 1, 2014</u>	<u>February 2, 2013</u>
Net sales (1):			
United States	\$708,279	\$644,362	\$618,958
Foreign	<u>103,272</u>	<u>79,975</u>	<u>50,435</u>
Total net sales	<u>\$811,551</u>	<u>\$724,337</u>	<u>\$669,393</u>
		<u>January 31, 2015</u>	<u>February 1, 2014</u>
Long-lived assets:			
United States		\$122,003	\$111,595
Foreign		<u>23,025</u>	<u>18,092</u>
Total long-lived assets		<u>\$145,028</u>	<u>\$129,687</u>

- (1) Net sales are allocated based on the location in which the sale was fulfilled. Store sales are allocated based on the location of the store and ecommerce sales are allocated to the U.S. for sales on www.zumiez.com and to foreign for sales on www.blue-tomato.com.

EXHIBIT INDEX

- 2.1 Share Purchase Agreement, dated June 18, 2012, by and between Gerfried Schuller, Alexander Zezula and Eff zwanzig Beteiligungsverwaltung GmbH [Incorporated by reference to Exhibit 2.1 to the Form 8-K filed by the Company on July 10, 2012]
- 3.1 Articles of Incorporation. [Incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-1 (file No. 333-122865)]
- 3.2 Bylaws, as amended and restated May 21, 2014. [Incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed on May 23, 2014]
- 4.1 Form of Common Stock Certificate of Zumiez Inc. [Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-1 (file No. 333-122865)]
- 10.8 Zumiez Inc. 2005 Employee Stock Purchase Plan. [Incorporated by reference to Exhibit 10.8 to the Company's Registration Statement on Form S-1 (file No. 333-122865)]
- 10.9 Form of Indemnity Agreement between Zumiez Inc. and each of its officers and directors. [Incorporated by reference to Exhibit 10.9 to the Company's Registration Statement on Form S-1 (file No. 333-122865)]
- 10.10 Limited Liability Company Agreement of Zumiez Holdings LLC. [Incorporated by reference to Exhibit 10.10 to the Company's Registration Statement on Form S-1 (file No. 333-122865)]
- 10.12 Equity Purchase Agreement with Gerald R. Anderson, Brandon C. Batton, AC Fast Forward LLC and AC Fast Forward Mgt., LLC dated May 16, 2006. [Incorporated by reference to Exhibit 10.12 to the Company's Quarterly Report on Form 10-Q for the period ended July 29, 2006 as filed on September 12, 2006]
- 10.13 Lease Agreement between Merrill Creek Holdings, LLC and Zumiez Inc. dated October 2, 2006. [Incorporated by reference to Exhibit 10.13 to the Company's Form 8-K filed on October 4, 2006]
- 10.15 Zumiez Inc. 2005 Equity Incentive Plan, as amended and restated effective May 27, 2009. [Incorporated by reference from Exhibit 10.15 to the Form 8-K filed by the Company on June 1, 2009]
- 10.17 Purchase and Sale Agreement and Joint Escrow Instructions with Railroad Street Land Holdings, LLC dated February 18, 2010. [Incorporated by reference from Exhibit 10.17 to the Form 8-K filed by the Company on February 22, 2010]
- 10.18 Credit Agreement, including Revolving Line of Credit Note, with Wells Fargo Bank, N.A. dated August 29, 2011. [Incorporated by reference from Exhibit 10.18 to the Form 8-K filed by the Company on August 31, 2011]
- 10.19 Amended Credit Agreement with Wells Fargo Bank, N.A. dated June 14, 2013. [Incorporated by reference from Exhibit 10.19 to the Form 8-K filed by the Company on June 19, 2013]
- 10.20 Zumiez Inc. 2014 Equity Incentive Plan. [Incorporated by reference to Exhibit 10.20 to the Company's Current Report on Form 8-K filed on May 23, 2014]
- 10.21 Form of Restricted Stock Award Agreement and Terms and Conditions. [Incorporated by reference to Exhibit 10.21 to the Company's Current Report on Form 8-K filed on May 23, 2014]
- 10.22 Form of Stock Option Award Agreement and Terms and Conditions. [Incorporated by reference to Exhibit 10.22 to the Company's Current Report on Form 8-K filed on May 23, 2014]
- 10.23 Zumiez Inc. 2014 Employee Stock Purchase Plan. [Incorporated by reference to Exhibit 10.23 to the Company's Current Report on Form 8-K filed on May 23, 2014]
- 10.24 Form of Indemnification Agreement. [Incorporated by reference to Exhibit 10.24 to the Company's Current Report on Form 8-K filed on May 23, 2014]

- 10.25 Credit Agreement, including Revolving Line of Credit Note, with Wells Fargo Bank, N.A. dated July 9, 2014. [Incorporated by reference from Exhibit 10.25 to the Form 8-K filed by the Company on July 7, 2014]
- 21.1 Subsidiaries of the Company.
- 23.1 Consent of Moss Adams LLP, Independent Registered Public Accounting Firm.
- 31.1 Certification of the Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of the Principal Financial Officer (Principal Accounting Officer) pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certifications of the Principal Executive Officer and Principal Financial Officer (Principal Accounting Officer) pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.
- 101 The following materials from Zumiez Inc.'s Annual Report on Form 10-K for the annual period ended January 31, 2015, formatted in XBRL (eXtensible Business Reporting Language):
 - (i) Consolidated Balance Sheets at January 31, 2015 and February 1, 2014; (ii) Consolidated Statements of Income for the fiscal years ended January 31, 2015, February 1, 2014, and February 2, 2013; (iii) Consolidated Statements of Comprehensive Income for the fiscal years ended January 31, 2015, February 1, 2014, and February 2, 2013; (iv) Consolidated Statements of Changes in Shareholders' Equity for the fiscal years ended January 31, 2015, February 1, 2014, and February 2, 2013; (v) Consolidated Statements of Cash Flows for the fiscal years ended January 31, 2015, February 1, 2014, and February 2, 2013; and (vi) Notes to Consolidated Financial Statements.

Copies of Exhibits may be obtained upon request directed to the attention of our Executive Vice President, General Counsel and Secretary, 4001 204th Street SW, Lynnwood, Washington 98036, and are available at the SEC's website found at www.sec.gov.

