MONSTER WORLDWIDE, INC.
Form PRRN14A
October 18, 2016
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

Consent Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

(Amendment No.2)

Filed by the Registrant ¨

Filed by a Party other than the Registrant þ

Check the appropriate box:

þ Preliminary Consent Statement
o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
o Definitive Consent Statement
o Definitive Additional Materials
o Soliciting Material Under Rule 14a-12

Monster Worldwide, Inc.

(Name of Registrant as Specified In Its Charter)

MediaNews Group, Inc.

Joseph Anto

Ethan Bloomfield

Daniel Dienst

Heath Freeman

Kevin Gregson

Lowell Robinson

Gregory Slayton

(Name of Person(s) Filing Consent Statement, if other than the Registrant)

Payment of Filing Fee (check the appropriate box):

þ No fee required.

o Fee computed on table below per Exchange Act Rule 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

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o Fee paid previously with preliminary materials.

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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

PRELIMINARY COPY SUBJECT TO COMPLETION

DATED [ ], 2016

MONSTER WORLDWIDE, INC.

133 Boston Post Road, Building 15

Weston, Massachusetts 02493

CONSENT STATEMENT

OF

MEDIANEWS GROUP, INC.

PLEASE SIGN, DATE, AND MAIL THE ENCLOSED GOLD CONSENT CARD TODAY

This Consent Statement and the enclosed **GOLD** consent card are being furnished by MediaNews Group, Inc. ("MNG," "we," or "us") and the nominees named in Proposal 4 below (the "Nominees" and, together with MNG, the "Participants"), in connection with the solicitation of written consents (the "Consent Solicitation") from the stockholders of Monster Worldwide, Inc., a Delaware corporation ("Monster" or the "Company"), to replace the current members of the Board of Directors of the Company (the "Board") with our highly qualified Nominees.

We are seeking your support in our solicitation of written consents to take action to remove all seven directors and replace them with the seven Nominees. A solicitation of written consents is a process that allows a company's stockholders to act by submitting written consents to any proposed stockholder actions in lieu of voting in person or by consent at an annual or special meeting of stockholders. We are soliciting written consents from the holders of shares of the common stock, par value $0.001 per share of the Company (the "Common Stock"), to take the following actions (each, as more fully described in this Consent Statement, a "Proposal," and together, the "Proposals"), in the following order, without a stockholders' meeting, as authorized by Delaware law:

	Proposal	Our Recommendation
1.	Repeal any provision of the Amended and Restated Bylaws of the Company (the "Bylaws") in effect at the time this proposal becomes effective, including any amendments thereto, which was not included in the Bylaws that were filed with the Securities and Exchange Commission (the "SEC") on August 9, 2016 ("Proposal 1," or the "Bylaw Restoration Proposal");	**CONSENT**
2.	Remove without cause all seven members of the Board, namely, John Gaulding, Edmund P. Giambastiani, Jr., James P. McVeigh, Gillian Munson, Jeffrey F. Rayport, Roberto Tunioli, and Timothy T. Yates, and any person nominated, elected or appointed to the Board after June 7, 2016 and prior to the effectiveness of this Proposal ("Proposal 2," or the "Removal Proposal");	**CONSENT**
3.	Amend Article III, Section 1 of the Bylaws to fix the size of the Board at seven members or such other number of members determined by the Board ("Proposal 3," or the "Board Size Proposal"); and	**CONSENT**
4.	Elect MNG's seven nominees, Joseph Anto, Ethan Bloomfield, Daniel Dienst, Heath Freeman, Kevin Gregson, Lowell Robinson, and Gregory Slayton, to serve as directors of the Company (the "Nominees") ("Proposal 4," or the "Election Proposal").	**CONSENT**

MNG is the Company's largest stockholder, with ownership of approximately 11.5% of the Company's outstanding shares of Common Stock. For the reasons discussed in this Consent Statement, we believe that the Board has not pursued

avenues that would maximize stockholder value for the stockholders of Monster. We believe this is especially the case in light of the Board's decision to enter into a merger agreement (the "Merger Agreement") with Randstad North America, Inc. ("Randstad") whereby Randstad will acquire the stock of the Company for $3.40 per share of Common Stock pursuant to a tender offer (the "Tender Offer") and subsequent merger. We believe that a price of $3.40 per share greatly undervalues the Company and we are confident there is a path forward for the Company that would create significantly more value for stockholders than selling to Randstad at such a price. As a result, though this Consent Solicitation by no means precludes a stockholder from tendering his or her shares under the Tender Offer, we are conducting this Consent Solicitation as an alternative to stockholders tendering their shares under the Tender Offer. To that end, we have assembled a slate of director candidates to replace the current Board, which we believe, based on the Company's public filings, has not acted in the best interests of the Company by: (i) conducting a flawed and disorganized sales process as shown, for instance, by allowing the Company to ignore the request of a bidder offering $4.45 per share to meet with the Company to discuss earnings forecasts and by giving another bidder offering $4.15 - $4.20 per share less than 24 hours to submit a formal bid, (ii) entering into the Merger Agreement for a purchase price of $3.40 per share, when, only several months earlier, in December 2015, the Company was buying back stock at an average price of almost $6.00 per share, and (iii) overseeing a steady decline in revenue, from $942 million in 2011 to $635 million as of June, 2016 making for a -7.6% Compound Annual Growth Rate, as well as stockholder return that lags behind its proxy peer group average.[1]

We believe the Company can be revitalized, instead of being sold for an undervalued price of $3.40 per share. As previously disclosed in press releases to stockholders, should the Nominees get elected to the Board and should the Tender Offer fail, the Nominees would work to reduce expenses at Monster by $100-$150 million by streamlining Monster's cost structure, monetizing non-core or underperforming assets that are not being valued in Monster's current stock price, reducing capital expenditures to be more in-line with competitors and other digital companies, simplifying Monster's product offering and increasing sales productivity, focusing marketing efforts on B2B customer acquisition and candidate acquisition to improve ROI for stockholders, and executing a rebranding campaign to attract millennials.

We are confident that with the right leadership and oversight, Monster can stem the revenue declines it is experiencing and restructure its operations to significantly increase profitability. Because this Consent Solicitation is being offered as an alternative to the Tender Offer, we expect that stockholders who consent to the Proposals will not tender their shares in the Tender Offer. If this Consent Solicitation is successful and the Tender Offer has not yet been consummated, we believe that the new Board may be required, under applicable law and based on the advice of counsel, to withdraw the Board's previous recommendation that stockholders of the Company accept the Tender Offer and tender their shares. As a result of such change in recommendation, Randstad may be entitled to terminate the Merger Agreement and cause the Company to pay a termination fee of $9,000,000.

Should the Tender Offer not have been consummated and the Merger Agreement not have been terminated prior to November 30, 2016 (or such later date if extended pursuant to the Merger Agreement), the Nominees currently intend to terminate the Merger Agreement. Such decision, along with all other decisions made by the Nominees should they be elected to the Board, will be subject to the Nominees' fiduciary duties as directors and their being fully informed by management and advisors of all relevant facts and information. In the event that both the Consent Solicitation and the Tender Offer are successful, we expect the new Board to comply with its responsibilities under the Merger Agreement, which may include permitting the consummation of the merger.

We are soliciting your consent in favor of the adoption of each of the Bylaw Restoration Proposal, the Removal Proposal, the Board Size Proposal and the Election Proposal because we believe stockholders will be best served by directors who are committed to safeguarding and promoting the best interests of all Monster stockholders. In addition, we are also soliciting your consent in favor of the adoption of the Bylaw Restoration Proposal to ensure that the incumbent Board does not limit the effect of your consent to the removal of the incumbent members of the Board and the election of the Nominees through changes to the Bylaws not filed with the SEC on August 9, 2016.

The effectiveness of each of the Proposals requires the affirmative consent of the holders of record of a majority of the shares of outstanding voting securities of the Company as of the close of business on the Record Date (as defined below). Each Proposal will be effective without further action when we deliver to Monster such requisite number of consents. Proposal 1 (Bylaw Restoration Proposal) and Proposal 2 (Removal Proposal) are not subject to, or conditioned upon, the effectiveness of the other Proposals. Proposal 3 (Board Size Proposal) and Proposal 4 (Election Proposal) are conditioned, in part, upon the adoption of Proposal 2 (Removal Proposal). The number of Nominees that can be elected

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[1] Cumulative 5 year total shareholder returns are -78% for Monster whereas it is 89% for the 2016 Proxy Peer Group Average. Monster's 2016 Proxy Peer Group includes IAC/InterActiveCorp (NasdaqGS:IAC), LinkedIn Corporation (NYSE:LNKD), EarthLink Holdings Corp. (NasdaqGS:ELNK), VeriSign, Inc. (NasdaqGS:VRSN), Shutterfly, Inc. (NasdaqGS:SFLY), Pandora Media, Inc. (NYSE:P), j2 Global, Inc. (NasdaqGS:JCOM), Pegasystems Inc. (NasdaqGS:PEGA), Blucora, Inc. (NasdaqGS:BCOR), WebMD Health Corp. (NasdaqGS:WBMD), NetSuite Inc. (NYSE:N), Web.com Group, Inc. (NasdaqGS:WEB), and DHI Group, Inc. (NYSE:DHX). The foregoing list excludes three 2016 proxy peers that are no longer public.

pursuant to the Election Proposal will depend on the number of members of the Board that are removed pursuant to the Removal Proposal.

On October 6, 2016, MNG delivered to the Secretary of Monster written notice of the Proposals and a request for the Board to fix a record date in accordance with Article VI, Section 5 of the Bylaws for determining stockholders entitled to give their written consent to the Proposals. On October 17, Monster announced that the Board has established the close of business on October 25, 2016 as the record date for purposes of determining stockholders entitled to give their written consent to the Proposals (the "Record Date"). According to the the Company's Revised Preliminary Consent Revocation Statement filed on Schedule 14A, filed with the SEC on October 14, 2016, as of September 30, 2016 there were 89,297,540 shares of Common Stock outstanding.

In addition, none of the Proposals will be effective unless the delivery of the written consents complies with Section 228(c) of the Delaware General Corporation Law ("DGCL"). For the Proposals to be effective, properly completed and unrevoked written consents to the Proposals from the holders of record as of the close of business on the Record Date of a majority of the shares of Common Stock then outstanding must be delivered to the Company, under Delaware law and the Bylaws, within 60 days of the earliest dated written consent delivered to the Company. **In order to ensure that your consent is delivered to the Company in a timely manner, we have set [ ] as the deadline for submission of written consents, but we reserve the right, in our sole discretion, to extend or accelerate such deadline. Effectively, this means that you have until [ ] to consent to the Proposals. WE URGE YOU TO ACT PROMPTLY TO ENSURE THAT YOUR CONSENT WILL COUNT**.

WE URGE YOU TO ACT TODAY TO ENSURE THAT YOUR CONSENT WILL COUNT.

As of the Record Date, MNG was the beneficial owner of an aggregate of 10,300,000 shares of Common Stock, representing approximately 11.5% of the outstanding shares of Common Stock of the Company. MNG intends to express consent in favor of the Proposals with respect to all of such shares of Common Stock.

The failure to sign and return a consent will have the same effect as rejecting the Proposals. Please note that in addition to signing the enclosed **GOLD** consent card, you must also date it to ensure its validity.

We urge you to sign, date and return the **GOLD** consent card and to **"CONSENT"** to all of the Proposals.

This Consent Statement and **GOLD** consent card are first being mailed or given to the Company's stockholders on or about [________], 2016.

This Consent Solicitation is being made by MNG and the Nominees and not on behalf of the Board or management of the Company or any other third party.

If you have already revoked your consent using the Company's white consent revocation card, you have every right to give your consent again by completing and mailing the enclosed GOLD consent card in the enclosed pre-paid envelope or by consenting via Internet or by telephone by following the instructions on the GOLD consent card. Only the latest validly executed consent that you submit will be counted; any consent or consent revocation may be revoked at any time prior to its delivery to the Company by following the instructions under "Can I change my consent instructions or cancel my revocation of consent?" in the Questions and Answers section.

For instructions on how to consent and other information about the consent materials, see the Questions and Answers section starting on page 18.

We urge you to promptly sign, date and return your GOLD consent card.

If you have any questions or require any assistance with giving consent for your shares, please contact our consent solicitor, Okapi Partners LLC, toll-free at (855) 305-0856 or collect at

(212) 297-0720.

IMPORTANT INFORMATION

If your shares of Common Stock are registered in your own name, please submit your consent to us today by signing, dating and returning the enclosed **GOLD** consent card in the postage-paid envelope provided.

If you hold your shares in "street" name with a bank, broker firm, dealer, trust company or other nominee, only they can exercise your right to consent with respect to your shares of Common Stock and only upon receipt of your specific instructions. Accordingly, it is critical that you promptly give instructions to consent to the Proposals to your bank, broker firm, dealer, trust company or other nominee. Please follow the instructions to consent provided on the enclosed **GOLD** consent card. If your bank, broker firm, dealer, trust company or other nominee provides for consent instructions to be delivered to them by telephone or Internet, instructions will be included on the enclosed **GOLD** consent card.

MNG urges you to confirm in writing your instructions to the person responsible for your account and provide a copy of those instructions to MNG, c/o Okapi Partners LLC, 1212 Avenue of the Americas, 24th Floor, New York, N.Y. 10036 so that we will be aware of all instructions given and can attempt to ensure that such instructions are followed. Execution and delivery of a consent by a record holder of shares of Common Stock will be presumed to be a consent with respect to all shares held by such record holder unless the consent specifies otherwise.

Only holders of record of voting securities of the Company as of the close of business on the Record Date will be entitled to consent to the Proposals. If you are a stockholder of record as of the close of business on the Record Date, you will retain your right to consent even if you sell your shares of Common Stock after the Record Date.

IF YOU TAKE NO ACTION, YOU WILL IN EFFECT BE REJECTING THE PROPOSALS. ABSTENTIONS, FAILURES TO CONSENT AND BROKER NON-VOTES WILL HAVE THE SAME EFFECT AS WITHHOLDING CONSENT, WHICH IS THE SAME AS VOTING "AGAINST" THE PROPOSALS.

If you have any questions concerning this Consent Statement, would like to request additional copies of this Consent Statement, or need help giving consent for your shares, please contact our consent solicitor:

1212 Avenue of the Americas, 24th Floor

New York, N.Y. 10036
(212) 297-0720
Stockholders Call Toll-Free at: (855) 305-0856

E-mail: info@okapipartners.com

BACKGROUND OF THIS CONSENT SOLICITATION

MNG regularly reviews potential investments across the media and technology industries as part of its objective to be a leader in multi-platform publishing and digital businesses. MNG invested in the Company's Common Stock because it believed that such shares were undervalued and represented a potential investment opportunity.

On June 16, 2016, a representative of MNG and a representative of Alden Global Capital LLC ("Alden") had a call with a representative of Monster's investor relations team, to discuss Monster's recent performance and other aspects of its business. On August 9, 2016, after the announcement of the Tender Offer, the same representative of MNG had a second call with Monster's investor relations representative which led MNG to believe that a formal auction process had not been undertaken prior to the signing of the Merger Agreement with Randstad.

On August 19, 2016, MNG filed a Schedule 13D with the SEC stating its intention to engage in discussions with Monster's management and Board, other stockholders of Monster and other interested parties regarding Monster's business, including the recently announced Tender Offer by a subsidiary of Randstad. MNG also issued a press release stating its opposition to the terms of the Tender Offer given its belief the offering price of $3.40 per share of Common Stock significantly undervalued the Company.

On September 13, 2016, MNG issued a press release recommending to stockholders of Monster that they not tender their shares of Common Stock under the Tender Offer and to seek appraisal rights for their shares pursuant to Section 262 of the DGCL if the transaction set forth in the Merger Agreement is not consummated. In the press release, MNG announced its intention to conduct this Consent Solicitation to reconstitute the Board. Also on September 13, MNG filed a Solicitation/Recommendation Statement on Schedule 14D9, in which it recommended that Monster stockholders not tender their shares and seek appraisal rights.

On September 30, 2016, MNG issued a press release to stockholders of Monster announcing its filing of a preliminary consent statement for the purposes of conducting this Consent Solicitation.

On October 6, 2016, MNG sent a formal request to the Secretary of the Company requesting that the Board fix a record date for the purposes of determining the Company's stockholders who are entitled to execute, withhold or revoke consents relating to the Consent Solicitation and requested certain books and records of the Company.

PROPOSAL 1: THE BYLAW RESTORATION PROPOSAL

MNG is asking you to consent to the adoption of the Bylaw Restoration Proposal to ensure that the incumbent Board does not limit the effect of your consent to the removal of seven current directors and the election of the Nominees through changes to the Bylaws not filed with the SEC on August 9, 2016. The following is the text of the Bylaw Restoration Proposal:

"RESOLVED, that any provision of the Bylaws of Monster Worldwide, Inc. as of the effectiveness of this resolution that was not included in the Amended and Restated Bylaws filed with the Securities and Exchange Commission on August 9, 2016, be and are hereby repealed."

If the Board does not effectuate any additional changes to the version of the Bylaws publicly available in filings by Monster with the SEC on August 9, 2016, the Bylaw Restoration Proposal will have no further effect. However, if the incumbent Board has made additional changes since that time, such as amending the provision in the Bylaws to change the procedures by which a record date is set in connection with a consent solicitation, the Bylaw Restoration Proposal, if adopted, will restore the Bylaws to the version that was publicly available in filings by Monster with the SEC on August 9, 2016, without considering the nature of any changes the incumbent Board may have adopted. As a result, the Bylaw Restoration Proposal could have the effect of repealing bylaw amendments which one or more stockholders of the Company may consider to be beneficial to them or to the Company. However, the Bylaw Restoration Proposal will not preclude the Board from reconsidering any repealed bylaw changes following the consent solicitation. MNG is not currently aware of any specific bylaw provisions that would be repealed by the adoption of the Bylaw Restoration Proposal.

Consent Required.

According to Article II, Section 11 of the Bylaws, the approval of Proposal 1 requires the affirmative consent of stockholders holding at least a majority of the then outstanding shares of the Company entitled to vote at an election of directors (the "Voting Stock"). Abstentions and broker non-votes will have the same effect as withholding consent, which means that they will have the effect of a vote "against" Proposal 1.

We Urge You to CONSENT to Proposal 1 on the GOLD consent card.

PROPOSAL 2: THE REMOVAL PROPOSAL

MNG is asking you to consent to the Removal Proposal to remove all seven of the current members of the Board, including any other person or persons nominated, appointed or elected to the Board prior to the effectiveness of this Proposal. According to the Company's website and Form 8-K filed on June 10, 2016, the Board is currently comprised of the following seven directors, all of whom are elected annually: John Gaulding, Edmund P. Giambastiani, Jr., James P. McVeigh, Gillian Munson, Jeffrey F. Rayport, Roberto Tunioli, and Timothy T. Yates.

The following is the text of the Removal Proposal:

"RESOLVED, that each of the directors of the Company, John Gaulding, Edmund P. Giambastiani, Jr., James P. McVeigh, Gillian Munson, Jeffrey F. Rayport, Roberto Tunioli, and Timothy T. Yates, and any person, nominated, appointed or elected to the Board of the Company after June 7, 2016 and prior to the effectiveness of this resolution, be and hereby is removed."

Article III, Section 16 of the Bylaws provides that any director or the entire Board may be removed, with or without cause, by the holders of a majority of the Voting Stock. If a stockholder wishes to consent to the removal of certain of the members of the Board, but not all of them, such stockholder may do so by checking the appropriate "consent" box on the enclosed **GOLD** consent card and writing the name of each such person that the stockholder does not wish to be removed. If fewer than seven directors are removed pursuant to the Removal Proposal and there are more Nominees receiving the requisite number of consents to fill vacancies pursuant to the Election Proposal than the number of such resulting vacancies, then MNG intends to fill the vacancies in the following order: Joseph Anto, Heath Freeman, Daniel Dienst, Lowell Robinson, Ethan Bloomfield, Gregory Slayton, and Kevin Gregson.

Consent Required.

According to the Article III, Section 16 of the Bylaws, the approval of Proposal 2 requires the affirmative consent of stockholders holding at least a majority of the Voting Stock with respect to each director on the Board. Abstentions and broker non-votes will have the same effect as withholding consent, which means that they will have the effect of voting "against" Proposal 2.

We Urge You to CONSENT to Proposal 2 on the GOLD consent card.

PROPOSAL 3: THE BOARD SIZE PROPOSAL

Article III, Section 1 of the Bylaws provides that the number of directors constituting the Board shall be fixed from time to time by resolution passed by a majority of the whole Board. MNG is asking you to consent to the adoption of the Board Size Proposal to fix the size of the Board at seven members or such other number of members as determined by the Board. Accordingly, you are being asked to amend the Bylaws as set forth below. The following is the text of the Board Size Proposal:

"RESOLVED, that Article III, Section 1 of the Amended and Restated Bylaws of Monster Worldwide, Inc. is hereby amended by replacing such section with the following:

Section 1. The number of directors constituting the Board of Directors shall be seven members; provided, however, that the number of directors constituting the Board of Directors may be adjusted from time to time by (i) a resolution passed by a majority of the whole Board or by the stockholders. Directors need not be stockholders, residents of Delaware or citizens of the United States."

Consent Required.

According to Article II, Section 11 of the Bylaws, the approval of Proposal 3 requires the affirmative consent of stockholders holding at least a majority of the Voting Stock. Abstentions and broker non-votes will have the same effect as withholding consent, which means that they will have the effect of a vote "against" Proposal 3.

We Urge You to CONSENT to Proposal 3 on the GOLD consent card.

PROPOSAL 4: THE ELECTION PROPOSAL

MNG is asking you to consent to elect, without a stockholders' meeting, each of the following individuals to serve as a director of Monster: Joseph Anto, Ethan Bloomfield, Daniel Dienst, Heath Freeman, Kevin Gregson, Lowell Robinson, and Gregory Slayton.

The Board is currently comprised of seven directors, all of whom are elected annually and all of whom will be removed from the Board if the Removal Proposal is approved. If elected, each Nominee would hold office until the next annual meeting of stockholders and until such person's successor has been elected or until such person's death, resignation, retirement or removal.

Nominees:

JOSEPH Anto

Age; Address	37; c/o Alden Global Capital, 885 Third Avenue, 34th Floor, New York, NY 10022
Occupation	Senior Vice President, Strategy/M&A, Digital First Media, Inc.
Experience	Mr. Joseph Anto is currently a Senior Vice President at MediaNews Group, Inc. (d/b/a Digital First Media), the second largest newspaper company in the U.S. by circulation, where he has served since 2013. From 2014 until 2015, he was Vice President of Business Development for MediaNews Group and also CEO at Jobs in the US, a subsidiary of MediaNews with regionally focused job board sites in New England.

From 2013 until 2014, Mr. Anto was Managing Director at Digital First Ventures, the strategic investing division of MediaNews Group. In 2009, he co-founded RumbaTime, LLC, a fashion brand focused on timepieces and accessories and served as the company's CEO until 2012. From 2006 to 2009 Mr. Anto was a Senior Analyst and Director of Investments at Harbinger Capital Partners LLC, a multi-strategy investment firm, where he managed one of the largest merchant power investment portfolios in the sector, accounting for approximately 30% of the fund's assets and completed M&A and debt financing transactions totaling over $4 billion in value. Prior to his time at Harbinger, Mr. Anto was an associate at ABS Capital Partners, a later-stage venture capital firm, and an analyst at First Union Securities in their technology investment banking group. He currently serves on the board of CIPS Marketing Group, Inc. and has previously served on the boards of private merchant power companies Kelson Energy Inc. and Kelson Canada, as well as RumbaTime.

	Mr. Anto holds a B.B.A. from Emory University and an M.B.A. from Columbia University.
Board Service	CIPS Marketing Group, Inc.; RumbaTime, LLC; Kelson Energy Inc.; Kelson Canada Inc.
Skills & Qualifications	Mr. Anto's qualifications as a director include his expertise as a previous CEO of a job board business, his executive experience, particularly in the media industry, and his expertise in turnarounds and corporate transactions.

ethan bloomfield

Age; Address	43; 468 Amherst Road, Belchertown, MA 01007
Occupation	Co-Founder and Chief Revenue Officer, Conversation Driver, LLC; Chief Executive Officer at vitalfew, inc.
Experience	Mr. Ethan Bloomfield is currently the CEO of vitalfew, inc, a consulting and advisory business which he founded in 2015. He also serves on the board of governors for TAtech.org, a leading industry association which enables the interaction of companies in the recruitment technology space. He has been a member of TAtech.org since 2006 and has served on the board of governors since the first board was elected by the membership. In 2016, he co-founded and is also the current Chief Revenue Officer of ConversationDriver, LLC a company that utilizes software to help organizations improve efficiencies in sales outreach.

From 2012 until 2015, Mr. Bloomfield served as the Senior Vice President of Sales and Business Development at recruitment technology company ZipRecruiter, Inc., which he joined in 2012 as the 20th employee and the first employee in sales. In his role at ZipRecruiter he developed the entire sales organization, which he grew from concept to include over 120 representatives. Previously, he was Vice President of Business Development at JobTarget, LLC, a company that provides technology to organizations that want to offer their own web-based job boards to their members. While at JobTarget, he was instrumental in launching innovative new products and also led the acquisition of two companies.

Mr. Bloomfield holds a B.A. from the University of Massachusetts, Amherst.

Board Service International Association of Employment Web Sites; TAtech.org

Skills & Qualifications Mr. Bloomfield's qualifications as a director include his expertise in recruitment technologies, developed over a career spanning more than twelve years in the space. He is widely recognized as a thought leader in the sector and, in addition to advising or having advised almost 30 companies in the industry, he is a frequent speaker at industry conferences and events.

DANIEL DIENST

Age; Address 51; c/o D&D, 411 Lafayette Street, New York, NY 10003

Occupation Former Chief Executive Officer, Martha Stewart Living Omnimedia, Inc.

Experience Mr. Daniel Dienst served as a director and the Chief Executive Officer of Martha Stewart Living Omnimedia Inc., a public media and merchandising company, from 2013 to 2015, where he led the turnaround of the famous brand and orchestrated its successful sale in 2015 to Sequential Brands, Inc. for $353 million.

Prior to his service at Martha Stewart Living, Mr. Dienst had a distinguished career in the steel and metals industry, having served from 2008 until 2013 as the Group Chief Executive Officer of Sims Metal Management, Ltd., which is the world's largest publicly listed metal and electronics recycler—Sims processes and trades in excess of 15 million tons of metal annually from 270 facilities on five continents. He had previously sold Metal Management, Inc., a company that he founded and served in the capacity of Chief Executive Officer from 2004 to 2008, to Sims for $1.7 billion in 2008. Mr. Dienst also served as Chairman of the Board and Acting Chief Executive Officer of Metals USA, Inc., one of the nation's largest steel processors, after its reorganization and until its going-private sale to an affiliate of Apollo Management, L.P. in 2004.

Mr. Dienst is also experienced in the financial markets, having served as a Managing Director of Corporate and Leveraged Finance at CIBC World Markets Corp., a diversified global financial services firm, from 2000 to 2004. From 1998 to 2000, he held various positions within CIBC, including Executive Director of the High Yield and Financial Restructuring Group. Previous to his

time at CIBC, he served in various capacities with Jefferies & Company, Inc., a global investment banking firm. Mr. Dienst also recently served from 2014 to 2015 as a Director of 1st Dibs, Inc., a venture-backed e-commerce business owned by Benchmark Capital, Spark Capital, Index Ventures and Insight Venture Partners.

Mr. Dienst holds a B.A. from Washington University in St. Louis and a J.D. from Brooklyn Law School.

Board Service	Martha Stewart Living Omnimedia Inc. (2013 – 2015); Sims Metal Management Limited (2008 – 2013); Metals USA, Inc. (2002 – 2005); Metal Management, Inc. (2001 – 2008)
Skills & Qualifications	Mr. Dienst's qualifications to serve as director include his executive experience as a CEO and director of four public companies, his expertise in turnarounds and corporate transactions and his experience in the media sector.

heath freeman

Age; Address	36; c/o Alden Global Capital, 885 Third Avenue, 34th Floor, New York, NY 10022
Occupation	President, Alden Global Capital LLC; Vice Chairman, MediaNews Group, Inc.
Experience	Mr. Heath Freeman is the President, a Founding Member, and Director of Alden Global Capital, LLC, a $1.6 billion New York-based investment firm focused on deep value, catalyst-driven investing. He has been with the firm since its founding in 2007, and has been its President since 2014. Mr. Freeman currently serves as Vice Chairman of MediaNews Group, Inc. (d/b/a Digital First Media), the second largest newspaper business in the United States by circulation with over $1 billion of annual revenue, owning newspapers such as The Denver Post, San Jose Mercury, Orange County Register among others. In addition to his responsibility as Vice Chairman, Mr. Freeman leads the strategic review committee and is a member of the compensation committee. Mr. Freeman is a Co-Founder and serves on the board of SLT Group, Inc. (d/b/a SLT) a private fitness business based out of New York and started in 2011, which recently took in a large growth investment from North Castle Partners, a private equity firm focused on the health and wellness space. Mr. Freeman also co-founded City of Saints Coffee Roasters in 2013, a third wave coffee roaster, wholesaler and retailer based out of Brooklyn, NY. From 2006 to 2007, Mr. Freeman worked as an Investment Analyst at Smith Management, a New York-based private investment firm. Prior to that, from 2003 to 2006, Mr. Freeman was an Investment Banking Analyst at Peter J. Solomon Company, a boutique investment bank, working on mergers and acquisitions, restructurings and refinancing assignments. He has previously served on the boards at The Philadelphia Media Network, The Journal Register Company and RDA Holding Co., among others. Currently, Mr. Freeman also serves as Chairman of the Advisory Board for Jewish Life at Duke University's Freeman Center. Mr. Freeman holds a B.A. from Duke University.
Board Service	MediaNews Group, Inc.; SLT Group, LLC; Philadelphia Media Network, Inc.; RDA Holding Co.
Skills & Qualifications	Mr. Freeman's qualifications as a director include his experience as an investor, investment banker and board member of multiple companies with expertise in finance, compensation, turnarounds, corporate transactions and significantly improving value at underperforming companies.

KEVIN GREGSON

Age; Address	57; 335 Madison Avenue, New York, NY 10017
Occupation	Americas Leader, Willis Towers Watson plc

Experience

Mr. Kevin Gregson has served as the Americas Leader for the Insurance Industry for Willis Towers Watson plc since 2013. Prior to his role at Willis Towers Watson, Mr. Gregson was a Managing Director at Alvarez and Marsal Holdings, LLC, a financial advisory services company focused primarily on the financial services industry, from 2010 to 2013.

Mr. Gregson has over thirty years of experience in developing and implementing business solutions for global organizations. Prior to joining Alvarez and Marsal, Mr. Gregson served as founder and president of Bridge Pointe, LLC, a Bermuda-based insurance and reinsurance company and advisory services firm that provides innovative insurance solutions for insurers and corporate sponsors. Previously, he was a co-founder and principal of the Gregson Group, a business advisory firm helping companies align business strategies with organizational and human capital strategies. He is currently a director at Fidelity & Guaranty Life Company, a provider of life insurance and annuity products, where he serves on the audit, compensation and related party transactions committee.

Mr. Gregson holds a B.A. from the University of Delaware and has attended the Executive Finance Program at the University of Michigan.

Board Service Fidelity & Guaranty Life Company (2011 – Present)

Skills & Qualifications Mr. Gregson's qualifications to serve as director include his experience advising companies on complex business and financial issues for thirty years, and his expertise in corporate governance, strategy, and financial/operational performance improvement.

LOWELL ROBINSON

Age; Address 67; 470 West End Avenue, New York, NY 10024

Occupation Director, EVINE Live, Inc.

Experience Mr. Lowell Robinson is a highly regarded financial and operating executive with thirty years of senior-level strategic, financial, governance, turnaround and M&A experience. He has also served as a director on seven public boards, and has experience serving as Chairman of the Board as well as Chairman of audit and compensation committees.

From 2006 until 2009, Mr. Robinson was Chief Financial Officer and Chief Operating Officer for Miva, Inc., a digital marketing company, and was instrumental in Miva's turnaround and later sale. He was previously Senior Executive Vice President and Chief Financial Officer for HotJobs.com, an online job board, where he was responsible for all finance and administrative functions at the company.

After bringing the company to profitability a year ahead of expectation, HotJobs was sold to Yahoo! for $500 million, representing a 75% premium to market. Prior to joining HotJobs, Mr. Robinson was Executive Vice President and Chief Financial Officer for PRT Group, Inc., a software and IT services company, where he raised $62 million in its initial public offering.

In 1994, Mr. Robinson was recruited by the CEO and Warburg Pincus to serve as the Chief Financial Officer of Valassis Communications, Inc. (f/k/a Advo, Inc.), a Fortune 500 company and the largest direct marketing company on the New York Stock Exchange with $2 billion in revenues. Over a three-year period, shareholder value increased 300% due to operational initiatives which he led, in addition to paying out a one-time $10 special dividend. Previously, Mr. Robinson held senior financial positions with Citigroup, Mars, Inc. and Kraft Foods Group, Inc. He is currently on the board at EVINE Live Inc., and has previously served on the board of The Jones Group, Inc., where he chaired the audit and compensation committees, in addition to having served on the boards of five other public companies over the course of his career.

	Mr. Robinson holds a B.A. from The University of Wisconsin and an M.B.A. in finance from Harvard Business School.
Board Service	EVINE Live, Inc. (2014 – Present); Support.com, Inc. (2016 – Present); Higher One Holdings, Inc. (2014 – 2016); The Jones Group, Inc. (a/k/a Nine West Holdings, Inc.) (2005 – 2014); International Wire Group, Inc.; Independent Wireless One Corp., Edison Schools Inc.; The Smithsonian Libraries; and Metropolitan Opera Guild
Skills & Qualifications	Mr. Robinson's qualifications to serve as director include his C-level executive experience at multiple companies, his experience serving on the boards of seven public companies and his expertise in finance, corporate governance, turnarounds and corporate transactions.

Gregory Slayton

Age; Address	57; 5445 Caruth Haven Lane, Suite # 1724, Dallas, TX 75225
Occupation	Managing Director, Slayton Capital; Distinguished Visiting Professor, Peking University

Experience

The Hon. Gregory Slayton has served as the Managing Director of Slayton Capital, an international venture capital firm that has been an early investor in some of the most successful companies in Silicon Valley history, since 2002. He was an early investor in Google and Salesforce.com and served on the advisory boards of both companies

From 2005 until 2009, Mr. Slayton was the Chief of Mission (de facto Ambassador) to Bermuda, serving under both the George W. Bush and Obama Administrations. From 2000 until 2002, he served as Chief Executive Officer of ClickAction Inc., an email marketing services company that was acquired by InfoUSA Inc. Prior to this, he was Chief Executive Officer and Chairman of MySoftware, which merged with ClickAction in 2000.

He has also served as Distinguished Visiting Professor at Peking University and as a visiting professor at UIBE Business School, Beijing & Szechuan University, Dartmouth College, Harvard University and the Stanford Graduate School of Business. Mr. Slayton has been featured in the *Wall Street Journal*, *Time* and three Harvard Business School case studies. He has lived and worked extensively in Asia, Africa, Europe and Latin America, and was a Fulbright Scholar at the University of the Philippines, where he completed a Masters in Asian Studies with honors.

Mr. Slayton holds a B.A. with honors from Dartmouth College and an M.B.A. with honors from Harvard Business School.

Board Service

Clarien Bank Limited (2014 – Present); Borland Software Corp. (2005); Intest Corp. (1998 – 2005); Quantum Corp. (2000 – 2004); and ClickAction, Inc. (1997 – 2001).

Skills & Qualifications

Mr. Slayton's qualifications as a director include his experience as an investor in technology companies, his executive experience as CEO of multiple companies, his experience serving on the boards of four public companies and his expertise in technology, operations and international markets.

We urge stockholders to **CONSENT** to the election of **ALL** seven of the Nominees on the **GOLD** consent card.

None of the organizations or corporations referenced above is a parent, subsidiary, or other affiliate of the Company. We believe that, if elected, each of the Nominees will be considered an independent director of the Company under (i) the Company's Corporate Governance Guidelines, as amended through September 16, 2015, (ii) Section 303A of the New York Stock Exchange's Listed Company Rules (the "NYSE Rules"), and (iii) paragraph (a)(1) of Item 407 of Regulation S-K. Under the NYSE Rules, however, a final determination as to the independence of the Nominees will not be made until after their election and appointment to the Board.

Each of the Nominees has entered into a nominee agreement pursuant to which MNG has agreed to pay the costs of soliciting consents in connection with this Consent Solicitation and to defend and indemnify such Nominees against,

and with respect to, any losses that may be incurred by them in connection with their nomination as candidates for election to the Board and the solicitation of consents in support of their election. The Nominees other than Mr. Dienst will not receive any compensation from MNG for their services as Nominees or directors of the Company if elected. If elected, the Nominees will be entitled to such compensation from the Company as is consistent with the Company's practices for services of non-employee directors.

Pursuant to his understanding with MNG, Mr. Dienst will be paid a $25,000 fee by MNG in consideration of his agreement to serve as a Nominee and will be entitled to 7.5% MNG's net appreciation of its Common Stock during the period starting with the announcement of the Nominees and ending with the first of (i) Mr. Dienst's election or appointment to the Board, (ii) MNG's termination of the Consent Solicitation prior to 60 days after the filing of a definitive consent solicitation statement with the SEC, or (iii) in the event Mr. Dienst is not elected or appointed to the Board, the earlier of (x) the business day on which MNG ceases to be the beneficial owner of more than ten percent of the outstanding Common Stock as a result of a sale of Common Stock by MNG, and (y) March 31, 2017. Alternatively, if Mr. Dienst does not receive such a fee for the foregoing reasons, Mr. Dienst may be entitled to such a fee in the event a transaction is consummated whereby the Company is acquired in whole or in substantial part by another person before the conclusion of the Consent Solicitation. If Mr. Dienst is elected to the Board, he will not be entitled to any of MNG's net appreciation for any period following his appointment to the Board or to any other payments from MNG.

If successful in this Consent Solicitation, we believe that the Board, subject to its review of the Company's business and exercise of its fiduciary duties, will terminate Timothy Yates ("Mr. Yates") from his position as Chief Executive Officer of the Company and appoint Mr. Dienst as interim Chief Executive Officer of the Company while the Board conducts a search for a full-time Chief Executive Officer, with Mr. Dienst receiving $100,000 per month and receiving expense reimbursement and customary benefits from the Company.

Each of the Nominees has agreed to being named as a Nominee in this Consent Statement and has confirmed his willingness to serve on the Board if elected. We do not expect that any of the Nominees will be unable to stand for election, but, in the event that a Nominee is unable to or for good cause will not serve, the shares of Common Stock represented by the **GOLD** consent card will be voted for a substitute candidate selected by us. If we determine to add or substitute nominees, we will file an amended consent statement and consent card that, as applicable, identifies the additional or substitute nominees, discloses that such nominees have consented to being named in the revised consent statement and to serve if elected, and includes biographical and other information about such nominees required by the rules of the SEC.

The Election Proposal to elect the Nominees is conditioned, in part, upon the effectiveness of the Removal Proposal. If none of the members of the Board are removed pursuant to the Removal Proposal, and there are no vacancies to fill, none of the Nominees can be elected pursuant to the Election Proposal. If fewer than seven directors are removed pursuant to the Removal Proposal and there are more Nominees receiving the requisite number of consents to fill vacancies pursuant to the Election Proposal than the number of such resulting vacancies, then MNG intends to fill the vacancies in the following order: Joseph Anto, Heath Freeman, Daniel Dienst, Lowell Robinson, Ethan Bloomfield, Gregory Slayton, and Kevin Gregson. If less than all of the Nominees are elected pursuant to this proposal, the Board (including the Nominees elected hereby) may act to reduce the size of the Board by resolution, requiring the approval of a majority of directors.

The **GOLD** consent card delivered with this Consent Statement provides each stockholder of the Company with the opportunity to adopt Proposal 4 in part by designating the names of any Nominees whom such stockholders does not want elected to the Board.

Potential Effects upon Change of Control.

Credit Agreement

Under the Company's Third Amended and Restated Credit Agreement, dated as of October 31, 2014, as amended (the "Credit Agreement"), a "Change of Control" constitutes an "Event of Default" and will be deemed to occur if, during any period of 24 consecutive months, a majority of the members of the Board ceases to be composed of individuals (i) who were members of that Board on the first day of such period, (ii) whose election or nomination to that Board was approved by individuals referred to in clause (i) above constituting at the time of such election or nomination at least a majority of that Board or (iii) whose election or nomination to the Board was approved by individuals referred to in clauses (i) and (ii) above constituting at the time of such election or nomination at least a majority of that Board. Under Delaware case law, the Board's fiduciary duties require them to approve the election of the Nominees unless they identify a specific and substantial risk to the Company or its creditors posed by the Nominees.[2] We do not believe that there is any reasonable basis for the Board to fail to approve the election of the Nominees and we

therefore expect that the Board will grant such approval prior to the delivery of written consents and that the election of the Nominees will not trigger an event of default. Upon an Event of Default under the Credit Agreement, the lenders under the Credit Agreement will not be obligated to make loans or other extensions of credit and may, among other things, terminate their commitments to the Company and declare any then outstanding loans due and payable immediately. Upon an Event of Default under the Credit Agreement, the lenders under the Credit Agreement will not be obligated to make loans or other extensions of credit and may, among other things, terminate their commitments to the Company and declare any then outstanding loans due and payable immediately. According to the Company's Quarterly Report for the fiscal quarter ended on June 30, 2016, as of June 30, 2016, the Company's borrowings outstanding under the senior secured term loan under the Credit Agreement were $66.3 million.

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[2] In the 2013 case of *Kallick v. SandRidge Energy,* the Delaware Court of Chancery found that the SandRidge Energy board of directors, in refusing to approve a stockholder's slate of directors for the purposes of a "Proxy Put", "failed to exercise its discretion in a reasonable manner." We do not believe that there is any reasonable basis for the Board to fail to approve the election of the Nominees and we believe that such approval is clearly in the best interests of the Company and its stockholders.

Employment Agreements and Compensation Plans

Under the Company's Amended and Restated 2008 Equity Incentive Plan, effective as of March 25, 2008 (the "2008 Equity Incentive Plan"), and the Company's 1999 Long Term Incentive Plan, as amended as of January 1, 2008 (the "1999 Long Term Incentive Plan"), accelerated vesting of certain equity awards, such as stock options, restricted stock, or restricted stock units payments may occur and certain payments may be due to the Company's executive officers upon termination of employment or a "Change in Control." Under the 2008 Equity Incentive Plan and 1999 Long Term Incentive Plan, a "Change in Control" is triggered upon the first day as of which a majority of the members of the Board are not Continuing Directors, which is defined as the directors of the Company on January 1, 2008, and (ii) each other director if, in each case, such other director's nomination for election or election to the Board is recommended or approved by at least a majority of the then Continuing Directors. If at least four of the Nominees are elected in place of the current directors on the Board, a Change in Control may be deemed to occur (absent an amendment to the 2008 Equity Incentive Plan or 1999 Long Term Incentive Plan, as applicable).

The Company has entered into employment agreements (each an "Employment Agreement") with certain of its named executive officers ("NEOs"), including Mr. Yates, Mark Stoever, the Company's current President and Chief Operating Officer ("Mr. Stoever"), and Michael Miller, the Company's General Counsel ("Mr. Miller"), which incorporate by reference certain terms of the 2008 Equity Incentive Plan or the 1999 Long Term Incentive Plan. Each Employment Agreement has incorporated a definition of "Change in Control" that includes a trigger if either the individuals constituting Continuing Directors (as defined in each applicable Employment Agreement) cease for any reason to constitute a majority of the Board or if a majority of members of the Company's Board is replaced during any twelve month period by Directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election. The Change in Control provisions are double-trigger provisions, meaning that a change in control in and of itself does not trigger any payments, but rather there would also need to be either a termination without cause of the executive or a voluntary termination by the executive for "good reason" before any benefits are triggered ("good reason" voluntary termination only triggers payments for Timothy Yates, Mark Stoever, and Michael Miller). The Nominees, if elected, reserve the right to take action to terminate certain the covered NEOs without cause or to otherwise take any action that may provide "good reason" for any such covered NEOs to voluntarily terminate their employment for "good reason," which in turn will trigger Change in Control payments to the nominees, as described below. Under Mr. Yates's Employment Agreement, dated as of November 4, 2014, "good reason" shall exist permitting Mr. Yates to terminate his employment with the Company if he ceases to serve as Chief Executive Officer of the Company.

According to the Company's Schedule 14D9, filed on September 6, 2016 in connection with the Tender Offer, the benefits payable to the NEOs under their Employment Agreements would be, in the aggregate, approximately $10 million, including approximately $5.0 million for Mr. Yates, $3.1 million for Mr. Stoever, and $1.8 million for Mr. Miller.

In addition, Messrs. Yates, Stoever and Miller are entitled to accelerated vesting of certain outstanding equity awards granted before March 16, 2016 under the aforementioned compensation plans that, at a per share merger consideration price of $3.40, would have an aggregate value of approximately $2.2 million upon a change in a majority of the members of the Board that are not Continuing Directors.

Consent Required.

According to Article III, Section 3 of the Bylaws, the approval of Proposal 4 requires the affirmative consent of stockholders holding at least a majority of the Voting Stock with respect to each Nominee. Abstentions and broker non-votes will have the same effect as withholding consent, which means that they will have the effect of a vote "against" Proposal 4. 4.5% 0.7% 8.2%Gross Profit Percentage 30.1% 29.5% 30.0%Operating Income $48,494 $42,137 $42,385 Net Income $29,338 $26,382 $26,821 Earnings per share, diluted $1.43 $1.31 $1.37

- Net sales increased 12.1% over fiscal 2011 to $855.0 million. Similar to other retailers, we follow the retail 4-5-4 reporting calendar, which included an extra week in the fourth quarter of fiscal 2012 for a total of 53 weeks for the fiscal year. Our sales for this extra week in fiscal 2012 approximated $10.7 million. Comparable store sales, which are reported on a 52-week comparable sales basis, increased 4.5%.

- We achieved record earnings per diluted share of $1.43 in fiscal 2012, representing a 9.2% increase over earnings per diluted share of $1.31 achieved in fiscal 2011 and improving upon the prior record earnings per diluted share achieved in fiscal 2010 by 4.4%.

- We opened 31 new stores, including stores in the Dallas/Fort Worth Metroplex and Puerto Rico, which were new major markets for us.

- We completed a three-for-two stock split of the shares of our common stock, which was effected in the form of a stock dividend during April 2012.

- We paid our first-ever quarterly cash dividend to our shareholders during the second quarter of fiscal 2012. The initial dividend was followed by two additional quarterly cash dividends during fiscal 2012, each in the amount of $0.05 per share. Additionally, a special cash dividend of $1.00 per share was paid to our shareholders during December 2012. In total during fiscal 2012, we returned $23.5 million to our shareholders through our quarterly and special cash dividends.

- During fiscal 2012, we returned additional capital to our shareholders through the repurchase of approximately 220,000 shares of our common stock at an average price of $21.29 for an aggregate cost of $4.7 million.

In fiscal 2012, we continued to execute on two strategic initiatives, which included capitalizing on the fashion driving consumer footwear demand and aggressively opening stores in new and existing markets. We believe our ability to shift our merchandise emphasis is a reflection of the strength of our broadly assorted family footwear retail model. Our fiscal 2012 financial results, along with our financial results from fiscal 2011 and fiscal 2010, are more fully described in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for fiscal 2012.

We believe our fiscal 2012 Executive compensation aligned well with the objectives of our compensation philosophy and with our performance. The following chart provides a historical perspective on our performance-based annual cash incentive component.

Based on achieving a defined amount of pre-bonus operating income in fiscal 2012, Messrs. Sifford, Jackson and Baker and Ms. Yearwood could earn a bonus payment pursuant to our 2006 Executive Incentive Compensation Plan, as amended (the "Executive Incentive Compensation Plan"). In fiscal 2012, our Operating Income was $50.4 million, or less than 1% below target, which resulted in each of these executives earning a bonus.

We utilize both performance-based and service-based restricted stock awards as our primary forms of equity-based incentive compensation. Since fiscal 2005, the performance-based incentive awards granted to our Executives vest with the attainment of specified annual earnings per diluted share. In fiscal 2012, we achieved $1.43 in earnings per diluted share, the highest in the Company's history. As a result of this achievement, a portion of the outstanding performance-based awards previously issued to Messrs. Sifford, Jackson and Baker and Ms. Yearwood vested and were subsequently released on March 31, 2013.

We encourage you to read the complete Compensation Discussion and Analysis for the detailed discussion and analysis of our Executive compensation program.

Compensation Philosophy and Objectives of the Overall Compensation Program

While fiscal 2012 was a period of transition for us, our compensation philosophy and objectives of the overall compensation program remained a constant. Our compensation philosophy is to design programs to attract, retain and motivate the finest talent possible for all levels of the organization. In addition, the programs are designed to maintain a performance and achievement-oriented environment, to be cost-competitive, to treat all employees fairly and to maximize the tax deductibility of employee compensation. All programs have the following characteristics:

- Compensation is based on the level of job responsibility, the individual's level of performance and the Company's overall performance. As employees assume greater responsibility, a larger portion of their total compensation should be "at risk" incentive compensation (both annual and long-term), subject to corporate and individual performance metrics.

- A combination of short-term compensation in the form of base salaries and annual cash incentives and long-term equity based compensation in the form of service-based and performance-based restricted stock awards and stock option grants are utilized to provide incentive to Executives to create shareholder value through the attainment of both short and long-term goals.

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Compensation also takes into consideration the value of the job in the marketplace. To retain a highly skilled work force, we strive to remain competitive with the pay of employers who compete with us for talent.

The Committee, along with management, recognizes that the challenges faced by an entrepreneurial and growth-orientated retail organization require that compensation programs remain flexible to meet the prevailing market conditions for key management roles. Determination of appropriate compensation for our Executives is based on the Committee's in-depth knowledge of our operations and the competitive environment in which we operate, along with the accumulated business expertise of the members of the Committee. This process is subjective because we do not believe that a purely formula-driven approach to compensation can adequately take into account all of the various aspects that will lead to our long-term success.

What the Compensation Program is Designed to Reward

The Committee emphasizes the relationship of compensation to performance. In evaluating the Company's performance and the contribution of the Executives, the Committee generally considers increases in store growth, sales, operating income, net earnings and earnings per share as compared to both the financial plan for the year and prior year performance. The Committee also evaluates free cash flow generated by the Company, management's success in managing merchandise inventories and the impact of prevailing economic conditions. In the current retail climate, management's emphasis on financial stability and liquidity while working to increase our market share through new store growth is important.

Compensation Program Components, Why Each Component Is Chosen and How Each Component Relates To Our Compensation Philosophy and Objectives

The basic components of our Executive compensation program consist of base salary, annual cash incentives, long-term equity based incentives and other benefits, which include retirement plans, health and welfare benefits, limited perquisites and other fringe benefits.

Base Salary

The base salary component provides for fixed compensation and rewards the core competencies of each Executive relative to skill set, experience, tenure and individual performance. Base salary serves as the base amount from which other compensation elements are determined, such as target annual cash incentives. In general, executive officers with higher levels of responsibility have a lower percentage of their compensation fixed as base salary and a higher percentage of their compensation at risk.

Annual Cash Incentives

We utilize a performance-based cash incentive program, which is designed to reward the Executives for meeting annual financial goals that will lead to our long-term success. Under our Executive Incentive Compensation Plan, performance targets may be based on one or more of the following business criteria: annual return to shareholders, net sales, net income, net income before nonrecurring items, operating income, return on equity, return on assets, EPS, EBITDA, EBITDA before nonrecurring items, comparable store sales, average sales per square foot or average sales per square foot for new stores. Each of the foregoing business criteria may also be calculated before bonus expense.

The Committee annually selects the business criteria that performance targets will be based on, determines the minimum threshold, target and maximum performance target levels and sets the percentage of salary each Executive can earn for achievement of the performance target levels. The Committee utilizes financial projections prepared by management in setting the performance targets. These projections incorporate various assumptions related to attainable comparative store sales increases, merchandise gross margin, new store openings and selling, general and administrative expense levels. These projections attempt to incorporate the known risk factors inherent with the current economic retail climate and present both the challenges and opportunities facing the Company. The parameters under which the program will be administered are established by the Committee, typically within the first 60 days of each fiscal year.

We may also award discretionary cash bonuses to Executives for their work on special projects, for significant accomplishments, for promotions, as new hire sign-on bonuses, when the Committee seeks to align compensation levels more closely to market conditions or when the Committee otherwise determines.

Long-Term Equity Based Incentives

We consider equity compensation, in the form of restricted stock or stock options, to be an important element in the overall compensation of our Executives and other key employees. Equity based incentive awards that typically vest over time, or upon the attainment of long-term goals, help to retain Executives and encourage them to manage through difficult periods and to improve our long-term performance. This philosophy serves to more closely align the interests of our Executives with the interests of our shareholders.

We currently utilize both performance-based and service-based restricted stock awards as our primary forms of equity based incentive compensation. The vesting of performance-based awards is tied to the attainment of defined earnings per diluted share and rewards each Executive for the creation of shareholder value. Up to 100% of the number of shares of restricted stock may be forfeited if the performance goals are not achieved within a six-year window of time. Restricted stock awards with only service-based vesting are utilized on a limited basis as appropriate when retention or recruitment is our primary and immediate objective. These awards are issued pursuant to the terms and conditions of the 2000 Stock Option and Incentive Plan (the “2000 Stock Plan”).

Other Benefits

We provide the Executives with health and welfare programs, a 401(k) retirement plan and employee benefit plans, programs and arrangements generally available to all employees. We also provide the Executives, along with all of our other officers, other executive benefit programs and perquisites in order to provide a competitive executive compensation program and to foster executive retention.

The additional levels of benefits available to the Executives include an executive life insurance program, an executive long-term disability program, additional medical benefits and a nonqualified deferred compensation plan. The life insurance and long-term disability programs provide the Executives with life and disability benefits greater than the benefits available under our standard broad-based life insurance and long-term disability programs. The additional medical benefits serve to supplement our standard health benefits program and provide additional reimbursement of out-of-pocket expenses including co-payments and deductibles. The nonqualified deferred compensation plan is offered to our Executives who, due to Internal Revenue Service limitations, cannot defer an adequate level of replacement income for their retirement planning. Further details on the nonqualified deferred compensation plan can be found under "Nonqualified Deferred Compensation – Non-Equity Based Compensation – Narrative Discussion." In addition, we currently offer limited perquisites to each Executive. Details of our perquisites are contained in footnote 5 to the Summary Compensation Table.

Impact of Say-on-Pay Vote on Executive Compensation Decisions

In June 2012, we held our second shareholder say-on-pay vote. Our shareholders approved the proposal, with approximately 84% of shareholder votes cast in favor of the 2012 say-on-pay vote.

At its meeting in March 2013, the Committee reviewed our compensation programs and the results of the 2012 say-on-pay vote. The Committee also considered the discussion that members of our management had with several of our larger shareholders regarding our compensation programs, during which such shareholders did not identify any issues with our compensation programs. The Committee determined that our compensation programs are fundamentally sound, support the needs of our business, are aligned with the trends in the market, and are supported by our shareholders. As a result, the Committee decided to retain our 2012 executive compensation philosophy, objectives, components, component mix, and performance metrics for 2013 compensation purposes. The performance targets for our annual cash incentive component were updated to conform to our fiscal 2013 financial projections. For fiscal 2013, base salaries, annual cash incentives and long-term equity based incentives were reviewed and adjusted to ensure appropriate competitive positioning.

In addition, when determining how often to hold future say-on-pay votes, the Board took into account the preference for an annual vote expressed by our shareholders at our 2011 annual meeting. Accordingly, the Board determined that we will hold say-on-pay votes on an annual basis until the next say-on-pay frequency vote, which will be held no later than our 2017 annual meeting.

Fiscal 2012 Compensation Matters

Fiscal 2012 was a period of senior leadership transition for us. Mr. Lemond retired at the end of October 2012 after serving as our President and Chief Executive Officer for the last 16 years. Mr. Sifford was appointed as President, Chief Executive Officer and Chief Merchandising Officer and Mr. Jackson was promoted to Senior Executive Vice President – Chief Operating and Financial Officer. Both executives, along with Mr. Baker, assumed additional responsibilities as a result of this transition. Additionally, during December 2012, Mr. Scibetta joined Shoe Carnival to assume the responsibilities of General Merchandise Manager from Mr. Sifford after his appointment to President and Chief Executive Officer.

The discussion below regarding fiscal 2012 compensation matters addresses both the annual compensation decisions made in March 2012, prior to Mr. Lemond’s retirement, as well as additional compensation decisions which were made in conjunction with the senior leadership transition. The Committee believes that, in light of the promotions associated with the senior leadership transition and the additional responsibilities assumed by Messrs. Sifford, Jackson and Baker, modifications to their March 2012 compensation arrangements were warranted. The Committee also believes that the compensation arrangement provided to Mr. Scibetta is reflective of the talent and experience he brings us, is competitive, represents an appropriate mix of cash compensation and equity incentives and includes reasonable relocation related compensation.

Base Salary

The Committee reviews and approves salaries for the Chief Executive Officer and other Executives on an annual basis or at other times as necessary to accommodate the hiring of new employees, a change in responsibilities, promotions, or other considerations. The Chief Executive Officer provides recommendations to the Committee for the other Executives. Recommended base salaries are reviewed and set based on a number of factors, including job responsibilities, individual industry experience, position, changes in responsibilities, individual performance, the Company's overall performance and industry data for comparable positions. No predetermined weight is given to any of the above factors.

The fiscal 2012 base salary for each Executive was increased as follows:

	Compensation Decisions – Base Salary				
	March 2012			2012 Senior Leadership Transition	
Name	Fiscal 2011	Fiscal 2012	Percentage Increase	Fiscal 2012	Percentage Increase
Clifton E. Sifford	$460,000	$ 480,000	4.3 %	$ 550,000	14.6 %
W. Kerry Jackson	$445,000	$ 465,000	4.5 %	$ 520,000	11.8 %
Timothy T. Baker	$435,000	$ 455,000	4.6 %	$ 500,000	9.9 %
Carl N. Scibetta	N/A	N/A		$ 350,000	
Kathy A. Yearwood	$192,500	$ 205,000	6.5 %	N/A	
Mark L. Lemond	$775,000	$ 810,000	4.5 %	N/A	

Prior to the salary increases resulting from the senior leadership transition, salary increases for our Executives averaged approximately 4.6% annually for the past three years. These salary increases were made to keep each of their salaries competitive.

In light of the promotions associated with the senior leadership transition and the additional responsibilities assumed by Messrs. Sifford, Jackson and Baker, the Committee approved new base salaries effective October 27, 2012 as reflected in the above table. Mr. Scibetta’s compensation reflects the annual base salary the Committee determined was necessary to fill this senior level position.

Annual Cash Incentives

A portion of the annual cash compensation our Executives could earn for fiscal 2012 consisted of a performance-based bonus payment pursuant to the Executive Incentive Compensation Plan. The Committee could also award discretionary cash bonuses to the Executives for their work on special projects, for significant accomplishments, for promotions, as a new hire sign-on bonus or as the Committee otherwise determined.

For fiscal 2012, the Committee at their March 2012 meeting selected our operating income before officer bonus expense ("Operating Income") as the business criteria for all officers included in the plan. The Committee established the minimum threshold, target and maximum performance target levels as well as the applicable percentage of annual salary that officers could earn for attainment of each performance target level. The targets attempted to incorporate the known risk factors inherent with the current retail economic climate and present challenges and opportunities facing the Company. The following table reflects the percentage of salary each Executive, other than Mr. Scibetta, who was not eligible to participate in our Executive Incentive Compensation Plan in fiscal 2012, could earn based upon the attainment of the various target levels of Operating Income, which percentages remained the same as those established for fiscal 2011.

Name	Percentage of Annual Salary		
	Threshold	Target	Maximum
Clifton E. Sifford	0%	60 %	100 %
W. Kerry Jackson	0%	60 %	100 %
Timothy T. Baker	0%	60 %	100 %
Kathy A. Yearwood	0%	40 %	60 %
Mark L. Lemond	0%	80 %	125 %

The minimum threshold for fiscal 2012 was selected as 80% of the Operating Income achieved in fiscal 2011, or $34.4 million. In setting the minimum threshold, the Committee considered, among other factors, the near record financial results achieved by the Company in fiscal 2011, the additional cost to be incurred by the Company to accelerate store growth during fiscal 2012 and the continued uncertainty of the U.S. and global economies. If the minimum threshold was met, the Executives would earn an escalating bonus, as a percentage of their base salary, as the fiscal 2012 Operating Income exceeded the threshold amount. Upon the attainment of the target Operating Income for fiscal 2012, or $50.5 million, a 17% increase over Operating Income recorded in fiscal 2011, each Executive would earn their target bonus. With the attainment of 120% of the target Operating Income, or $60.6 million, a 41% increase over fiscal 2011 Operating Income, each Executive would earn his or her maximum allowable bonus under the Executive Incentive Compensation Plan.

Our fiscal 2012 Operating Income was $50.4 million, or less than 1% below target. As a result, under the plan, each Executive earned the following bonus:

Name	Bonus Earned	Percentage of Base Salary
Clifton E. Sifford	$ 287,215	59.8 %
W. Kerry Jackson	$ 278,240	59.8 %
Timothy T. Baker	$ 272,256	59.8 %
Kathy A. Yearwood	$ 81,777	39.8 %

On March 27, 2013, the Committee reviewed our financial results and approved the payments as earned under the Executive Incentive Compensation Plan. Pursuant to the terms of the Separation and Release Agreement we entered into with Mr. Lemond in connection with his retirement, as described below under "Retirement Compensation – Mark L. Lemond," Mr. Lemond did not receive a payout for fiscal 2012 under our Executive Incentive Compensation Plan.

As part of Mr. Scibetta's new hire compensation arrangement, he was provided a one-time new hire cash sign-on bonus in the amount of $50,000. This payment was intended primarily as an inducement to compensate for the incentive compensation he forfeited to join us. Mr. Scibetta will be eligible to participate in the Executive Incentive Compensation Plan beginning in fiscal 2013.

Long-Term Equity Based Incentives

Incentive awards are granted pursuant to the 2000 Stock Plan at the discretion of the Committee. The Committee relies in large part on the recommendation of our Chairman and our Chief Executive Officer in determining the number of incentive awards to be granted to Executives. With the exception of new employees and promotions, incentive awards are typically granted on an annual basis at the Committee's regularly scheduled meeting in March of each year. This meeting is scheduled in advance and occurs before the release of our fourth quarter and annual earnings.

Based on the recommendation of our Chairman and our former Chief Executive Officer, the Committee, at its March 2012 meeting, granted an aggregate of 122,250 shares of performance-based restricted stock to the Executives as follows:

Name	Shares Awarded
Clifton E. Sifford	25,500
W. Kerry Jackson	25,500
Timothy T. Baker	25,500
Kathy A. Yearwood	8,250
Mark L. Lemond	37,500

An additional 117,750 shares were granted to other members of management. One-third of these restricted shares vest upon the attainment of annual earnings per diluted share of $1.31, the earnings per diluted share achieved for fiscal 2011; one-third vest upon the attainment of annual earnings per diluted share of $1.39, a 6% increase over the prior tier; and one-third vest upon the attainment of annual earnings per diluted share of $1.53, a 10% increase over the prior tier. Multiple tranches of these restricted shares may vest in a given year. Any restricted shares that are unvested after six fiscal years will be forfeited. Our Chairman and our former Chief Executive Officer based their recommendation for the March 2012 restricted stock awards on a total of approximately 1% of our then outstanding shares, with consideration given to the dilutive effect of the proposed grant. Recommendation of the allocation of shares amongst members of management was made based on the individual’s potential for making significant contributions in the future and the relative importance of the individual’s position to others in our organization. Under the terms of the 2000 Stock Plan, Mr. Lemond's retirement in October 2012 resulted in his forfeiture of the 37,500 shares granted to him in March 2012.

In light of the promotions associated with the senior leadership transition and the additional responsibilities assumed by Messrs. Sifford, Jackson and Baker, the Committee granted 33,400 shares of restricted stock to Mr. Sifford, 29,200 shares of restricted stock to Mr. Jackson and 20,900 shares of restricted stock to Mr. Baker, effective on October 27, 2012. The shares of restricted stock will vest in full on October 27, 2017, provided the Executive maintains continuous service with us through such date. The Committee determined to grant these restricted shares with a five-year cliff vesting to encourage the retention of these key executives.

Upon the commencement of his employment with us, the Committee granted an award of 12,500 shares of service-based restricted stock to Mr. Scibetta, which will vest in thirds on the first, second and third anniversary of his employment. This award is consistent with our practice of providing service-based equity compensation to new members of management to encourage their retention.

No other forms of equity-based compensation were awarded to the Executives during fiscal 2012.

Other Benefits

The other executive benefit programs and perquisites described above under “Compensation Program Components, Why Each Component Is Chosen and How Each Component Relates to Our Compensation Philosophy and Objectives - Other Benefits” were not changed from fiscal 2011.

Other than as described above, the compensatory arrangements with Messrs. Sifford, Jackson and Baker were not changed as a result of the transition in our senior leadership. Each of Messrs. Sifford, Jackson and Baker participate in other employee benefit plans and compensation arrangements that are generally available to our officers.

Mr. Scibetta’s new hire compensation arrangement provided for benefits similar to those currently available to our Executives. Mr. Scibetta is also entitled to receive relocation assistance in an amount not to exceed $75,000.

Retirement Compensation – Mark L. Lemond

On October 17, 2012, we announced Mark L. Lemond would be retiring from his positions as President and Chief Executive Officer and Director effective October 27, 2012. The following occurred in connection with his retirement:

- We entered into a Separation and Release Agreement under which Mr. Lemond received a lump sum cash severance payment of $1,000,000. The Committee determined to pay the cash severance as recognition of Mr. Lemond's loyal service and contributions to Shoe Carnival over the past 25 years, including 16 years as President and Chief Executive Officer. Additionally, we agreed to pay the monthly costs of health and dental plan coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act for up to 18 months on Mr. Lemond's behalf. Mr. Lemond was allowed to retain the use of a Company-leased automobile through December 31, 2012.

- In accordance with the terms of Mr. Lemond's Amended and Restated Employment and Noncompetition Agreement, entered into on December 11, 2008, Mr. Lemond received an additional lump sum cash payment of $425,000 in addition to all accrued but unpaid compensation as of the date of his retirement.

- As part of the Separation and Release Agreement, Mr. Lemond reaffirmed the post-employment restrictions in his employment agreement. This includes the agreement by Mr. Lemond not to contribute his knowledge and abilities to any business or entity in competition with us for a period of two years following termination of his employment, agreements with respect to our confidential and proprietary information, and his agreement not to disparage the Company, to cooperate in the transition and to release the Company from any claims related to his employment and retirement.

- Under the terms of the 2000 Stock Plan, Mr. Lemond's retirement resulted in the forfeiture of 77,500 shares of unvested restricted stock, including the 37,500 shares of unvested restricted stock he was awarded in fiscal 2012. None of his outstanding vested stock options were affected by his retirement.

Fiscal 2013 Executive Compensation Decisions

The Committee met on March 27, 2013 and completed its review and approval of the fiscal 2013 corporate goals and objectives relevant to Executive compensation, evaluated each Executive's individual performance as well as their collective performance in light of the prior year internal goals and objectives and set Executive compensation levels for fiscal 2013 based on this evaluation. This process was consistent with that performed in March 2012.

The Committee established the following with respect to Executive compensation for fiscal 2013:

1. The base salary for each Executive was set as follows:

Name	Base Salary	Percentage Increase	
Clifton E. Sifford	$ 575,000	4.5	%
W. Kerry Jackson	$ 520,000	0	%
Timothy T. Baker	$ 500,000	0	%
Carl N. Scibetta	$ 350,000	0	%
Kathy A. Yearwood	$ 215,000	4.9	%

The two salary increases were made to keep each of their salaries competitive and, in the case of Ms. Yearwood, to reflect her increased responsibilities.

2. The Committee selected our operating income before officer bonus expense (“Operating Income”) as the business criteria for all officers included in the Executive Incentive Compensation Plan and established the minimum threshold, target and maximum performance target levels. These targets attempt to incorporate the known risk factors inherent with the current economic retail climate and present challenges and opportunities facing the Company. The following table reflects the percentage of salary each Executive could earn based upon the attainment of the various target levels of Operating Income and are the same percentages as those established for fiscal 2012.

Name	Percentage of Annual Salary		
	Threshold	Target	Maximum
Clifton E. Sifford	0%	80 %	125 %
W. Kerry Jackson	0%	60 %	100 %
Timothy T. Baker	0%	60 %	100 %
Carl N. Scibetta	0%	60 %	100 %
Kathy A. Yearwood	0%	40 %	60 %

The minimum threshold for fiscal 2013 was selected as 80% of the Operating Income achieved in fiscal 2012, or $40.4 million. In setting the minimum threshold, the Committee considered, among other factors, the record financial results achieved by the Company in fiscal 2012, the cost to be incurred by the Company to accelerate store growth during fiscal 2013 and the continued uncertainty of the U.S. and global economies. Once the minimum threshold is met, the Executives will earn an escalating bonus, as a percentage of their base salary, as the fiscal 2013 Operating Income exceeds the threshold amount. Upon the attainment of the target Operating Income for fiscal 2013, or $55.6 million, a 10% increase over Operating Income recorded in fiscal 2012, each Executive would earn their target bonus. With the attainment of 120% of the target Operating Income, or $66.7 million, a 32% increase over fiscal 2012 Operating Income, each Executive would earn their maximum allowable bonus under the Executive Incentive Compensation Plan. The Committee, at its March 2014 meeting, will review the Company's financial results against these goals.

3. Based on the recommendation of our Chairman and our Chief Executive Officer, the Committee granted an aggregate of 87,500 shares of performance-based restricted stock to the Executives as follows:

Name	Shares Awarded
Clifton E. Sifford	30,000
W. Kerry Jackson	20,000
Timothy T. Baker	15,000
Carl N. Scibetta	15,000
Kathy A. Yearwood	7,500

An additional 117,500 shares were granted to other members of management. One-third of these restricted shares vest upon the attainment of annual earnings per diluted share of $1.57, a 10% increase over the earnings per diluted share achieved by the Company in fiscal 2012; one-third vest upon the attainment of annual earnings per diluted share of $1.73, a 10% increase over the prior tier; and one-third vest upon the attainment of annual earnings per diluted share of $1.90, a 10% increase over the prior tier. Multiple tranches of these restricted shares may vest in a given year. Any restricted shares that are unvested after six fiscal years will be forfeited.

Our Chairman and our Chief Executive Officer based their recommendation for the fiscal 2013 restricted stock awards on a total of approximately 1% of our then outstanding shares, with consideration given to the dilutive effect of the proposed grant. Recommendation of the allocation of shares amongst members of management was made based on

the individual's potential for making significant contributions in the future and the relative importance of the individual's position to others in our organization. No other forms of equity-based compensation have been awarded to the Executives for fiscal 2013.

4. The other executive benefit programs and perquisites described above under "Compensation Program Components, Why Each Component Is Chosen and How Each Component Relates to Our Compensation Philosophy and Objectives - Other Benefits" were not changed from fiscal 2012, except that the Committee determined to allow Mr. Sifford limited personal use of the Company-provided aircraft.

Determination of Compensation Amounts

The Committee is responsible for establishing our compensation philosophy and strategies and has overall responsibility for approving and evaluating the director and officer compensation plans, policies and programs. Annually, the Committee reviews and approves corporate goals and objectives relevant to Executive compensation, evaluates each Executive’s individual performance as well as their collective performance in light of these goals and objectives, and sets compensation levels based on this evaluation. The Committee believes its obligation is to structure programs that best serve the Company's interests and the interests of our shareholders. The Committee currently consists of three directors, none of whom is a current or former employee and each of whom is deemed independent as defined in the listing standards of NASDAQ.

Regarding most compensation matters, including Executive and director compensation, management provides recommendations to the Committee; however, the Committee does not delegate any of its functions to others in setting compensation. The Committee does not currently utilize external consultants in Executive or director compensation matters; however, the Committee does review comparisons to other retailers compiled by management from publicly available filings.

It is the Committee’s intention to set total Executive compensation at a level to attract and retain a talented and motivated leadership team and balance the perception of other stakeholders that Executive compensation is reasonably competitive. In making compensation decisions, the Committee reviews executive compensation practices within the retail and footwear industries with consideration given to, among other factors, differences in sales, growth rates and total market capitalization. Our retail peer group consists of leading apparel retailers with sales greater than $395 million and less than $3.4 billion. Our footwear peer group consists of leading footwear retailers. We do not limit our comparisons to only footwear retailers as our competition for talent falls within a wide range of companies and industries.

The Committee also utilizes a tally sheet to review the total compensation package provided to the Executives for the current and prior four fiscal years, where applicable. The tally sheet sets forth the dollar amounts of all components including base salary, annual cash incentives, long-term equity based incentives, the incremental expense related to the additional level of benefits provided to Executives and perquisites. The tally sheet is supplemented by a summary of stock ownership and other equity interests (both vested and unvested) in the Company as well as a summary of accumulated wealth for each Executive derived from the vesting or exercise of equity incentives. The stock ownership and accumulated wealth of the Executives did not influence the Committee's decision on equity-based compensation awards in fiscal 2012.

Executives are compensated through a combination of short-term compensation components (base salary and annual cash incentives) and long-term equity based incentives. The Committee does not have a specific policy for the allocation of compensation between short and long-term components or cash and equity based compensation. The

Committee establishes all performance targets associated with compensation program components in a manner to encourage achievement of increases in shareholder value. In setting total compensation, the Committee applies a consistent approach for all Executives and applies appropriate business judgment in how the standard approach is applied to the facts and circumstances associated with each Executive. Although the Committee reviews compensation data of peer group companies, it does not benchmark the compensation of the Executives utilizing the peer group data. Instead, the Committee only utilizes our peer group data to determine whether the types and amount of Executive compensation are reasonable and competitive in view of the peer group data. The peer group information is compiled by our management and provided to the Committee for its use. Amounts earned by each Executive for fiscal year 2012 and, as applicable, fiscal years 2011 and 2010 are detailed in the Summary Compensation Table following this section.

Our current peer groups are comprised of the following companies:

Retail Companies With Sales Greater Than $395 Million and Less Than $3.4 Billion	
Aeropostale, Inc.	Hot Topic, Inc.
Ascena Retail Group, Inc.	Stage Stores, Inc.
Casual Male Retail Group, Inc.	The Buckle, Inc.
Chico's FAS, Inc.	The Cato Corporation
Destination Maternity Corporation	The Wet Seal, Inc.
Hibbett Sports, Inc.	Urban Outfitters, Inc.

Footwear Companies	
Brown Shoe Company, Inc.	K-Swiss Inc.
Collective Brands, Inc.	Nike, Inc.
Columbia Sportswear Company	Skechers U.S.A., Inc.
Crocs, Inc.	Steven Madden, Ltd.
DSW Inc.	The Finish Line, Inc.
Foot Locker, Inc.	Wolverine World Wide, Inc.
Genesco Inc.	.

Termination and Change in Control Arrangements

We have entered into an employment and noncompetition agreement with each of our Executives, which specifies various payments to be made to the Executive in the event their employment is terminated, including upon a qualifying termination following a change in control. The type and amount of payments vary by Executive and the nature of the termination. We believe the severance benefits payable under these agreements are competitive with general industry practices and that these agreements serve to ensure the continued dedication of the Executive team and minimize the likelihood of the transfer of trade secrets to our direct competitors.

Each of Messrs. Sifford, Jackson and Baker had previously entered into an Amended and Restated Employment and Noncompetition Agreement with us dated December 11, 2008. These agreements were not modified as a result of the senior leadership transition. Ms. Yearwood entered into an Employment and Noncompetition Agreement with us on April 7, 2011. Mr. Scibetta entered into an Employment and Noncompetition Agreement, similar in form and content to those of the other Executives, on December 4, 2012.

Further information on termination and change in control arrangements, including information on compensation paid to Mr. Lemond upon his retirement, is contained under the section "Termination and Change in Control Arrangements."

Deductibility of Compensation and Other Related Issues

Section 162(m) of the Internal Revenue Code generally provides that publicly held companies may not deduct compensation paid to an Executive to the extent such compensation exceeds $1 million per officer in any fiscal year. However, pursuant to regulations issued by the Treasury Department, certain limited exceptions to Section 162(m) apply with respect to “qualified performance-based compensation.” Our Committee believes that tax deductibility is an important factor when evaluating executive compensation and has taken steps to provide that these exceptions will generally apply to incentive compensation paid to the Executives. However, our Committee may exercise its discretion to provide base salaries or other compensation that may not be fully tax deductible to us. In fiscal 2012, a substantial portion of Mr. Lemond’s retirement compensation was non-deductible.

Section 409A of the Internal Revenue Code provides certain requirements for deferred compensation arrangements. Those requirements, among other things, limit flexibility with respect to the time and form of payment of deferred compensation. If a payment or award constitutes deferred compensation subject to Section 409A and the applicable requirements are not satisfied, the recipient could be subject to tax on the award and all other deferred compensation of the same type, and an additional 20% tax and interest at the underpayment rate plus 1%, at the time the legally binding right to the payment or award arises or, if later, when that right ceases to be subject to a substantial risk of forfeiture. We have made modifications to our plans and our employment and noncompetition agreements with our Executives such that payments or awards under those arrangements either are intended to not constitute “deferred compensation” for Section 409A purposes (and will thereby be exempt from Section 409A’s requirements) or, if they constitute “deferred compensation,” are intended to comply with the Section 409A statutory provisions and final regulations.

The Sarbanes-Oxley Act of 2002 subjects our Chief Executive Officer and our Chief Financial Officer to forfeiture of incentive compensation and profits from the sale of stock in the event of an accounting restatement associated with non-compliance, as a result of misconduct, with any financial reporting requirement under the securities laws. Our Committee has not adopted at this time any additional forfeiture provisions for incentive compensation.

Compensation Committee Report

We have reviewed and discussed with Company management the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K under the Exchange Act. Based on the review and discussion referred to above, we recommended to the Board that the Compensation Discussion and Analysis be included in our Annual Report on Form 10-K for the fiscal year ended February 2, 2013 and in our proxy statement for the 2013 annual meeting of shareholders for filing under the Exchange Act.

Compensation Committee

Gerald W. Schoor (Chair)

Kent A. Kleeberger

Joseph W. Wood

Compensation-Related Risk Assessment

In March 2013, our Compensation Committee reviewed our compensation policies and practices for all employees, including our Executives, and the risks that could arise from our compensation policies and practices. As part of the Compensation Committee’s review, it specifically noted the following factors that reduce the likelihood of excessive risk-taking:

- Our overall compensation levels are competitive with the market.

- There is a balanced mix of cash and equity and annual and longer-term incentive compensation.

- While the performance criteria used under our Executive Incentive Compensation Plan has historically been operating income achieved in a particular fiscal year, the overall compensation of our Executives is not overly weighted toward this annual measurement period.

- Our Executive Incentive Compensation Plan has payouts at multiple levels of performance. Assuming achievement of at least a minimum level of performance, payouts under the plan result in some compensation at levels below full target achievement, rather than an "all-or-nothing" approach. The maximum bonus percentage payable under the Executive Incentive Compensation Plan is also currently capped at percentages ranging from 60% to 125% of the Executives' annualized base salary to protect against disproportionately large shorter-term incentives.

- The Compensation Committee has the discretion to reduce performance-based awards when it determines that such adjustments would be appropriate based on our interests and the interests of our shareholders.

- We currently do not grant stock options to our Executives.

- The performance-based restricted stock awards granted to our Executives vest based on our attainment of certain earnings per diluted share targets, aligning the interests of our Executives with those of our shareholders.

Some of our non-executive employees are eligible to receive bonus and equity awards. With respect to the non-executive employees who receive bonus awards or performance-based equity awards, the performance criteria and targets are not unreasonable or clearly unattainable without excessive risk-taking. For those non-executive employees who are eligible to receive time-based equity awards, the equity awards typically vest over three years.

Based on these factors, the Compensation Committee believes that our compensation policies and practices encourage behaviors that are aligned with our long-term interests, and that any short-term incentives do not make up a significant portion of compensation and do not encourage our employees to take risks for short-term gain. As a result, the Compensation Committee determined that any risks arising from our compensation policies and practices are not reasonably likely to have a material adverse effect on the Company.

Summary Compensation Table

The following table sets forth a summary of the compensation paid by us for services rendered in all capacities to us by our current President and Chief Executive Officer, Chief Financial Officer, each of our three other most highly compensated executive officers based on total compensation earned in fiscal 2012 and Mark L. Lemond, our former President and Chief Executive Officer (our "Executives").

Name and Principal Position	Fiscal Year (1)	Salary	Bonus (2)	Stock Awards (3)	Option Awards	Non-Equity Incentive Plan Compensation (4)	All Other Compensation (5)	Total
Clifton E. Sifford, President and Chief Executive Officer and Chief Merchandising Officer*	2012	$495,769	$-	$1,259,941	$ -	$287,215	$139,491	$2,182,416
	2011	460,000	-	383,400	-	110,390	42,882	996,672
	2010	440,000	-	258,000	-	330,000	42,757	1,070,757
W. Kerry Jackson, Senior Executive Vice President - Chief Operating and Financial Officer and Treasurer	2012	$477,308	$-	$1,158,091	$ -	$278,240	$139,862	$2,053,501
	2011	445,000	-	357,840	-	106,790	54,185	963,815
	2010	425,000	30,000	258,000	-	318,750	51,474	1,083,224
Timothy T. Baker, Executive Vice President - Store Operations	2012	$465,000	$-	$956,816	$ -	$272,256	$129,599	$1,823,671
	2011	435,000	-	306,720	-	104,390	57,693	903,803
	2010	425,000	-	258,000	-	318,750	49,099	1,050,849
Carl N. Scibetta, Executive Vice President - General Merchandise Manager**	2012	$47,115	$50,000	$280,000	$ -	$-	$26,370	$403,485
Kathy A. Yearwood, Senior Vice President - Controller and	2012	$204,760	$-	$145,585	$ -	$81,777	$35,359	$467,481
	2011	192,500	13,054	127,800	-	26,946	14,830	375,130

Chief Accounting Officer	2010	175,000	20,000	75,250	-	78,750	15,133	364,133
Mark L. Lemond,	2012	$687,827	$-	$661,751	$ -	$-	$1,578,742	$2,928,320
Former President and Chief Executive	2011	775,000	-	511,200	-	278,974	135,919	1,701,093
Officer ***	2010	725,000	-	387,000	-	725,000	91,401	1,928,401

* On October 17, 2012, our Board appointed Mr. Sifford, who was then serving as Executive Vice President – General Merchandise Manager, to serve as our President and Chief Executive Officer effective October 27, 2012 following Mr. Lemond's retirement. Mr. Sifford was also appointed Chief Merchandising Officer and to serve as a director on our Board effective October 27, 2012.

** Mr. Scibetta began his employment with us on December 3, 2012 and was designated by our Board as an executive officer.

*** Mr. Lemond retired as President and Chief Executive Officer and as a director effective October 27, 2012.

(1) Our fiscal year is a 52/53 week year ending on the Saturday closest to January 31. Fiscal year 2012 was a 53-week year. Fiscal years 2011 and 2010 were each 52-week years.

For fiscal 2012, the amount for Mr. Scibetta represented a one-time new hire cash sign-on bonus in the amount of $50,000. This payment was primarily intended as an inducement to compensate him for the incentive compensation he forfeited to join us.

(2) For fiscal 2011, the amount for Ms. Yearwood represented a discretionary cash bonus earned in recognition of her efforts on special projects during fiscal 2011. The bonus was awarded and paid in fiscal 2012.

For fiscal 2010, the amounts for Mr. Jackson and Ms. Yearwood represent discretionary cash bonuses awarded and paid in fiscal 2010 for their work on a special project.

Amounts reflect the aggregate grant date fair value of service-based and performance-based restricted stock awards computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718 (“ASC 718”). The grant date fair value of any performance-based award was computed based on the target level of performance being achieved, which was the level of performance that was deemed probable on the grant date.

(3) Disclosure of the relevant assumptions related to the valuation of awards is provided in the Notes to the Consolidated Financial Statements as contained in Part II, Item 8 of our Annual Report on Form 10-K for the year ended February 2, 2013.

Under the terms of the 2000 Stock Plan, Mr. Lemond's retirement in October 2012 resulted in his forfeiture of the 37,500 shares of performance-based restricted stock granted to him in March 2012 with a grant date fair value of $661,751.

Operating Income achieved for fiscal 2012 was less than 1% below target. Under the provisions of our Executive Incentive Compensation Plan, this achievement entitled Messrs. Sifford, Jackson and Baker to receive a bonus of approximately 60% of each of their respective base salaries and Ms. Yearwood to receive a bonus of approximately 40% of her base salary. Under the terms of Mr. Lemond’s employment agreement, he was not entitled to receive a payout under the Executive Incentive Compensation Plan, as he retired prior to the end of fiscal 2012. Mr. Scibetta was not eligible to participate in the Executive Incentive Compensation Plan in fiscal 2012, as he was not employed with us at the beginning of fiscal 2012 when our Board established the performance measures. See “Compensation Discussion and Analysis – Fiscal 2012 Compensation Decision – Annual Cash Incentives” for further discussion.

(4) Operating Income for fiscal 2011 exceeded the established bonus threshold by 18.8%. Under the provisions of our Executive Incentive Compensation Plan, this achievement entitled Messrs. Sifford, Jackson and Baker to receive a bonus of 24% of each of their respective base salaries, Ms. Yearwood to receive a bonus of 14% of her base salary and Mr. Lemond to receive a bonus of 36% of his base salary.

Operating Income for fiscal 2010 exceeded that achieved by the Company in fiscal 2009 by 69%. Under the provisions of our Executive Incentive Compensation Plan, this achievement entitled Messrs. Sifford, Jackson and Baker to receive the Maximum bonus of 75% of each of their respective base salaries, Ms. Yearwood to receive the Maximum bonus of 45% of her base salary and Mr. Lemond to receive the Maximum bonus of 100% of his base salary.

(5) We provide Executives with health and welfare programs, a 401(k) retirement plan, and employee benefit plans, programs and arrangements generally available to all employees. We also provide Executives with other executive benefit programs and perquisites. Perquisites and personal benefits received by the Executives in fiscal 2012 included:

- Reimbursements under our Executive medical plan;
- The cost of the Executive's leased automobile or an automobile allowance, except for Ms. Yearwood;
- For Mr. Scibetta, relocation assistance; and
- For Mr. Lemond, prior to his retirement, limited personal utilization of the Company-provided aircraft which value is based on incremental cost of utilization.

In fiscal 2012, no Executive except Mr. Lemond received an individual perquisite in excess of $25,000. Prior to his retirement, Mr. Lemond was reimbursed $42,037 under our Executive medical plan and the incremental cost for his utilization of the Company-provided aircraft totaled $52,170.

The amounts in this column for fiscal 2012 also include matching contributions made by us under our 401(k) and deferred compensation plans, the discount on the Executive's purchases under the Employee Stock Purchase Plan, premiums on the Executive's life and long-term disability insurance and cash dividends paid to our Executives on the shares of non-vested restricted stock that they held on the record date for each such dividend, which cash dividends were subject to applicable federal, state and local income tax withholdings.. These amounts are detailed in the following table.

	401(k) Match	Deferred Compensation Plan Match	Discount under the Employee Stock Purchase Plan	Life Insurance Premiums	Long-term Disability Insurance Premiums	Cash Dividends on Non-Vested Restricted Stock
Clifton E. Sifford	$4,900	$ 19,919	$ 882	$ 594	$ 1,000	$ 97,170
W. Kerry Jackson	$5,032	$ 23,892	$ -	$ 594	$ 1,000	$ 91,035
Timothy T. Baker	$4,900	$ 23,304	$ 882	$ 594	$ 1,000	$ 78,870
Carl N. Scibetta	$-	$ 1,121	$ -	$ -	$ -	$ 13,125
Kathy A. Yearwood	$3,472	$ 9,790	$ 882	$ 573	$ 507	$ 19,263
Mark L. Lemond	$3,964	$ 24,896	$ 882	$ 495	$ 750	$ 7,750

As discussed in the "Compensation Discussion and Analysis" section of this proxy statement, in connection with Mr. Lemond's retirement, the following amounts have been included for him in this column:

- We entered into a Separation and Release Agreement with Mr. Lemond, under which he received a lump sum cash severance payment of $1,000,000.
- In accordance with his employment agreement, Mr. Lemond received an additional lump sum cash payment of $425,000.
- Under the Separation and Release Agreement, we agreed to pay the monthly costs of health and dental plan coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act for up to 18 months on Mr. Lemond's behalf. These costs totaled $4,704 for the remainder of fiscal 2012.
- Mr. Lemond was also allowed to retain the use of a Company-leased automobile through December 31, 2012 at an incremental cost to us of $1,756.

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Grants of Plan-Based Awards

The following table sets forth information with respect to the non-equity and equity grants of plan-based awards made during the last fiscal year to each Executive.

		Estimated Possible Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards (2)			Grant Date Fair Value of Stock and Option
Name	Grant Date	Threshold	Target	Maximum	Threshold	Target	Maximum	Awards (3)
Clifton E. Sifford	03/19/12					25,500		$ 449,991
	03/19/12	$ -	$ 288,000	$ 480,000				
	10/27/12					33,400		$ 809,950
W. Kerry Jackson	03/19/12					25,500		$ 449,991
	03/19/12	$ -	$ 279,000	$ 465,000				
	10/27/12					29,200		$ 708,100
Timothy T. Baker	03/19/12					25,500		$ 449,991
	03/19/12	$ -	273,000	455,000				
	10/27/12					20,900		$ 506,825
Carl N. Scibetta	12/03/12					12,500		$ 280,000
Kathy A. Yearwood	03/19/12					8,250		$ 145,585
	03/19/12	$ -	$ 82,000	$ 123,000				
Mark L. Lemond	03/19/12					37,500		$ 661,751
	03/19/12	$ -	$ 648,000	$ 1,012,500				

(1) Represents the amount each Executive could have earned based upon the attainment of various target levels of Operating Income under the Executive Incentive Compensation Plan. The material terms of the Executives' bonus awards under the Executive Incentive Compensation Plan are described in the section "Compensation Discussion and Analysis - Fiscal 2012 Compensation Decisions - Annual Cash Incentives." For fiscal 2012, each Executive, except for Mr. Lemond and Mr. Scibetta, earned a bonus, as a percentage of their base salary, under the Executive Incentive Compensation Plan based on the Company achieving Operating Income in excess of the defined Threshold. Under the terms of Mr. Lemond's employment agreement, he was not entitled to receive a payout under the Executive Incentive Compensation Plan, as he retired prior to the end of fiscal 2012. Mr. Scibetta was not eligible to participate in the Executive Incentive Compensation Plan in fiscal 2012, as he was not employed with us at the beginning of fiscal 2012 when the performance measures were established by our Board.

(2) During fiscal 2012, the following awards were made to certain Executives:

- On March 19, 2012, the Executives, then serving as employees, were granted shares of performance-based restricted stock under the 2000 Stock Plan as part of our annual compensation determination process.
- On October 17, 2012, the Compensation Committee granted Messrs. Sifford, Jackson and Baker shares of service-based restricted stock under the 2000 Stock Plan, effective October 27, 2012, to encourage the retention of these key executives.
- On December 3, 2012, Mr. Scibetta was granted shares of service-based restricted stock under the 2000 Stock Plan upon commencement of his employment with us.

Additionally, under the terms of the 2000 Stock Plan, Mr. Lemond's retirement in October 2012 resulted in his forfeiture of the 37,500 shares of performance-based restricted stock granted to him on March 19, 2012.

The material terms of these restricted stock grants are described in the section “Compensation Discussion and Analysis - Fiscal 2012 Compensation Decisions - Long-Term Equity Based Incentives.”

(3) The grant date fair value assigned to these shares was calculated using the closing market price of our common stock on the grant date.

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth information with respect to the outstanding equity awards for each Executive at the most recent fiscal year ended February 2, 2013.

		Option Awards			Stock Awards			
Name	Grant Date	Number of Securities Underlying Unexercised Options - Exercisable	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (1)	Market Value of Shares or Units of Stock That Have Not Vested (2)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (3)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (2)
Clifton E. Sifford								
	03/13/07						6,000	$ 123,000
	03/15/11						22,500	$ 461,250
	03/19/12						25,500	$ 522,750
	10/27/12				33,400	$ 684,700		
W. Kerry Jackson								
	03/13/07						6,000	$ 123,000
	03/15/11						21,000	$ 430,500
	03/19/12						25,500	$ 522,750
	10/27/12				29,200	$ 598,600		
Timothy T. Baker								
	03/13/07						6,000	$ 123,000
	03/15/11						18,000	$ 369,000
	03/19/12						25,500	$ 522,750
	10/27/12				20,900	$ 428,450		
Carl N. Scibetta								
	12/03/12				12,500	$ 256,250		
Kathy A. Yearwood								
	03/13/07						1,000	$ 20,500
	03/15/11						7,500	$ 153,750
	03/19/12						8,250	$ 169,125

(1) On October 17, 2012, the Compensation Committee granted Messrs. Sifford, Jackson and Baker shares of service-based restricted stock, effective October 27, 2012. These shares will vest in full on October 27, 2017, provided the Executive maintains continuous service with us through such date.

Upon the commencement of his employment with us, the Compensation Committee granted Mr. Scibetta an award of 12,500 shares of service-based restricted stock, which will vest in thirds on the first, second and third anniversary of his employment.

(2) The value of the shares that have not vested was computed utilizing $20.50, the closing price of our common stock on Friday, February 1, 2013.

(3)

· On March 13, 2007, 147,000 shares of restricted stock were awarded under the 2000 Stock Plan and of these restricted shares, 87,000 were awarded to the Executives and the balance was awarded to other key employees. One-third of these restricted shares vest upon the attainment of each of three different levels of annual earnings per diluted share. Annual earnings per share achieved for fiscal 2010 resulted in the vesting of two-thirds of the shares on March 31, 2011. The remaining annual earnings per share target for the third tier were not achieved during fiscal 2012, and the remaining unvested shares were forfeited and returned to us on April 1, 2013.

· On March 15, 2011, 202,500 shares of restricted stock were awarded under the 2000 Stock Plan and of these restricted shares, 99,000 were awarded to the Executives and the balance was awarded to other key employees. One-third of these restricted shares vest upon the attainment of each of three different levels of annual earnings per diluted share. All shares of this award have yet to vest. Any restricted shares that are unvested after six years will be forfeited and returned to us.

· On March 19, 2012, 240,000 shares of restricted stock were awarded under the 2000 Stock Plan and of these restricted shares, 122,250 were awarded to the Executives and the balance was awarded to other key employees. One-third of these restricted shares vest upon the attainment of each of three different levels of annual earnings per diluted share. Annual earnings per share achieved for fiscal 2012 resulted in the vesting of two-thirds of the shares on March 31, 2013.

· Under the terms of the 2000 Stock Plan, Mr. Lemond's retirement in October 2012 resulted in his forfeiture of the 77,500 shares of non-vested restricted stock previously granted to him.

Option Exercises and Stock Vested in Fiscal 2012

The following table sets forth for each Executive information with respect to the value realized upon the exercise of options or the vesting of stock during the fiscal year ended February 2, 2013.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise	Number of Shares Acquired on Vesting	Value Realized on Vesting
Clifton E. Sifford	-	$ -	-	$ -
W. Kerry Jackson	-	$ -	-	$ -
Timothy T. Baker	12,499	$ 111,074	-	$ -
Kathy A. Yearwood	3,750	$ 40,625	-	$ -
Mark L. Lemond	187,500	$ 1,965,312	-	$ -

Equity Compensation Plan Information

The following table sets forth information regarding outstanding grants and shares available for grant under our existing equity compensation plans including our 2000 Stock Plan, Outside Directors Stock Option Plan and the Employee Stock Purchase Plan. All information is as of February 2, 2013.

Plan Category	Number of Securities To be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance (Excluding Securities Reflected in the First Column)	
Equity compensation plans approved by security holders (1)	35,572	$ 9.12	1,216,920	(2)
Equity compensation plans not approved by security holders (3)	3,000	$ 10.29	16,500	
Total	38,572	$ 9.21	1,233,420	

(1) Includes the 2000 Stock Plan and the Employee Stock Purchase Plan.

(2) Includes 1,080,827 shares available for future issuance as stock options or restricted stock under the 2000 Stock Plan and 136,093 shares available for future issuance under the Employee Stock Purchase Plan.

(3) Represents our Outside Directors Stock Option Plan, which has been approved by our Board but was not required to be approved by our shareholders. The plan called for each non-employee director to be granted on April 1 of each year an option to purchase 1,000 shares of our common stock at the market value on the date of the grant. The options vest six months from the date of grant and expire ten years from the date of grant. No grants have been made since fiscal 2004 under this plan, and it is currently the intention of the Board not to grant stock options under this plan in the future.

Equity Based Compensation – Narrative Discussion

Our Board and shareholders approved the 2000 Stock Plan, effective June 8, 2000. Subsequent to its initial approval, the following amendments have been made:

- The 2000 Stock Plan initially reserved 1,000,000 shares of our common stock for stock option and restricted stock grants, and on June 11, 2004, the 2000 Stock Plan was amended to increase the number of shares reserved for issuance to 1,500,000 (subject to adjustment for subsequent stock splits, stock dividends and certain other changes in the common stock).

- On June 14, 2005, the 2000 Stock Plan was amended to include our non-employee directors as individuals eligible to receive awards; to stipulate that the exercise price of all options granted may not be less than the fair market value of our common stock on the date that the option is granted; and to delete the provision permitting loans to participants.

- On June 12, 2008, the 2000 Stock Plan was further amended to increase the number of shares of our common stock reserved for issuance from 1,500,000 to 2,000,000 and extended the term of the plan until the later of ten years from the date of adoption of the plan by our shareholders or the approval of any amendment of the plan by our shareholders.

- On October 8, 2008, the Board adopted and approved an amendment to the 2000 Stock Plan to modify the change in control provisions and to provide that upon a change in control, any shares of restricted stock, including restricted stock intended to qualify as "performance-based compensation" under Section 162(m) of the Internal Revenue Code, will become fully vested in the participants.
- On December 9, 2010, the 2000 Stock Plan was further amended by the Board to modify the definition of a change in control.
- Pursuant to the provisions of the 2000 Stock Plan, in connection with, and to give effect to, the three-for-two stock split of the shares of our common stock, which was effected in the form of a stock dividend during April 2012, the Compensation Committee adjusted (1) the total number of shares of our common stock reserved and available for issuance under the 2000 Stock Plan from 2,000,000 to 3,000,000 and (2) the total number of shares which may be granted to a participant in any calendar year under all forms of awards under the 2000 Stock Plan from 300,000 to 450,000.
- On June 14, 2012, the 2000 Stock Plan was amended to increase the number of shares reserved for issuance from 3,000,000 to 3,900,000 (subject to adjustment for subsequent stock splits, stock dividends and certain other changes in the common stock). The 2000 Stock Plan was also amended to modify the definition of a change in control and revise the provision governing the payment of dividends on shares of restricted stock.

The Compensation Committee administers and grants incentive awards under the 2000 Stock Plan. The 2000 Stock Plan provides for the grant to our officers, other key employees, and non-employee directors of incentive awards in the form of stock options or restricted stock. Stock options granted under the plan may be either options intended to qualify for federal income tax purposes as "incentive stock options" or options not qualifying for favorable tax treatment ("nonqualified stock options").

Nonqualified Deferred Compensation

The following table sets forth for each Executive information on the nonqualified deferred compensation plan with respect to deferrals, our match, earnings and distributions made during fiscal 2012 along with the ending account balance at February 2, 2013.

	Executive Contributions in Last Fiscal Year (1)	Registrant Contributions in Last Fiscal Year (2)	Aggregate Earnings in Last Fiscal Year (3)	Aggregate Withdrawals and Distributions (4)	Aggregate Balance at Last Fiscal Year End
Clifton E. Sifford	$ 71,922	$ 19,919	$ 48,148	$ -	$ 856,998
W. Kerry Jackson	$ 61,176	$ 23,892	$ 6,381	$ -	$ 560,256
Timothy T. Baker	$ 100,024	$ 23,304	$ 65,581	$ -	$ 915,015
Carl N. Scibetta	$ 2,242	$ 1,121	$ 59	$ -	$ 3,421
Kathy A. Yearwood	$ 71,190	$ 9,790	$ 5,280	$ -	$ 463,616
Mark L. Lemond	$ 76,923	$ 24,896	$ 106,927	$ 299,701	$ 837,564

(1) The amounts are included in the Salary column in the Summary Compensation Table for fiscal 2012.

(2) The amounts are included in the All Other Compensation column in the Summary Compensation Table for fiscal 2012.

(3) The amounts shown in this column are not reported as compensation in the Summary Compensation Table, as they do not represent above-market or preferential earnings on deferred compensation.

(4) Under the terms of his employment agreement, Mr. Lemond was subject to a six-month waiting period for certain distributions from our nonqualified deferred compensation plan. We will distribute his account balance to him during April 2013, based on the valuation as made by our third-party administrator. His account will continue to be credited with earnings or losses on a daily basis and measured by the rate of return on investments elected by him, which are similar to those available under our 401(k) plan.

Non-Equity Based Compensation – Narrative Discussion

The Pension Benefits Table has been excluded, as we do not have a defined benefit plan. On February 24, 1994, our Board approved the Shoe Carnival Retirement Savings Plan. The primary savings mechanism is a 401(k) plan. Further information regarding the Shoe Carnival Retirement Savings Plan can be found in Note 8 of the Notes to the Consolidated Financial Statements included in Part II, Item 8 of our Annual Report on Form 10-K for the fiscal year ended February 2, 2013.

In fiscal 2000, we established a nonqualified deferred compensation plan for certain highly compensated employees who, due to Internal Revenue Service limitations, cannot defer an adequate level of replacement income for their retirement planning.

Features of the plan include:

- Participants elect on a calendar year basis to defer, on a pre-tax basis, portions of their current base salary and bonus until retirement, or earlier if so elected, up to a maximum of $100,000 per calendar year.
- The compensation deferred under this plan is credited with earnings or losses on a daily basis and measured by the rate of return on investments elected by plan participants similar to those available under our 401(k) plan. These services are provided by a third-party provider.
- While not required to, we can match a portion of the participant’s contributions, which are then subject to immediate, one or two year vesting requirements depending on the length of service of the participant.
- Benefits are paid out upon death, disability, retirement, financial hardship or termination of employment based on each participant’s pre-selected payout schedule.
- Designated future in-service distributions may be taken two years after the year of deferral and must be requested at a minimum of two years in advance. The amount of the distribution is restricted to the maximum of the actual deferral amount and vested employer match if elected for the specific year, adjusted by any investment gain or loss.
- The plan is currently unfunded.

Termination and Change in Control Arrangements

Clifton Sifford, Kerry Jackson, Timothy Baker and Carl Scibetta

On December 11, 2008, we entered into Amended and Restated Employment and Noncompetition Agreements with Clifton Sifford, Kerry Jackson and Timothy Baker. The Agreements amended and restated similar agreements entered into with these individuals as of December 31, 2006. On December 4, 2012, we entered into an Employment and Noncompetition Agreement with Carl Scibetta. Mr. Scibetta’s agreement is similar in form and content, except that it does not include any tax gross-up provisions. These documents hereinafter are referred to collectively as the

“Agreements."

The terms of the Agreements are through January 31, 2014 (such terms, including any extension are referred to as the “Terms”). The Agreements are subject to early termination as provided in the Agreements. The Agreements shall be renewed automatically for successive terms of one year each unless either party provides written notice of non-renewal to the other party not more than 90 days and not less than 30 days before the end of the then current Term. No such notification was given by any party prior to February 1, 2013.

The Agreements provide for an annual base salary and entitle Messrs. Sifford, Jackson, Baker and Scibetta to participate in our Executive Incentive Compensation Plan, and in any successor plan adopted by us from time to time. Such Executives are also entitled to participate in any and all welfare and health benefit plans and other employee benefit plans. Under each of the Agreements, employment will terminate upon death, and may be terminated by us upon the disability of such Executive, or by us for cause or without cause. Each such Executive may terminate employment voluntarily or with good reason.

Under the Agreements, “cause” is defined as any one or more of the following actions by the respective Executive:

- conviction for a felony or other crime involving moral turpitude;

- engaging in illegal conduct or gross misconduct which is injurious to us;

- engaging in any fraudulent or dishonest conduct in their dealings with, or on behalf of, us;
- failure or refusal to follow the lawful and reasonable instructions of our Chief Executive Officer, President, or other executive officer to whom each Executive reports, and for Mr. Sifford our Board, if such failure or refusal continues for a period of 10 days after we deliver to such Executive a written notice stating the instructions which such Executive has failed or refused to follow;
- material breach of any of his obligations under the Agreement;
- material breach of our policies;
- use of alcohol or drugs which interferes with the performance of his duties for us or which compromises our integrity or reputation; or
- engaging in any conduct tending to bring us into public disgrace or disrepute.

In addition, “good reason” is defined as the occurrence, without the Executive's written consent, of a material reduction by us in the Executive's base salary.

The following tables set forth the estimated payout each such Executive would receive from us under each of the specific triggering events and assumes that the triggering event took place on February 2, 2013, the last day of our most recently completed fiscal year.

Clifton Sifford

Description of Payout and/or Accelerated Vesting	Death or Disability	Without Cause or by Employee for Good Reason	For Cause or by Employee Without Good Reason	Qualifying Termination Following a Change in Control
Bonus for year of separation (1)	$ -	$ 302,500	$ -	$ -
Cash severance (2)	-	825,000	-	1,705,000
Out-placement services (3)	-	-	-	2,500
Medical and dental benefits (4)	-	28,200	-	28,200
Restricted stock, accelerated vesting (5) (6)	36,974	-	-	1,791,700
Excise tax, including gross up (7)	-	-	-	1,322,260
Total	$ 36,974	$ 1,155,700	$ -	$ 4,849,660

Kerry Jackson

Description of Payout and/or Accelerated Vesting	Death or Disability	Without Cause or by Employee for Good Reason	For Cause or by Employee Without Good Reason	Qualifying Termination Following a Change in Control
Bonus for year of separation (1)	$ -	$ 286,000	$ -	$ -
Cash severance (2)	-	780,000	-	1,612,000
Out-placement services (3)	-	-	-	2,500
Medical and dental benefits (4)	-	28,200	-	28,200
Restricted stock, accelerated vesting (5) (6)	32,324	-	-	1,674,900
Excise tax, including gross up (7)	-	-	-	1,226,108
Total	$ 32,324	$ 1,094,200	$ -	$ 4,543,708

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Timothy Baker

Description of Payout and/or Accelerated Vesting	Death or Disability	Without Cause or by Employee for Good Reason	For Cause or by Employee Without Good Reason	Qualifying Termination Following a Change in Control
Bonus for year of separation (1)	$ -	$ 275,000	$ -	$ -
Cash severance (2)	-	750,000	-	1,550,000
Out-placement services (3)	-	-	-	2,500
Medical and dental benefits (4)	-	28,200	-	28,200
Restricted stock, accelerated vesting (5) (6)	23,136	-	-	1,443,200
Excise tax, including gross up (7)	-	-	-	1,098,603
Total	$ 23,136	$ 1,053,200	$ -	$ 4,122,503

Carl Scibetta

Description of Payout and/or Accelerated Vesting	Death or Disability	Without Cause or by Employee for Good Reason	For Cause or by Employee Without Good Reason	Qualifying Termination Following a Change in Control
Bonus for year of separation (1)	$ -	$ 192,500	$ -	$ -
Cash severance (2)	-	525,000	-	1,085,000
Out-placement services (3)	-	-	-	2,500
Medical and dental benefits (4)	-	28,200	-	28,200
Restricted stock, accelerated vesting (5) (6)(8)	25,741	256,250	-	256,250
Total	$ 25,741	$ 1,001,950	$ -	$ 1,371,950

(1) The bonus for year of separation would be paid in a lump sum within 30 days of termination in an amount equal to 55% of each Executive's current base salary for the fiscal year in which the termination occurs, multiplied by a fraction, the numerator of which is the number of days elapsed in such fiscal year through the termination date and the denominator of which is 365. In this table, the annual base salary is equivalent to the Executive's base salary as of February 2, 2013.

(2) The cash severance for termination without cause or by employee for good reason would be paid in a lump sum within 30 days of termination in an amount equal to 150% of each Executive’s current base salary for the fiscal year in which the termination occurs. If within two years following a change in control, the Executive is terminated without cause or he terminates for good reason (a “qualifying termination”), a lump sum cash severance would be paid within 30 days of termination in an amount equal to 310% of each Executive’s current base salary for the fiscal year in which the qualifying termination occurs. In this table, the annual base salary is equivalent to the Executive's base salary as of February 2, 2013.

(3) We will provide out-placement services at a cost not to exceed $2,500 in the event of a qualifying termination following a change in control.

(4) Upon a termination without cause, by employee for good reason or a qualifying termination following a change in control, each Executive would be paid in a lump sum within 30 days of termination an amount equal to 18 times the monthly COBRA premium rate. Messrs. Sifford, Jackson and Baker also would be paid in a lump sum within 30 days of termination an amount equal to any additional state and federal taxes each will incur as a result of the lump sum payment. Mr. Scibetta's Agreement does not include a provision for reimbursement of taxes.

(5) The 2000 Stock Plan, under which our restricted stock was issued, includes a provision that upon death or disability, each Executive would be entitled to a ratable portion of their service-based restricted stock awards based on the period of service completed as of the termination date as a percentage of the total vesting period. In this example, the value was calculated by taking the number of unvested shares of service-based restricted stock held by each Executive on February 2, 2013, multiplied by a fraction, the numerator of which is the number of days elapsed between the effective date of the grant and February 2, 2013 and the denominator of which is the number of days in the vesting period. The results were then multiplied by $20.50, the closing price of our common stock on February 1, 2013.

(6) The 2000 Stock Plan, under which our restricted stock was issued, includes a provision providing for the immediate vesting of any currently unvested shares of restricted stock, including restricted stock intended to qualify as "performance-based compensation" under Section 162(m) of the Internal Revenue Code upon a change in control. In this example, the value was calculated by multiplying $20.50, the closing price of our common stock on February 1, 2013, by the number of unvested shares of restricted stock held by each Executive on February 2, 2013.

(7) If any payment under the Agreements would be subject to the excise tax under Section 4999 of the Internal Revenue Code, Messrs. Sifford, Jackson and Baker would be entitled to receive additional compensation from us to cover the excise taxes, interest and penalties (if applicable) and other taxes arising from the additional compensation. In this example, Messrs. Sifford, Jackson and Baker would have qualified to receive additional compensation from us to cover excise taxes at February 2, 2013. The taxes have been computed in accordance with Section 280G of the Internal Revenue Code upon a change in control. Mr. Scibetta's Agreement does not include a provision for additional compensation to cover such taxes, interest and penalties.

(8) Upon termination by us without cause or by Mr. Scibetta for good reason, his Agreement states that all shares of restricted stock granted to him, which are not intended to qualify as "performance-based compensation" under Section 162(m) of the Internal Revenue Code, shall contain provisions, which shall provide for immediate vesting of the restricted stock. In this example, the value was calculated by multiplying $20.50, the closing price of our common stock on February 1, 2013, by the number of "non-performance based" unvested shares of restricted stock held by him on February 2, 2013.

Other factors material to the Agreements are as follows:

- The benefits granted to each Executive under the Agreements are subject to certain employment and post-employment conditions. This includes, but is not limited to, the agreement by each Executive not to contribute his knowledge and abilities to any business or entity in competition with us for a period of one year following termination of the Executive's employment.

- Notwithstanding any other provision of the Agreements, upon termination of employment for any reason, the Executive shall be entitled to receive all base salary earned but unpaid and all other payments and benefits accrued before the termination date.

- In the event we terminate any of these Executives without cause or they terminate for good reason, any stock options issued after December 31, 2006 that would have vested within 12 months of termination would immediately vest. Upon a qualifying termination following a change in control, all stock options issued to each Executive would be exercisable within 90 days of termination. As of February 2, 2013, there were no outstanding options held by our Executives.

Kathy A. Yearwood

On April 7, 2011, we entered into an Employment and Noncompetition Agreement (the "Agreement") with Kathy A. Yearwood. The term of the Agreement is through January 31, 2014 (such term, including any extension is referred to as the "Term"). The Agreement is subject to early termination as provided in the Agreement. The Agreement shall be renewed automatically for successive terms of one year each unless either party provides written notice of non-renewal to the other party not more than 90 days and not less than 30 days before the end of the then current Term.

The Agreement provides for an annual base salary equivalent to Ms. Yearwood's salary for fiscal 2011, subject to adjustment by the Compensation Committee. Ms. Yearwood is entitled to participate in our Executive Incentive Compensation Plan, and in any successor plan adopted by us from time to time and is also entitled to participate in any and all welfare and health benefit plans and other employee benefit plans. Under the Agreement, her employment will terminate upon her death, and may be terminated by us upon her disability, for cause or without cause. Ms. Yearwood may terminate her employment voluntarily at any time or with good reason (defined as a material reduction in base salary) within one year after a change in control.

Under the Agreement, "cause" is defined as any one or more of the following actions:

- conviction for a felony or other crime involving moral turpitude;
- engaging in illegal conduct or gross misconduct which is injurious to us;
- engaging in any fraudulent or dishonest conduct in her dealings with, or on behalf of, us;
- failure or refusal to follow the lawful and reasonable instructions of our Chief Executive Officer, President, or other executive officer to whom she reports to, if such failure or refusal continues for a period of 10 days after we deliver to her written notice stating the instructions which she has failed or refused to follow;
- material breach of any of her obligations under the Agreement;
- material breach of our policies;
- use of alcohol or drugs which interferes with the performance of her duties for us or which compromises our integrity or reputation; or
- engaging in any conduct tending to bring us into public disgrace or disrepute.

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The following table sets forth the estimated payout Ms. Yearwood would receive from us under each of the specific triggering events and assumes that the Agreement was in effect on February 2, 2013 and that the triggering event took place on February 2, 2013, the last day of our most recently completed fiscal year.

Kathy A. Yearwood

Description of Payout and/or Accelerated Vesting	Death or Disability	Without Cause	For Cause or by Employee Voluntarily	Qualifying Termination Following a Change in Control
Bonus for year of separation (1)	$ -	$ 71,800	$ -	$ -
Cash severance (2)	-	205,000	-	461,250
Out-placement services (3)	-	-	-	2,500
Medical and dental benefits (4)	-	6,500	-	9,750
Restricted stock, accelerated vesting (5)	-	-	-	343,400
Excise tax, including gross up (6)	-	-	-	287,939
Total	$ -	$ 283,300	$ -	$ 1,104,839

(1) The bonus for year of separation would be paid in a lump sum within 30 days of termination in an amount equal to 35% of Ms. Yearwood's current base salary for the fiscal year in which the termination occurs, multiplied by a fraction, the numerator of which is the number of days elapsed in such fiscal year through the termination date and the denominator of which is 365. In this table, the annual base salary is equivalent to Ms. Yearwood's base salary for fiscal 2012.

(2) The cash severance for termination without cause would be paid in a lump sum within 30 days of termination in an amount equal to 100% of Ms. Yearwood's current base salary for the fiscal year in which the termination occurs. If within one year of a change in control, she is terminated without cause or terminates for good reason (a “qualifying termination”), a lump sum cash severance would be paid within 30 days of termination in an amount equal to 225% of Ms. Yearwood's current base salary for the fiscal year in which the termination occurs. In this table, the annual base salary is equivalent to Ms. Yearwood's base salary for fiscal 2012.

(3) We will provide out-placement services at a cost not to exceed $2,500 in the event of a qualifying termination following a change in control.

(4) Ms. Yearwood would be paid in a lump sum an amount equal to 12 times the monthly COBRA premium rate within 30 days of termination without cause or an amount equal to 18 times the monthly COBRA premium rate upon a qualifying termination following a change in control.

(5) The 2000 Stock Plan, under which our restricted stock was issued, includes a provision providing for the immediate vesting of any currently unvested shares of restricted stock, including restricted stock intended to qualify as “performance-based compensation” under Section 162(m) of the Internal Revenue Code upon a change in control. In this example, the value was calculated by multiplying $20.50, the closing price of our common stock on February 1, 2013, by the number of unvested shares of restricted stock held by Ms. Yearwood on February 2, 2013.

(6) If any payment under the Agreement would be subject to the excise tax under Section 4999 of the Internal Revenue Code, Ms. Yearwood would be entitled to receive additional compensation from us to cover the excise taxes, interest and penalties (if applicable) and other taxes arising from the additional compensation. In this example, Ms. Yearwood would have qualified to receive additional compensation from us to cover excise taxes at February 2, 2013. The taxes have been computed in accordance with Section 280G of the Internal Revenue Code.

Other factors material to the Agreement are as follows:

- The benefits granted to Ms. Yearwood under the Agreement are subject to certain employment and post-employment conditions. This includes, but is not limited to, the agreement by Ms. Yearwood not to contribute her knowledge and abilities to any business or entity in competition with us for a period of one year following termination of her employment.

- Notwithstanding any other provision of the Agreement, upon termination of employment for any reason, Ms. Yearwood shall be entitled to receive all base salary earned but unpaid and all other payments and benefits accrued before the termination date.

- In the event we terminate Ms. Yearwood without cause, any stock options issued after the date of the Agreement that would have vested within 12 months of termination would immediately vest. In the event of a qualifying termination following a change in control, all stock options issued to Ms. Yearwood would be exercisable within 90 days of termination. Ms. Yearwood did not hold any stock options on February 2, 2013.

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Mark L. Lemond

On October 17, 2012, we announced that Mark L. Lemond, would be retiring from his positions as President and Chief Executive Officer and director effective October 27, 2012. The following occurred in connection with his retirement:

- We entered into a Separation and Release Agreement under which Mr. Lemond received a lump sum cash severance payment of $1,000,000. Additionally, we agreed to pay the monthly costs of health and dental plan coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act for up to 18 months on Mr. Lemond's behalf. Mr. Lemond was allowed to retain the use of a Company-leased automobile through December 31, 2012.

- In accordance with the terms of Mr. Lemond's Amended and Restated Employment and Noncompetition Agreement, entered into on December 11, 2008, Mr. Lemond received an additional lump sum cash payment of $425,000 in addition to all accrued but unpaid compensation as of the date of his retirement.

- As part of the Separation and Release Agreement, Mr. Lemond reaffirmed the post-employment restrictions in his employment agreement. This includes the agreement by Mr. Lemond not to contribute his knowledge and abilities to any business or entity in competition with us for a period of two years following termination of his employment, agreements with respect to our confidential and proprietary information, and his agreement not to disparage the Company, to cooperate in the transition and to release the Company from any claims related to his employment and retirement.

- Under the terms of the 2000 Stock Plan, Mr. Lemond's retirement resulted in the forfeiture of 77,500 shares of unvested restricted stock, including the 37,500 shares of unvested restricted stock he was awarded in fiscal 2012. None of his outstanding vested stock options were affected by his retirement.

Compensation of Non-Employee Directors

The following table sets forth information with respect to non-employee director compensation paid during the fiscal year ended February 2, 2013.

Name (1)	Fees Earned or Paid in Cash	Stock Awards (2)	All Other Compensation(3)	Total
James A. Aschleman	$ 28,693	$ 17,514	$ 979	$47,186
William E. Bindley(4)	$ 13,055	$ -	$ -	$13,055
Kent A. Kleeberger	$ 36,750	$ 17,514	$ 979	$55,243
Gerald W. Schoor	$ 37,250	$ 17,514	$ 979	$55,743

Joseph W. Wood	$ 19,429	$ 17,514	$ 979	$37,922

(1) Information on our non-employee directors can be found in "Proposal No. 1 Election of Directors - Nominee and Director Information" as well as in the section "Information Regarding the Board of Directors and Committees."

(2) Amounts reflect the aggregate grant date fair value of restricted stock awards computed in accordance with ASC 718. Disclosure of the relevant assumptions related to the valuation of awards is provided in the Notes to the Consolidated Financial Statements as contained in Part II, Item 8 of our Annual Report on Form 10-K for the year ended February 2, 2013.

(3) The amounts in this column represent cash dividends paid to our non-employee directors on the shares of non-vested restricted stock that they held on the record date for each such dividend.

(4) On March 19, 2012, William E. Bindley, then serving as a director in addition to serving on each of our Board committees, notified our Board of Directors of his decision not to stand for re-election. Mr. Bindley's term expired as of the June 14, 2012 annual meeting of shareholders where his successor was elected and qualified. His compensation for fiscal 2012 is representative of the fees earned for services rendered prior to the 2012 annual meeting of shareholders.

The annual retainer for each non-employee director is $20,000. In addition to the annual retainer, the Chairman of the Audit Committee receives additional annual compensation of $7,500, while the Chairman of the Compensation Committee and the Chairman of the Nominating Committee each receive $5,000 and the Lead Director receives additional annual compensation of $2,000. Other fees payable include a fee of $1,000 for each meeting of the Board with accompanying Committee meetings attended and a fee of $1,000 for each Committee meeting in which the full Board does not meet or $750 if attendance is by conference call. All directors receive reimbursement of reasonable out-of-pocket expenses incurred in connection with meetings of the Board. Non-employee directors will annually receive restricted shares valued at $17,500 as of the date of grant under the 2000 Stock Plan. The restrictions on the shares lapse on January 2nd of the year following the year in which the grant was made. No director who is our officer or employee receives compensation for services rendered as a director. During 2012, the Board met eight times.

On March 4, 1999, the Board approved the Outside Directors Stock Option Plan. The plan reserves for issuance 25,000 shares of our common stock (subject to adjustment for stock splits, stock dividends and certain other changes to the common stock). No grants have been made under this plan since fiscal 2004 and it is currently the intention of the Board not to grant stock options under this plan in the future. As of February 2, 2013, our non-employee directors held shares issuable upon the exercise of presently exercisable options granted under the Outside Directors Stock Option Plan as follows: Mr. Schoor and Mr. Kleeberger each held 1,500 options.

The Board adopted, and the shareholders approved on June 14, 2005, amendments to the 2000 Stock Plan to allow non-employee directors to participate. Each non-employee director was awarded 851 shares of restricted stock under the 2000 Stock Plan on June 14, 2012, with a grant date fair value of $17,514 based on the closing market price of our common stock on that day. The restrictions on these shares lapsed on January 2, 2013. At February 2, 2013, no additional shares of restricted stock were held by any of the non-employee directors.

The compensation paid during the fiscal year ended February 2, 2013 to our current and former employee directors, Clifton E. Sifford and Mark L. Lemond, respectively, is included in the Summary Compensation Table.

On January 15, 1993, we entered into a noncompetition agreement with J. Wayne Weaver. As long as Mr. Weaver is our executive officer or director, he may not engage directly or indirectly through any other company or entity in the retail shoe business without the prior approval of our Audit Committee. The Audit Committee has approved Mr. Weaver's association with LC Footwear, LLC and PL Footwear, Inc. Effective February 1, 1993, Mr. Weaver became our employee at an annual salary of $300,000 and is reimbursed for all travel expenses related to performing his duties as Chairman of the Board. Although Mr. Weaver will continue to be involved in other business activities and will not devote his full time to the Company, he will devote such time to the Company, as he deems necessary or appropriate to perform his duties as Chairman of the Board.

PROPOSAL NO. 3

APPROVAL OF AN AMENDMENT TO OUR ARTICLES OF INCORPORATION TO IMPLEMENT MAJORITY VOTING FOR THE ELECTION OF DIRECTORS IN

NON-CONTESTED ELECTIONS

The Board recommends that our shareholders approve an amendment to our articles of incorporation to change the voting standard for the election of directors from a plurality to a majority vote standard in non-contested elections.

The Indiana Business Corporation Law (“IBCL”) provides that, unless otherwise provided in a company’s articles of incorporation, directors are elected by a plurality of the votes cast. Our articles of incorporation, as amended and restated, are silent with respect to the voting standard required in director elections, so our directors are currently elected by a plurality vote. Under this standard, director nominees with the most votes cast in their favor are elected to the Board, notwithstanding the number of votes withheld against a director nominee. Thus, a director can be elected even though a majority of shares voted oppose his or her election.

To enhance director accountability to our shareholders by giving our shareholders the ability to have a greater impact on the composition of our Board, the Board has authorized, and recommends that our shareholders approve, an amendment to our articles of incorporation that would specify that director nominees in a non-contested election would be elected by a vote of the majority of votes cast with respect to the director. A majority of the votes cast means that the number of shares voted “for” a director must exceed the number of shares voted “against” such director. The amendment provides that in a contested election – an election in which the number of nominees exceeds the number of directors to be elected – the plurality standard will continue to apply.

If the proposed amendment is approved, a new section will be added to Article V of our articles of incorporation that reads as follows:

“Section 3. Standard for Election of Directors by Shareholders. Except as otherwise set forth in this Article V, each director shall be elected by the affirmative vote of a majority of the votes cast with respect to the director at any shareholders meeting for the election of directors at which a quorum is present, provided that if as of the record date for such meeting the number of director nominees to be considered at the meeting exceeds the number of directors to be elected, each director shall be elected by a plurality of the votes cast by the shares entitled to vote on the election of directors. For purposes of this Section, a majority of the votes cast means that the number of shares voted 'for' a director's election must exceed the number of shares voted 'against' that director's election."

If approved, this amendment will become effective upon the filing of articles of amendment of our articles of incorporation with the Indiana Secretary of State. We would make such a filing promptly after the annual meeting if the amendment were approved. The new majority voting standard would then be applicable to a non-contested election of directors at our 2014 annual meeting of shareholders.

Upon approval of this proposal and the filing of the articles of amendment, the Board will amend our by-laws so that an incumbent director who does not receive the requisite affirmative majority of the votes cast for his or her re-election will immediately tender his or her resignation to the Board. Under the IBCL, an incumbent director who is not re-elected continues to serve until his or her successor is elected and qualifies or until there is a decrease in the number of directors. Thus, under a majority vote standard, an incumbent director who fails to receive a majority of votes cast would not be elected, but would continue to serve as a "holdover" director. The amendments to the by-laws that the Board will adopt upon approval of this proposal will further provide that the Board, taking into account the recommendation of the Nominating and Corporate Governance Committee, would determine the appropriate responsive action with respect to the tendered resignation. If the resignation is accepted, the Board may decide to fill any resulting vacancy or decrease the number of directors.

The Board recommends a vote FOR

the proposal to approve an amendment to our articles of incorporation to implement majority voting for the election of directors in non-contested elections.

PROPOSAL NO. 4

RATIFICATION OF OUR independent

registered public accounting firm

The ratification of the appointment of Deloitte & Touche LLP (“Deloitte”) as our independent registered public accounting firm for fiscal 2013 is recommended by the Audit Committee and will be submitted to a vote at the meeting in order to permit our shareholders to express their approval or disapproval. In the event of a negative vote, a selection of another independent registered public accounting firm will be made by the Audit Committee. A representative of Deloitte is expected to be present at the meeting, will be given an opportunity to make a statement if desired and will respond to appropriate questions. Notwithstanding approval by our shareholders, the Audit Committee reserves the right to replace the independent registered public accounting firm at any time.

The Board and the Audit Committee recommend a vote FOR the ratification of Deloitte & Touche LLP as our independent registered public accounting firm for fiscal 2013.

AUDIT COMMITTEE MATTERS

Principal Accountant Fees And Services

The following represents fees for professional audit services rendered by Deloitte for the audit of our financial statements for fiscal 2012 and 2011 and fees billed for other services rendered by Deloitte.

	Fiscal Year	
Fee Category	2012	2011
Audit fees (1)	$459,400	$454,170
Audit-related fees (2)	$14,025	$13,400
Tax-related fees (3)	$14,675	$36,110
All other fees (4)	$10,705	$44,340

(1) Audit fees consist of fees relating to the audit of our annual financial statements and the reviews of the financial statements filed on Form 10-Q, and fees for professional services rendered for the audit of the effectiveness of our internal control over financial reporting.

(2) Audit-related fees consist of fees related to employee benefit plan audits.

(3) Tax-related fees consist of services provided to facilitate filing and settlement under various voluntary state tax amnesty programs in addition to consulting on the collection of sales taxes on e-commerce sales.

(4) All other fees represent expenses related to consultation provided by Deloitte on various items.

Audit Committee Pre-Approval Policy

The Audit Committee's policy is to pre-approve all audit and permissible non-audit services provided by our independent registered public accounting firm. These services may include audit services, audit-related services, tax services and other services. Pre-approval is generally provided for up to one year and any pre-approval is detailed as to the particular service or category of services, the Audit Committee is informed of each service and the pre-approval is generally subject to a specific budget. The Audit Committee may also pre-approve particular services on a case-by-case basis. In addition, the Chairman of the Audit Committee may act to pre-approve services in interim periods and request ratification by the full Audit Committee at the next regularly scheduled committee meeting.

For fiscal 2012, all non-audit services included above were pre-approved. The aggregate amount of all such non-audit services constituted approximately 5% of the total amount of fees paid by us to Deloitte.

Report of the Audit Committee

Management of the Company is responsible for the financial reporting process, including the system of internal control over financial reporting, and for the preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States. The Company's independent registered public accounting firm, Deloitte & Touche LLP (“Deloitte”), is responsible for performing the audit of the Company's consolidated financial statements and expressing an opinion on those statements, as well as auditing the effectiveness of the Company's internal control over financial reporting. The Audit Committee is responsible for oversight of all aspects of the Company's financial reporting, internal control over financial reporting and audit processes.

In fulfillment of its responsibilities, the Audit Committee on a regular basis discusses with both management and Deloitte the adequacy and effectiveness of the Company's internal control over financial reporting. The Audit Committee has reviewed and discussed the audited financial statements with the Company's management and Deloitte. In addition, the Audit Committee has discussed with Deloitte all matters required to be discussed with audit committees by the applicable rules of the Public Company Accounting Oversight Board (“PCAOB”). This discussion included certain information relating to Deloitte’s judgments about the quality, not just the acceptability, of the Company’s accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the consolidated financial statements.

The Audit Committee also has received the written disclosures and the letter from Deloitte required by applicable requirements of the PCAOB regarding Deloitte's communications with the Audit Committee concerning independence, and has discussed with Deloitte its independence from the Company and the Company's management. In addition, the Audit Committee considered whether Deloitte's independence would be jeopardized by providing non-audit services to the Company.

Based on the Audit Committee's review and discussions referenced in this report, the Audit Committee recommended to the Board that the Company's audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended February 2, 2013, as filed with the Securities and Exchange Commission.

Audit Committee
Kent A. Kleeberger (Chair)
James A. Aschleman

Gerald W. Schoor

Joseph W. Wood

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TRANSACTIONS WITH RELATED PERSONS

Conflicts of Interest and Related Person Transaction Policies

Under our Ethics Code, our directors, officers and employees are not permitted to conduct business on our behalf with a member of his or her family, or a business organization with which he or she or a family member has an interest or employment relationship that could be considered significant in terms of potential conflict of interest unless such business dealings have been disclosed to, and approved by, the Audit Committee (in the case of directors or executive officers), the Chief Financial Officer (in the case of officers) or the employee’s department head (in the case of other employees).

Further, under our Audit Committee’s charter, the Audit Committee must review and approve all related person transactions in which any executive officer, director, director nominee or more than 5% shareholder, or any of their immediate family members, has a direct or indirect material interest. The Audit Committee may not approve a related person transaction unless it is in, or not inconsistent with, our best interests and, where applicable, the terms of such transaction are at least as favorable to us as could be obtained from an unrelated party.

Each of the related person transactions that occurred during fiscal 2012, as described below, were reviewed and approved by the Audit Committee in accordance with these policies.

Current Transactions

Mr. J. Wayne Weaver, along with his spouse, own approximately 24.4% of the outstanding shares of our common stock as of April 2, 2013. Mr. Weaver along with Bradley W. Weaver, his son, are members of LC Footwear, LLC with Mr. J. Wayne Weaver serving as the managing member. Both men were shareholders of PL Footwear, Inc., which during December 2007 became a wholly owned subsidiary of LC Footwear, LLC.

We have historically made purchases of women's footwear from LC Footwear, LLC in the ordinary course of business; however, during fiscal 2012, no purchases were made. PL Footwear, Inc., along with others, has served as an import agent for us. Import agents represent us on a commission basis in dealings with shoe factories primarily in mainland China where most of our private label shoes are manufactured. As agents for us, they visit shoe manufacturers, collect shoe samples, submit these samples to us and advise us of market conditions and availability of merchandise. They also help select materials, assist in detailing and quality control and coordinate the production and delivery schedule of a portion of our private label merchandise. Commissions paid to PL Footwear, Inc. were

approximately $724,000 in fiscal 2012. During fiscal 2012, both companies ceased a significant portion of their operations, and as a result, we no longer anticipate purchasing merchandise from LC Footwear, LLC or utilizing PL Footwear, Inc. as an import agent. The Audit Committee believes that our past arrangements with LC Footwear, LLC and PL Footwear, Inc. were on terms that were no less favorable to us than could be obtained from unrelated third parties.

PRINCIPAL SHAREHOLDERS

The following table sets forth, as of April 2, 2013, certain information with respect to beneficial ownership of our common stock by each person (or group of affiliated persons) who is known by management to own beneficially more than 5% of our common stock, by each Executive, by each non-employee director and director nominee and by all current directors and executive officers as a group. Except as otherwise noted, the persons named in the table have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them.

Name	Note	Number of Shares Beneficially Owned (1)	Percent of Class	
J. Wayne Weaver and Delores B. Weaver	(2)	4,999,844	24.4	%
Clifton E. Sifford	(3)	152,187	*	
W. Kerry Jackson	(4)	90,423	*	
Timothy T. Baker	(5)	116,268	*	
Carl N. Scibetta	(6)	27,500	*	
Kathy A. Yearwood	(7)	44,938	*	
Mark L. Lemond	(8)	747,423	3.6	%
James A. Aschleman		851	*	
Kent A. Kleeberger	(9)	11,405	*	
Gerald W. Schoor	(10)	20,405	*	
Joseph W. Wood		851	*	
All current executive officers and directors as a group (10 persons)	(11)	5,464,672	26.7	%
Royce & Associates, LLC** 745 Fifth Avenue New York, NY 10151	(12)	3,068,999	15.0	%
Dimensional Fund Advisors LP** Palisades West, Building One 6300 Bee Cave Road Austin, TX 78746	(13)	1,550,104	7.6	%

* Less than 1%

** Information is based solely on reports filed by such shareholder under Section 13(d) or Section 13(g) of the Exchange Act.

(1) Includes shares subject to options that are presently exercisable (i.e., within 60 days after April 2, 2013).

(2) J. Wayne and Delores B. Weaver are husband and wife. Their address is 7500 East Columbia Street, Evansville, Indiana 47715. Mr. and Mrs. Weaver each individually own 2,499,922 shares.

(3) Includes 94,400 shares of restricted stock as to which Mr. Sifford has voting but not dispositive power.

(4) Includes 78,700 shares of restricted stock as to which Mr. Jackson has voting but not dispositive power.

(5) Includes 62,400 shares of restricted stock as to which Mr. Baker has voting but not dispositive power.

(6) Mr. Scibetta has voting but not dispositive power over all 27,500 shares.

(7) Includes 17,750 shares of restricted stock as to which Ms. Yearwood has voting but not dispositive power.

(8) Mr. Lemond, our former President and Chief Executive Officer, retired effective October 27, 2012. His beneficial ownership is based on information available to us as of his date of retirement and included 20,662 shares issuable upon the exercise of fully vested and exercisable options and 17,250 shares directly owned by Mr. Lemond's spouse.

(9) Includes 1,500 shares issuable upon the exercise of presently exercisable options granted under our Outside Directors Stock Option Plan.

(10) Includes 4,500 shares held as co-trustee for the benefit of Mr. Schoor's spouse and 1,500 shares issuable upon the exercise of presently exercisable options granted under our Outside Directors Stock Option Plan.

(11) Includes 3,000 shares issuable upon the exercise of presently exercisable options and 280,750 shares of restricted stock as to which the individuals have voting but not dispositive power.

(12) Royce & Associates, LLC is a registered investment advisor and has sole voting and dispositive power with respect to 3,068,999 shares. Various accounts managed by Royce & Associates, LLC have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, shares of our common stock. The interest of one account, Royce Pennsylvania Mutual Fund, a registered investment company managed by Royce & Associates, LLC, equaled 1,227,698 shares of our common stock.

(13) Dimensional Fund Advisors LP is a registered investment advisor and has sole voting power with respect to 1,520,919 shares and sole dispositive power with respect to 1,550,104 shares. All of the indicated shares are owned by advisory clients of the shareholder, and the shareholder disclaims beneficial ownership of such shares.

SHAREHOLDER PROPOSALS FOR 2014 ANNUAL MEETING

The date by which shareholder proposals must be received by us for inclusion in proxy materials relating to the 2014 annual meeting of common shareholders is January 6, 2014.

In order to be considered at the 2014 annual meeting, shareholder proposals must comply with the advance notice and eligibility requirements contained in our by-laws. Our by-laws provide that shareholders are required to give advance notice to us of any nomination by a shareholder of candidates for election as directors and of any business to be brought by a shareholder before an annual shareholders' meeting. Specifically, the by-laws provide that for a shareholder to nominate a person for election to our Board, the shareholder must be entitled to vote for the election of directors at the meeting and must give timely written notice of the nomination to our Secretary. The by-laws also provide that for business to be properly brought before an annual meeting by a shareholder, the shareholder must have the legal right and authority to make the proposal for consideration at the meeting and the shareholder must give timely written notice thereof to our Secretary. In order to be timely, a shareholder's notice must be delivered to or mailed and received at our principal executive offices not less than 30 days nor more than 60 days prior to the meeting. In the event that less than 40 days' notice or prior public disclosure of the date of the meeting is given or made to shareholders, notice by the shareholder must be received not later than the close of business on the tenth day following the day on which notice of the date of the meeting was mailed or public disclosure was made. The notice must contain specified information about each nominee or the proposed business and the shareholder making the nomination or proposal.

The specific requirements of these advance notice and eligibility provisions are set forth in Article II and Article III of our by-laws, a copy of which is available upon request. Such request and any shareholder proposals should be sent to our Secretary at our principal executive offices.

SHAREHOLDER COMMUNICATIONS

Our Board has implemented a process whereby shareholders may send communications to the Board's attention. Any shareholder desiring to communicate with the Board, or one or more specific members thereof, should communicate in a writing addressed to Shoe Carnival, Inc., Board, c/o Lead Director, 7500 East Columbia Street, Evansville, Indiana 47715.

INCORPORATION BY REFERENCE

Notwithstanding anything to the contrary set forth in any of our previous filings under the Securities Act of 1933, as amended, or the Exchange Act that may incorporate future filings (including this proxy statement, in whole or in part), the Compensation Committee Report and the Report of the Audit Committee shall not be incorporated by reference in any such filings.

ANNUAL REPORTS

Our Annual Report to Shareholders for fiscal 2012 accompanies this proxy statement. The Annual Report is not used as part of this solicitation material and no action will be taken with respect to it at the annual meeting. **Additional copies of our Annual Report on Form 10-K for fiscal 2012 as filed with the Securities and Exchange Commission, including financial statements but excluding exhibits, may be obtained without charge upon written request to David A. Kapp, Secretary, Shoe Carnival, Inc., 7500 East Columbia Street, Evansville, Indiana 47715.**

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Proxy - Shoe Carnival, Inc.

Proxy Solicited on Behalf of The Board
For The Annual Meeting of Common Shareholders to be held on June 13, 2013

The undersigned appoints Clifton E. Sifford and J. Wayne Weaver, and each of them, as proxies, with full power of substitution and revocation, to vote, as designated on the reverse side hereof, all the common stock of Shoe Carnival, Inc. which the undersigned has power to vote, with all powers which the undersigned would possess if personally present, at the annual meeting of shareholders thereof to be held at the corporate headquarters for Shoe Carnival, Inc. located at 7500 East Columbia Street, Evansville, Indiana on Thursday, June 13, 2013, at 9:00 a.m., C.D.T., or at any adjournment thereof.

This proxy when properly executed will be voted in the manner directed herein by the undersigned shareholder. Unless otherwise marked, this proxy will be voted FOR the election as Director of the nominees listed under Proposal 1 and FOR Proposals 2, 3 and 4.

YOUR VOTE IS IMPORTANT!

PLEASE VOTE, SIGN, DATE AND RETURN THIS PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE.

(Continued and to be signed on reverse side.)

Shoe Carnival, Inc.
Annual Meeting Proxy Card

A. Proposals – The Board recommends a vote FOR the listed nominees and FOR Proposals 2, 3 and 4.

1. Election of Directors:

	For	Withhold
01 – Clifton E. Sifford	¨	¨
02 – James A. Aschleman	¨	¨

		For	Against	Abstain
2.	Proposal to approve, in an advisory (non-binding) vote, the compensation paid to the Company's named executive officers.	¨	¨	¨
3.	Proposal to approve an amendment to the Company's articles of incorporation to implement majority voting for the election of directors in non-contested elections	¨	¨	¨
4.	Proposal to ratify the appointment of Deloitte & Touche LLP as the independent registered public accounting firm for the Company for fiscal 2013.	¨	¨	¨

B. Non-Voting Items

Change of Address – Please print new address below.

C. Authorized Signatures – This section must be completed for your vote to be counted. – Date and Sign Below

When signing as attorney, executor, administrator, trustee or guardian, please give full title. If more than one trustee, all should sign. All joint owners must sign.

Date (mm/dd/yyyy) – Please print date below.

Signature 1 - Please keep signature within the box.

Signature 2 - Please keep signature within the box.