

Crocs, Inc.
Form DEF 14A
April 17, 2013

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant ☒

Filed by a Party other than the Registrant ☐

Check the appropriate box:

- ☐ Preliminary Proxy Statement
- ☐ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- ☒ Definitive Proxy Statement
- ☐ Definitive Additional Materials
- ☐ Soliciting Material under §240.14a-12

CROCS, INC.

(Name of Registrant as Specified In Its Charter)

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

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- ☒ No fee required.
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Crocs, Inc.

**7477 East Dry Creek Parkway
Niwot, Colorado 80503**

**NOTICE OF THE 2013 ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD JUNE 12, 2013**

To the Stockholders of Crocs, Inc.:

We will hold the 2013 Annual Meeting of Stockholders of Crocs, Inc. at the St. Julien Hotel, 900 Walnut Street, Boulder, Colorado, on June 12, 2013 at 2:00 p.m. Mountain Time.

The meeting's purpose is to:

1. elect three Class II directors;
2. ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for fiscal year 2013;
3. hold an advisory vote to approve the compensation of our named executive officers; and
4. consider any other matters that properly come before the meeting or any postponement or adjournment thereof.

Only stockholders of record of our common stock at the close of business on April 16, 2013 are entitled to receive notice of and to vote at the meeting. Each share of common stock is entitled to one vote.

A list of the stockholders entitled to vote at the meeting will be available for examination at the meeting by any stockholder for any purpose relevant to the meeting. The list will also be available on the same basis for ten days prior to the meeting at our principal executive office, 7477 East Dry Creek Parkway, Niwot, Colorado 80503.

All stockholders are cordially invited to attend the meeting in person. Whether or not you plan to attend the meeting in person, please vote your shares as instructed in the Notice of Internet Availability of Proxy Materials, over the Internet, or by telephone after your receipt of hard copies of the proxy materials, as promptly as possible. You may also request a paper proxy card, which will include a reply envelope, to submit your vote by mail, as described in the Notice of Internet Availability of Proxy Materials. Stockholders who are present at the Annual Meeting may withdraw their proxy and vote in person if they so desire.

BY ORDER OF THE BOARD OF DIRECTORS

John P. McCarvel
President and Chief Executive Officer

Niwot, Colorado
April 17, 2013

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Crocs, Inc.

**7477 East Dry Creek Parkway
Niwot, Colorado 80503**

2013 ANNUAL MEETING OF STOCKHOLDERS

PROXY STATEMENT

This proxy statement will first be made available to stockholders on or about April 17, 2013. It is furnished to stockholders of Crocs, Inc., a Delaware corporation ("we," "us," or "our"), in connection with the solicitation of proxies by our Board of Directors. The proxies being solicited will be voted at the 2013 Annual Meeting of Stockholders (the "Annual Meeting"), to be held on June 12, 2013 at the St. Julien Hotel, 900 Walnut Street, Boulder, Colorado at 2:00 p.m. Mountain Time, or at any postponement or adjournment thereof, for the purpose of voting on the proposals as set forth herein as well as other business matters which may properly come before the meeting.

Under the rules of the Securities and Exchange Commission (the "SEC"), we are furnishing proxy materials to our stockholders on the Internet, rather than mailing printed copies. If you received a Notice of Internet Availability of Proxy Materials by mail, you will not receive a printed copy of the proxy materials unless you request one as instructed in that notice. Instead, the Notice of Internet Availability of Proxy Materials will instruct you as to how you may access and review the proxy materials on the Internet. This proxy statement and our 2012 annual report to stockholders are available at www.proxyvote.com.

GENERAL INFORMATION REGARDING ANNUAL MEETING

Record Date. Stockholders of record at the close of business on April 16, 2013 are entitled to notice of, and to vote at, the Annual Meeting. On the record date, there were 88,116,235 shares of our common stock outstanding. Each such share is entitled to one vote on each matter submitted to a vote at the Annual Meeting.

Quorum Requirements. A quorum is required to conduct business at the Annual Meeting. The holders of a majority of the outstanding shares entitled to vote generally in the election of directors must be present in person or by proxy at the Annual Meeting in order for a quorum to exist. Abstentions and broker non-votes count as present for purposes of determining a quorum. A broker non-vote occurs when a broker returns a proxy card but does not vote on one or more matters because the broker does not have the authority to do so without instructions from the beneficial owner. Shares represented by proxies that are marked withhold with respect to the election of our Class II directors will be counted as present in determining whether there is a quorum.

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Vote Requirements. If a quorum is present at the Annual Meeting, the following vote is required for approval of each matter to be voted on.

Election of Directors. The three Class II director nominees receiving the highest number of "for" votes cast in person or by proxy at the Annual Meeting will be elected as directors. Proxies marked withhold and broker non-votes will have no effect on the outcome of this proposal. Cumulative voting is not permitted. See "Corporate Governance Majority Vote Director Resignation Policy" (below) regarding director nominees who receive a greater number of votes "withheld" from their election than votes "for" such election.

Ratification of Appointment of Deloitte & Touche LLP. The affirmative vote of the holders of a majority of the shares of our common stock present in person or by proxy and entitled to vote on the proposal is required for the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for fiscal year 2013. Abstentions will have the effect of voting against this proposal. Broker non-votes will have no effect on the outcome of this proposal.

Advisory Vote to Approve Named Executive Officer Compensation. The affirmative vote of the holders of a majority of the shares of our common stock present in person or by proxy and entitled to vote on the proposal is required to approve the advisory resolution to approve the compensation of our named executive officers. Abstentions will have the effect of voting against this proposal. Broker non-votes will have no effect on the outcome of this proposal.

Approval of all Other Proposals: With respect to any other matters properly brought before the Annual Meeting, the affirmative vote of the holders of a majority of the shares of our common stock present in person or by proxy and entitled to vote on the proposals will be the act of the stockholders. Abstentions will have the effect of voting against these proposals. Broker non-votes will have no effect on the outcome of these proposals.

Board Recommendations. Our Board of Directors' recommendation is set forth together with the description of each proposal. In summary, our Board of Directors recommends a vote:

FOR election of each of the Class II director nominees (see Proposal 1);

FOR the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2013 (see Proposal 2); and

FOR the advisory vote to approve the compensation of our named executive officers as disclosed in this proxy statement (see Proposal 3).

Your Proxy. Whether or not you are able to personally attend the Annual Meeting, you are encouraged to vote your shares as instructed in the Notice of Internet Availability of Proxy Materials. Shares represented by properly executed methods, and not revoked prior to the Annual Meeting, will be voted at the Annual Meeting as directed in the proxy. **If no directions are specified, such proxies will be voted FOR each of the proposals described in this proxy statement and in the best judgment of the proxy holders as to other matters that may properly come before the Annual Meeting.**

If your shares are held in the name of a bank or brokerage firm, your bank or broker will send you a separate package describing the procedures and options for voting your shares. You should follow the instructions provided by your bank or brokerage firm. On routine matters, such as the ratification of the appointment of our independent registered public accounting firm, your broker will vote your shares for you at his or her discretion if you do not instruct your broker how to vote. For non-routine matters, which include all other matters to be voted upon at the Annual Meeting, your broker may not vote your shares without specific voting instructions from you.

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Revocation. Any stockholder giving a proxy has the power to revoke the proxy, or change the proxy, at any time before the proxy is voted at the Annual Meeting by (i) re-voting online at www.proxyvote.com, (ii) sending another properly executed proxy bearing a later date or a written notice of revocation of the proxy to Corporate Secretary, Crocs, Inc., 7477 East Dry Creek Parkway, Niwot, Colorado 80503 or (iii) voting in person at the Annual Meeting.

Cost of Proxy Solicitation. Our Board of Directors is soliciting the proxies. We will bear the entire cost of this proxy solicitation. We have retained the services of Georgeson, Inc., a professional proxy solicitation firm, to aid in the solicitation of proxies. Georgeson, Inc. may solicit proxies by personal interview, mail, telephone, facsimile, email or otherwise. We will pay Georgeson, Inc. its customary fee, estimated to be approximately \$20,000, plus reasonable out-of-pocket expenses incurred in the process of soliciting proxies. We may also reimburse brokers, custodians, nominees and other fiduciaries for normal handling charges incurred for forwarding proxy materials to beneficial owners. Solicitation of proxies may be made personally or by mail or telephone by our directors, officers and other employees, who will receive no additional compensation for such services.

PROPOSAL 1 ELECTION OF DIRECTORS

Our Board of Directors (the "Board") currently consists of eight members divided into three classes, with each director elected to a three-year term. Class I consists of Ronald L. Frasch and W. Stephen Cannon, whose terms will expire at the annual meeting to be held in 2015. Class II consists of Raymond D. Croghan, Peter A. Jacobi and Doreen A. Wright, whose terms will expire at the Annual Meeting. Class III consists of Thomas J. Smach, Jeffrey H. Margolis and John P. McCarvel, whose terms will expire at the annual meeting to be held in 2014. Under our amended and restated bylaws, each of our directors holds office until his or her successor has been elected and qualified or until such director's earlier resignation or removal.

At each annual meeting of stockholders, the successors to directors whose terms expire at such meeting will be elected, or such directors will be re-elected, and will serve from the time of election and qualification until the third annual meeting following their election or until their successors are duly elected and qualified. The current authorized number of directors is eight. The authorized number of directors may be changed by resolution of the Board. Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the directors. Vacancies on the Board can be filled by resolution of the Board.

Upon the recommendation of the Nominating and Governance Committee, the Board has nominated Raymond D. Croghan, Peter A. Jacobi and Doreen A. Wright for re-election as Class II directors to serve for a three-year term expiring at the 2016 annual meeting of stockholders.

A stockholder cannot vote for more than three nominees. Each of the director nominees has consented to serve for a three-year term. We do not contemplate that any of the nominees will be unable to stand for election, but should any nominee become unable to serve or will not serve for any reason, all proxies (except proxies marked to the contrary) will be voted for the election of a substitute nominee as the Board may recommend.

Class II Director Nominees

Raymond D. Croghan (Class II), age 63, has served as a member of the Board since August 2004. Since 1999, Mr. Croghan has been retired. From 1991 to 1999, Mr. Croghan managed Croghan & Associates, Inc., a healthcare information technology consulting firm, which merged with Margolis

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Health Enterprise to form The TriZetto Group. Mr. Croghan currently serves on the boards of directors of several privately-held companies. Mr. Croghan has successfully operated and grown private companies and has served on the boards of several companies in a variety of industries. His experience successfully operating companies in different industries provides us with a unique perspective as does his board experience. In addition, Mr. Croghan is our longest serving director and has extensive knowledge of our company and its operations.

Peter A. Jacobi (Class II), age 69, has served as a member of the Board since October 2008. Mr. Jacobi was employed by Levi Strauss & Company ("Levi Strauss"), a jeans and casual wear manufacturer, from 1970 until his retirement in 1999. During his 29 years of tenure at Levi Strauss, Mr. Jacobi held various senior level positions, including President of the Men's Jeans Division, President of Global Sourcing, President of Levi Strauss International, and from 1996 until his retirement, President and Chief Operating Officer. Mr. Jacobi has extensive executive experience in the apparel industry gained through his tenure at Levi Strauss. The apparel industry is similar and complementary to the footwear industry and Mr. Jacobi has provided us significant insights from this industry. In addition, Levi Strauss is an established international brand. Mr. Jacobi's experience with a global brand has helped us as we continue to build our brand internationally.

Doreen A. Wright (Class II), age 56, has served as a member of the Board since June 2011 prior to which she served as Senior Vice President and Chief Information Officer of Campbell Soup Company from 2001 to 2008. Ms. Wright also served as Interim Chief of Human Resources for Campbell Soup Company in 2002. From 1999 to 2001, Ms. Wright served as Executive Vice President and Chief Information Officer for Nabisco Inc. Prior to that, from 1995 to 1998 Ms. Wright held the position of Senior Vice President, Operations & Systems, Prudential Investments, for Prudential Insurance Company of America, and held various positions with American Express Company, Bankers Trust Corporation and Merrill Lynch & Co. Since 2009, Ms. Wright has served on the Board of Directors of Dean Foods Company, a leading food and beverage company. She also serves on the Board of the WhiteWave Foods Company, a U.S. and European organic and plant based food and beverage company. She also serves on the Board of New Hope Arts, Inc., a regional nonprofit arts center. In addition, Ms. Wright served on the Board of Directors of Citadel Broadcasting Corporation from 2010 to 2011, where she chaired the Compensation Committee; The Oriental Trading Company from 2008 to 2011, where she served on the Audit and Compensation Committees; Yankee Candle Company from 2003 to 2007, where she served on the Compensation and Audit Committees; and Conseco, Inc. from 2007 to 2010, where she served on the Audit and Enterprise Risk Committee. Ms. Wright brings more than 30 years of leadership experience in the financial services and consumer products industries, with emphasis in the area of information technology, operations, and human resources. Ms. Wright also has extensive experience as a public company director, including service on audit, compensation and corporate governance committees.

THE BOARD RECOMMENDS A VOTE "FOR" EACH OF THE ABOVE-NAMED NOMINEES FOR DIRECTOR.

Information About Continuing Directors

Ronald L. Frasch (Class I), age 64, has served as a member of the Board since October 2006 and as our Lead Director since November 2012. Since February 2007, Mr. Frasch has served as President and Chief Merchandising Officer of Saks Fifth Avenue, a division of Saks, Incorporated, a NYSE-listed luxury fashion retailer. From November 2004 until January 2007, he held the post of Vice Chairperson and Chief Merchant of Saks Fifth Avenue. From January 2004 to November 2004, he was employed by Saks in a non-executive capacity. From April 2000 to January 2004, Mr. Frasch served as Chairperson and Chief Executive Officer of Bergdorf Goodman (a subsidiary of Neiman Marcus Group, Inc.) and served as President of GFT North America (a subsidiary of Gruppo GFT, based in Turin, Italy, a global

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producer, marketer and distributor of fine men's and women's clothing, sportswear and furnishings) from 1996 to 2000. Mr. Frasci also served as President and Chief Executive Officer of Escada USA from 1994 to 1996. Mr. Frasci has extensive executive expertise in the fashion retail industry, most notably demonstrated by his current position at Saks Fifth Avenue. Mr. Frasci's experience and insight into this industry is invaluable to the Board and management in understanding the consumer retail and fashion industry, including current buying trends by our wholesale customers.

W. Stephen Cannon (Class I), age 61, has served as a member of the Board since February 2009. Since 2005, he has served as the Chairperson of Constantine Cannon LLP, a law firm, and the Managing Partner of Constantine Cannon's Washington D.C. office. From 1994 to 2005, Mr. Cannon was the Senior Vice President, General Counsel and Secretary of Circuit City Stores, Inc., a retailer of consumer electronics, which, at the time, was publicly traded on the New York Stock Exchange. Prior to joining Circuit City Stores, Inc., Mr. Cannon served as a partner at the law firm of Wunder, Diefenderfer, Ryan, Cannon and Thelen and spent ten years in government service, including positions at the U.S. Department of Justice and the U.S. Senate Committee on the Judiciary. Mr. Cannon has demonstrated significant legal and business expertise through his role as general counsel of Circuit City, a public company with significant retail operations. This experience assists the Board with its risk oversight and retail expansion plans. Mr. Cannon's legal expertise also allows him to effectively chair the Nominating and Governance Committee and understand corporate governance and SEC developments.

Thomas J. Smach (Class III), age 52, has served as the Chairperson of the Board since June 2011, prior to which he was a member of the Board since April 2005. Mr. Smach is currently a co-founding partner of Riverwood Capital Management, a private equity firm. From January 2005 to June 2008, Mr. Smach served as the Chief Financial Officer of Flextronics International ("Flextronics"), a NASDAQ-listed electronics manufacturing services (EMS) provider. From April 2000 to December 2004, Mr. Smach served as Senior Vice President Finance of Flextronics. From 1997 to April 2000, he served as the Senior Vice President, Chief Financial Officer and Treasurer of The Dii Group, Inc., an EMS provider and publicly-traded company that merged with Flextronics in early 2000 ("The Dii Group"). Mr. Smach is a certified public accountant and also serves on the Board of Directors of Lighting Science Group Corporation. Mr. Smach has extensive accounting and financial management experience having served as the chief financial officer of global public companies. In addition, Mr. Smach has significant experience with international manufacturing and business from his leadership positions at Flextronics. This experience is useful as we continue to expand our international operations. Mr. Smach is also well versed in SEC compliance and risk oversight, which makes him particularly well suited to serve as the chairperson of the Audit Committee and as the Board's Chairperson.

Jeffrey H. Margolis (Class III), age 49, has served as a member of the Board since June 2012. Mr. Margolis currently serves as Chairman of the Board and Chief Executive Officer of WellTok, Inc., a healthcare consumer engagement and social media company, and on several private company boards. From October 1999 to July 2010, he served as Chairman of the Board and Chief Executive Officer of The TriZetto Group, Inc., a healthcare information technology company, and from August 2010 to October 2011, he continued to serve as Chairman of the Board of The TriZetto Group, Inc. Mr. Margolis has extensive leadership and management experience as a founder, executive and director of several high growth companies. Mr. Margolis's significant expertise leading technology companies coupled with his entrepreneurial success provides the Board with insight on the role of technology in growing the business. Mr. Margolis's finance expertise gained through his board and management roles also makes Mr. Margolis well suited to serve on the Audit Committee.

John P. McCarvel (Class III), age 56, has served as our President and Chief Executive Officer and as a director since March 2010. Previously, Mr. McCarvel served as our Chief Operating Officer and Executive Vice President from February 2007 to March 2010, as our Senior Vice President Global

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Operations from October 2005 to February 2007 and as our Vice President Asian & Australian Operations from January 2005 to September 2005, after providing consulting services to us during 2004. From October 2001 to January 2005, Mr. McCarvel served as Vice President for the Design, Test and Semiconductor division of Flextronics, where he was responsible for building Flextronics' engineering infrastructure in Asia and growing Flextronics' business in the region. From 1999 to October 2001, he served as President of U.S. Operations and Senior Vice President of Worldwide Sales and Marketing for Singapore Technology Assembly Test Services Ltd., a semiconductor services company. He previously worked in executive level positions with Micron Custom Manufacturing Services, Inc., a manufacturer of electronic products for computing and digital applications, and The Dii Group. Mr. McCarvel has served us as an executive since 2005. He has been our Chief Operating Officer and has extensive knowledge of our day-to-day operations along with a strategic vision as our Chief Executive Officer. Mr. McCarvel's leadership, extensive knowledge of our business and previous manufacturing expertise provide significant value and insights to the Board.

CORPORATE GOVERNANCE

We are committed to maintaining sound corporate governance practices. The Board has formalized several policies, procedures and standards of corporate governance, including our Corporate Governance Guidelines, some of which are described below. We continue to monitor best practices and legal and regulatory developments with a view to further revising our governance policies and procedures, as appropriate.

Corporate Governance Guidelines. Since 2005, the Board has had in place a set of governance guidelines, the Crocs, Inc. Corporate Governance Guidelines, which are designed to assure the continued vitality of the Board and excellence in the execution of its duties. Our Corporate Governance Guidelines establish the practices and procedures of the Board with respect to board composition and member selection, board independence, board meetings and involvement of senior management, management succession planning, board committees and the evaluation of senior management and the Board. The Board periodically reviews our Corporate Governance Guidelines and updates them as necessary to reflect improved corporate governance practices and changes in regulatory requirements. A copy of our Corporate Governance Guidelines is available on our website at www.crocs.com.

Majority Vote Director Resignation Policy. In addition, our Corporate Governance Guidelines contain a Director Resignation Policy. Under this policy, any nominee for director who receives a greater number of votes "withheld" from his or her election than votes "for" such election is required to offer his or her resignation to the Board following certification of the stockholder vote. Within 90 days following the certification of the vote, the independent directors on the Board would consider the offer of resignation and determine whether to accept or reject the tendered resignation. This policy does not apply in contested elections.

Director Independence. NASDAQ listing standards require that the Board consist of a majority of independent directors. The Board has determined that all of the current non-management members of the Board (Messrs. Cannon, Croghan, Frasca, Jacobi, Margolis and Smach and Ms. Wright) are independent directors as defined by NASDAQ listing standards. The Board makes a determination regarding the independence of each director annually based on relevant facts and circumstances. Applying the standards and independence criteria defined by the NASDAQ listing standards, the Board has made a subjective determination as to each independent director that no relationships exist which, in the opinion of the Board, would interfere with the exercise of his or her independent judgment in carrying out the responsibilities of a director. The independent directors of the Board regularly hold executive sessions without members of management present.

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Communicating with Directors. Stockholders who wish to communicate with the Board or with specified individual directors may do so by mailing such written communication to: Corporate Secretary, Crocs, Inc., 7477 East Dry Creek Parkway, Niwot, Colorado 80503. The Corporate Secretary will review all correspondence and will forward to the Board or an individual director a summary of the correspondence received and copies of correspondence that the Corporate Secretary determines requires the attention of the Board or such individual director. The Board and any individual director may at any time request copies and review all correspondence received by the Corporate Secretary that is intended for the Board or such individual director.

Board Leadership. The Board does not have a policy regarding separation of the roles of Chief Executive Officer and Chairperson of the Board. The Board believes it is in our best interests to make that determination based on current circumstances. The Board has determined that an independent director serving as Chairperson is in the best interests of our stockholders at this time. This structure ensures a greater role of independent directors in the active oversight of our business, including risk management oversight, and in setting agendas and establishing Board priorities and procedures. This structure also allows the Chief Executive Officer to focus to a greater extent on the management of our day-to-day operations.

In addition, in November 2012, the Board named Ron Frasch as its Lead Director. The Lead Director will preside at all meetings of the Board at which the Chairman is not present and will perform other duties assigned to him by the Chairman from time to time.

Risk Oversight. The Board oversees our risk management activities. The Board implements its risk oversight function both as a whole and through delegation to its committees. These committees meet regularly and report back to the full Board. The Audit Committee has primary oversight responsibility with respect to financial risks as well as oversight responsibility for our overall risk assessment and risk management policies and systems. The Audit Committee oversees our procedures for the receipt, retention and treatment of complaints relating to accounting and auditing matters and oversees our management of legal and regulatory compliance systems. The Compensation Committee oversees risks relating to our compensation plans and programs. The Compensation Committee has reviewed and considered our compensation policies and programs in light of the Board's risk assessment and management responsibilities and will do so in the future on an annual basis. The Compensation Committee believes that we have no compensation policies and programs that give rise to risks reasonably likely to have a material adverse effect on us.

The Chief Legal and Administrative Officer serves as our chief compliance officer and chairs an inter-disciplinary Compliance Council which is charged with assessing and managing our legal and other compliance obligations on a global basis. The Chief Legal and Administrative Officer regularly reports to the Audit Committee regarding our legal and compliance obligations.

The Director of Internal Audit coordinates the day-to-day risk management process and reports directly to the Chief Financial Officer and to the Audit Committee. The Director of Internal Audit performs a risk assessment annually, and updates the Audit Committee at least quarterly regarding our risk analyses, assessments, risk mitigation strategies and activities. The Treasury Director updates the Audit Committee at least annually, or more frequently as needed, regarding our directors and officers insurance coverage and on matters regarding certain financial risks.

Code of Business Conduct and Ethics and Committee Charters. We have adopted a Code of Business Conduct and Ethics that applies to all directors and employees, including our principal executive, financial and accounting officers. The Amended and Restated Code of Business Conduct and Ethics is posted on our website at www.crocs.com. We intend to satisfy the requirements under Item 5.05 of Form 8-K regarding disclosure of amendments to, or waivers from, provisions of our Code of Business Conduct and Ethics that apply to our directors and principal executive, financial and accounting officers

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by posting such information on our website. The Audit Committee Charter, Compensation Committee Charter, Nominating and Governance Committee Charter and Information Technology Steering Committee Charter are also available on our website at www.crocs.com. Any person may request a copy of the Code of Business Conduct and Ethics or committee charters free of charge by submitting a written request to: Corporate Secretary, Crocs, Inc., 7477 East Dry Creek Parkway, Niwot, Colorado 80503.

BOARD OF DIRECTORS AND COMMITTEES OF THE BOARD

During 2012, the Board met six times. All directors attended 75% or more of the Board's meetings and the meetings of the Board committees on which they served, except for Mr. Croghan who attended 74%. We encourage, but do not require, our directors to attend the annual meeting of stockholders. Messrs. Cannon, Frasch, Jacobi, Margolis, McCarvel and Smach and Ms. Wright attended our 2012 Annual Meeting of Stockholders.

Board Committees. The Board has the authority to appoint committees to perform certain management and administrative functions and has established the following committees.

Audit Committee. Messrs. Smach (Chairperson), Frasch, Cannon and Margolis are the current members of the Audit Committee. The Audit Committee met eight times in 2012. The functions of the Audit Committee include oversight of the integrity of our financial statements, our compliance with legal and regulatory requirements, the performance, qualifications and independence of our independent auditors and the performance of our internal audit function. The Audit Committee is directly responsible for the appointment, retention, compensation, evaluation, termination and oversight of the work of any independent auditor engaged for the purpose of preparing or issuing an audit report or related work. The purpose and responsibilities of the Audit Committee are set forth in the Audit Committee Charter. The Audit Committee Charter can be found on our website at www.crocs.com.

All of the members of the Audit Committee are independent, as determined in accordance with NASDAQ listing standards and relevant federal securities laws and regulations. The Board has determined that Mr. Smach qualifies as an "audit committee financial expert" as defined by the applicable regulations of the SEC.

Compensation Committee. Ms. Wright (Chairperson), Mr. Croghan and Mr. Jacobi are the current members of the Compensation Committee. The Compensation Committee, which met seven times in 2012, has overall responsibility for defining, articulating, evaluating and approving our executive officer compensation, benefits, severance, equity-based or other compensation plans, policies and programs. The Compensation Committee is also responsible for approving our Compensation Discussion and Analysis for inclusion in this proxy statement. The purpose and responsibilities of our Compensation Committee are set forth in the Compensation Committee Charter, which can be found on our website at www.crocs.com. All of the current members of the Compensation Committee are independent, as determined in accordance with NASDAQ listing standards and relevant federal securities laws and regulations.

Pursuant to its charter, the Compensation Committee has the authority to, among other things: (i) establish, monitor and approve our overall compensation and benefits strategy and philosophy; (ii) review and approve annually corporate goals and objectives relevant to the compensation of our Chief Executive Officer, and to approve the Chief Executive Officer's compensation; (iii) oversee management's decisions concerning the performance and compensation of other executive officers; (iv) oversee the compensation and benefits structure for our employees generally; (v) review and make recommendations to the Board with respect to the establishment of any new incentive compensation

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and equity-based plans; (vi) supervise the administration of our equity-based incentive plans, including the authorization of equity grants under such plans; (vii) review and recommend to the Board the terms of written employment agreements, post-employment consulting agreements and severance arrangements for executive officers; (viii) assist the Board in developing and evaluating potential candidates for executive officer positions and oversee the development of succession plans for executive officers; (ix) review and recommend to the Board compensation to be paid to our outside directors and (x) review and evaluate the relationship between our incentive compensation arrangements and our corporate strategy and risk management policies and practices.

The Compensation Committee sets the Chief Executive Officer's compensation. The Compensation Committee also reviews the recommendations of the Chief Executive Officer with respect to compensation of the other named executive officers and, after reviewing such recommendations, sets the compensation of the other named executive officers. The Compensation Committee relies on its judgment when making compensation decisions after reviewing our performance and evaluating each executive's performance against established goals, leadership ability and responsibilities, and current compensation arrangements. When evaluating total compensation for each of our executive officers, the Compensation Committee reviews the executive officer's current compensation, including equity and non-equity-based compensation. The Compensation Committee also evaluates surveys and other available data regarding the executive compensation programs of comparative companies. The compensation program for executive officers and the Compensation Committee assessment process are designed to be flexible so as to better respond to the evolving business environment and individual circumstances. See "Risk Oversight" (above) for the Compensation Committee's evaluation of our compensation program risk.

In 2012, the Compensation Committee engaged an outside independent compensation consultant, Towers Watson, to provide an evaluation of the 2012 executive bonus plan, long-term incentives and other executive compensation matters. Please see "Compensation Discussion and Analysis" for further description of the role of the Compensation Committee. Towers Watson does not provide any services to management and had no prior relationship with management prior to the engagement. The Compensation Committee has reviewed our relationships with Towers Watson and has not identified any conflicts of interest.

Nominating and Governance Committee. Our Nominating and Governance Committee currently consists of Messrs. Cannon (Chairperson), Frasch and Smach. The Nominating and Governance Committee met three times in 2012. The Nominating and Governance Committee assists the Board in promoting our best interests and that of our stockholders through the implementation of sound corporate governance principles and practices. In furtherance of this purpose, the Nominating and Governance Committee identifies individuals qualified to become board members and recommends to the Board the director nominees for election at each annual meeting of stockholders. It also reviews the qualifications and independence of the members of the Board and its various committees and makes any recommendations the Nominating and Governance Committee members may deem appropriate concerning any changes in the composition of the Board and its committees. The Nominating and Governance Committee also recommends to the Board the corporate governance guidelines and standards regarding the independence of outside directors applicable to us and reviews the provisions of the Nominating and Governance Committee Charter on a regular basis to confirm that such guidelines, standards and charter remain consistent with sound corporate governance practices and with any applicable legal or regulatory requirements and the NASDAQ listing standards. The Nominating and Governance Committee also monitors and leads the Board in its annual review of the Board's performance.

The purpose and responsibilities of our Nominating and Governance Committee are set forth in the Nominating and Governance Committee Charter. The Nominating and Governance Committee Charter

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can be found on our website at www.crocs.com. All of the members of the Nominating and Governance Committee are independent, as determined in accordance with the NASDAQ listing standards.

Information Technology Steering Committee. Our Information Technology Steering Committee (the "IT Steering Committee") currently consists of Messrs. McCarvel (Chairperson), Croghan, Margolis and Jacobi and Ms. Wright and met six times in 2012. The IT Steering Committee oversees major information technology ("IT") related strategies, projects and technology architecture decisions. The IT Steering Committee also monitors whether our IT programs effectively support our business objectives and strategies and reports to the Board on IT related matters. The IT Steering Committee is also tasked with evaluating our significant IT strategies. The purpose and responsibilities of the IT Steering Committee are set forth in the IT Steering Committee Charter. The IT Steering Committee Charter can be found on our website at www.crocs.com.

Director Nomination Process and Director Qualifications. In identifying potential director candidates, the Nominating and Governance Committee relies on recommendations from a number of sources, including current directors and officers. The Nominating and Governance Committee may also hire outside consultants, search firms or other advisors to assist in identifying director candidates. The Nominating and Governance Committee will consider director candidates recommended by stockholders on the same basis as it considers other candidates. Any stockholder wishing to recommend a candidate for consideration by the Nominating and Governance Committee may do so by submitting a written recommendation to the Nominating and Governance Committee in accordance with the procedures set forth under "Stockholder Proposals and Nominations for 2014 Annual Meeting."

In evaluating a candidate for director, our Nominating and Governance Committee considers, among other things, the candidate's judgment, knowledge, integrity, diversity, expertise and business and industry experience, and expertise, which are likely to enhance the Board's ability to govern our affairs and business. We do not have a separate policy regarding consideration of diversity in identifying director nominees but the Nominating and Governance Committee strives to nominate directors with a variety of complementary skills and backgrounds so that, as a group, the Board will possess a broad perspective and the appropriate talent, skills and expertise to oversee our business. The Nominating and Governance Committee also takes into account independence requirements imposed by law or regulations (including the NASDAQ listing standards). In the case of director candidates recommended by stockholders, the Nominating and Governance Committee may also consider the number of shares held by the recommending stockholder, the length of time that such shares have been held and the relationship, if any, between the recommending stockholder and the recommended director nominee.

EXECUTIVE OFFICERS

In addition to John McCarvel, our President and Chief Executive Officer, whose biographical information is disclosed above under "Election of Directors," our executive officers as of March 31, 2013 include the following individuals:

Name	Age	Position(s)
Daniel P. Hart	54	Executive Vice President, Chief Legal and Administrative Officer
Jeffrey J. Lasher	49	Senior Vice President Finance, Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
Scott E. Crutchfield	52	Chief Operating Officer

Daniel P. Hart has served as our Executive Vice President, Chief Legal and Administrative Officer since January 2010. From June 2009 through December 2009, he served as our Executive Vice President of Administration and Corporate Development. Prior to joining us, Mr. Hart was employed

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by Océ North America, a digital printing and document management division of Océ, N.V., a manufacturing and engineering company publicly traded on the Euronext Amsterdam stock exchange, where he served as Senior Vice President and General Counsel from 2006 to 2009. From 2004 to 2006, Mr. Hart served as Senior Vice President General Counsel and Human Resources for Invensys Controls, a global manufacturing and engineering operation within Invensys plc, a public U.K. conglomerate. From 2002 to 2004, Mr. Hart served as Chief Staff Officer for the Development Division of Invensys, a large portfolio of disposal companies within Invensys plc. Previously, Mr. Hart's experience included service in senior legal positions at Dictaphone Corporation and Brooke Group Ltd. and private legal practice in New York City.

Jeffrey J. Lasher has served as our Senior Vice President-Finance and Chief Financial Officer since April 2011. From January 2011 to March 2011, Mr. Lasher served as our principal accounting officer and interim principal financial officer. From June 2009 to January 2011, he served as our Corporate Controller and Chief Accounting Officer. Prior to joining us, Mr. Lasher was a Senior Consultant for Connelly Consulting, a privately-held financial services company, from October 2008 to June 2009. From December 2005 to September 2008, he was the Vice President Corporate Controller for Corporate Express Inc., a publicly-held business supplies and equipment company. Mr. Lasher was also the Vice President Finance of AutoNation, Inc., a publicly-held automotive retail company, from December 2000 to December 2005.

Scott E. Crutchfield has served as our Chief Operating Officer since September 2012 and was our Senior Vice President of World Wide Operations since May 2010. From February 2006 to May 2010, he served as our Vice President for Worldwide Operations. Prior to joining us, he served as Senior Director, U.S. and South America Operations for Jabil Circuit, a publicly-held design and manufacturing company from May 2004 to January 2006. Mr. Crutchfield was also Vice President, General Manager Central/Eastern U.S. and South America for Flextronics from March 2000 to April 2004. Previously, Mr. Crutchfield also held senior leadership positions at Dovatron International, a subsidiary of the Dii Group, and at Square D, a subsidiary of Schneider Electric. Mr. Crutchfield serves as the Chairman of the Board of Directors of Biostem U.S. Corporation, a hair transplant and regrowth technology company.

BENEFICIAL OWNERSHIP OF OUR COMMON STOCK

Ownership by Our Directors, Executive Officers and Greater than 5% Stockholders

The following table sets forth information with respect to the beneficial ownership of our common stock as of March 31, 2013 by:

each person (or group of affiliated persons) who is known by us to own beneficially more than 5% of our common stock;

each current director or nominee;

each of the named executive officers listed in the Summary Compensation Table below; and

all directors and executive officers as a group.

Beneficial ownership is determined in accordance with SEC rules. In computing percentage ownership of each person, shares of common stock subject to options or restricted stock units held by that person that are currently exercisable, or exercisable (or, in the case of restricted stock units, scheduled to vest and settle) within 60 days after March 31, 2013, are deemed to be outstanding and beneficially owned

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by that person. None of these shares, however, are deemed outstanding for the purpose of computing the percentage ownership of any other person.

Except as indicated and pursuant to applicable community property laws, each stockholder named in the table has sole voting and investment power with respect to the shares set forth opposite such stockholder's name. Percentage ownership is based on 88,102,196 shares of our common stock outstanding on March 31, 2013. Unless otherwise indicated below, the address for each director and named executive officer listed below is in care of Crocs, Inc., 7477 East Dry Creek Parkway, Niwot, Colorado 80503.

Name of Beneficial Owner	Beneficial Ownership	
	Shares	Percent
5% Stockholders:		
Blackrock, Inc. ⁽¹⁾	7,171,518	8.1%
The Vanguard Group, Inc. ⁽²⁾	5,378,888	6.1%
Directors:		
Peter A. Jacobi ⁽³⁾	47,631	*
Thomas J. Smach ⁽⁴⁾	158,414	*
Raymond D. Croghan ⁽⁵⁾	53,668	*
W. Stephen Cannon ⁽⁶⁾	64,509	*
Jeffrey H. Margolis ⁽⁷⁾	11,068	*
Ronald L. Frasch	29,821	*
Doreen A. Wright	9,967	*
Officers:		
John P. McCarvel ⁽⁸⁾	333,219	*
Daniel P. Hart ⁽⁹⁾	137,000	*
Jeffrey J. Lasher ⁽¹⁰⁾	84,660	*
Scott E. Crutchfield ⁽¹¹⁾	117,925	*
All current directors and executive officers as a group (11 persons) ⁽¹²⁾	1,047,882	1.2%

*

Less than 1%

(1) Based solely on a Schedule 13G/A filed with the SEC on February 8, 2013. The address for Blackrock, Inc. is 40 East 52nd Street, New York, New York 10022.

(2) Based solely on a Schedule 13G/A filed with the SEC on February 11, 2013. The address for The Vanguard Group, Inc. is 100 Vanguard Blvd., Malvern, PA 19355.

(3) Shares beneficially owned include 45,506 shares held in trust by Peter A Jacobi & Mary Louise Jacobi Living Trust.

(4) Shares beneficially owned include 125,109 shares subject to options exercisable within 60 days of March 31, 2013 and 4,400 shares held as custodian for Mr. Smach's two children under the New York Uniform Gifts to Minors Act. Mr. Smach exercises voting and investment power over the shares.

(5) Shares beneficially owned include an aggregate of 4,960 shares of common stock beneficially owned by two trusts for the benefit of Mr. Croghan's two daughters. Mr. Croghan's spouse is the trustee of both trusts and she exercises sole voting and investment power over the shares. Mr. Croghan disclaims beneficial ownership of such shares

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- (6) Shares beneficially owned include 64,053 shares held in trust by The W Stephen Cannon Revocable Trust.
- (7) Shares beneficially owned consists of 11,068 shares held in trust by the Margolis Family Trust.
- (8) Shares beneficially owned include 100,540 shares subject to options exercisable within 60 days of March 31, 2013 and 179,815 shares held jointly with his spouse.
- (9) Shares beneficially owned include 72,915 shares subject to options exercisable within 60 days of March 31, 2013.
- (10) Shares beneficially owned include 42,792 shares subject to options exercisable within 60 days of March 31, 2013.
- (11) Shares beneficially owned include 76,548 shares subject to options exercisable within 60 days of March 31, 2013.
- (12) Shares beneficially owned include 125,109 shares of common stock subject to options issued to directors and 292,795 shares of common stock subject to options issued to named executive officers that are exercisable or issuable within 60 days of March 31, 2013.

Section 16 Beneficial Ownership and Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors and executive officers and persons who own more than ten percent of our common stock to file with the SEC and any exchange or other system on which such securities are traded or quoted, initial reports of ownership and reports of changes in ownership of our common stock.

To our knowledge, based solely on a review of the copies of such reports furnished to us and written representations from certain of our officers and directors that no other reports were required, we believe that all required reports of our officers, directors and greater than ten percent stockholders under Section 16(a) were timely filed during the year ended December 31, 2012.

CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS

Related Person Transactions

We had no transactions with related persons during 2012 which are required to be disclosed by the rules of the SEC.

Policy on Transactions with Related Persons

Our Code of Business Conduct and Ethics requires that any transaction involving us in which one of our directors, nominees for director, executive officers, or greater than five percent stockholders, or one of the aforementioned's immediate family members (each, a "related person"), have a material interest be approved or ratified by the Audit Committee if the amount involved, when aggregated with the amount of all other transactions between the related person and us, exceeds \$100,000 in a fiscal year. The full Board reviews ordinary course of business transactions in which directors have an interest as part of the Board's annual director independence review, and our Code of Business Conduct and Ethics permits the full Board to waive any conflicts of interest between us and any director or officer. In determining whether to approve or ratify any such transaction, the Audit Committee must consider, in addition to other factors it deems appropriate, whether the transaction is on terms no less favorable to us than those involving unrelated parties.

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Director and Officer Indemnification

We have entered into agreements to indemnify certain directors and executive officers in addition to the indemnification provided for in our certificate of incorporation and bylaws. These agreements, among other things, provide for indemnification of our directors and executive officers for certain expenses (including attorneys' fees), judgments, fines and settlement amounts incurred by any such person in any action or proceeding, including any action by us or in our right, arising out of such person's services as a director or executive officer of ours, any subsidiary of ours or any other company or enterprise to which the person provided services at our request. We believe that these provisions and agreements are necessary to attract and retain qualified persons as directors and executive officers.

DIRECTOR COMPENSATION

In June 2012, the Board adjusted the Board committee compensation for non-employee directors, following a review by our Nominating and Governance Committee. The Nominating and Governance Committee was assisted in this review by its outside compensation consultant, Towers Watson, which provided advice and perspective regarding peer group practices (using the same companies that were used for peer comparisons for executive compensation in 2012) and broader market trends. Directors are compensated with a combination of an annual retainer and fees for serving on committees, paid in cash or restricted stock at the director's election, and annual equity grants. Directors who are employees of the Company are not eligible to receive this compensation. Directors do not receive additional fees for attendance at meetings. The following describes amounts payable to our non-employee directors under our director compensation program.

Retainer Fees. Directors receive an annual retainer fee for Board service of \$150,000 for the Chairman of the Board, \$130,000 for the Lead Director and \$100,000 for each of our other non-employee directors. Directors who serve as chairpersons of the Audit Committee, the Compensation Committee and the Nominating and Governance Committee receive additional annual retainer fees of \$50,000, \$30,000 and \$10,000, respectively. Directors also receive additional annual retainer fees for committee service, as follows: members of the Audit Committee receive an additional \$20,000, members of the Compensation Committee receive an additional \$20,000, members of the Nominating and Governance Committee receive an additional \$5,000 and members of the IT Steering Committee receive an additional \$20,000. These annual retainer fees are denominated in cash and payable in quarterly installments unless the director elects to be paid in shares of restricted stock or a combination of cash and restricted stock. The number of shares of restricted stock is determined based on the fair market value of our common stock on the date the retainer is payable. The restricted stock vests in four successive quarterly installments from the issuance date. Mr. Cannon elected to receive his annual retainer fees partly in cash and partly in restricted stock, and Messrs. Croghan and Jacobi elected to receive all their annual retainer fees in restricted stock. Ms. Wright and Messrs. Frasch, Margolis, and Smach elected to receive their annual retainer fees in cash.

Equity Awards. Directors receive annual equity awards for Board service consisting of a grant of \$150,000 of our common stock for the Chairman of the Board and a grant of \$100,000 of our common stock for each of our other non-employee directors. The number of shares of common stock was determined based on the fair market value of our common stock on the date of grant. The annual equity compensation for the Chairman of the Board also consists of an option to purchase 10,000 shares of our common stock at an exercise price equal to the fair market value of the shares on the date of grant. This option vests and becomes exercisable in four equal installments on the respective dates of each of the four annual meetings of stockholders following the year of grant.

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All directors are reimbursed for their reasonable out-of-pocket expenses incurred in attending meetings of the Board and its committees.

The table below summarizes the total compensation paid to each non-employee directors during the fiscal year ended December 31, 2012.

Name	Fees Earned or Paid in Cash	Stock Awards ⁽¹⁾	Option Awards ⁽¹⁾	Total
W. Stephen Cannon	\$ 100,000	\$ 130,011	\$	\$ 230,011
Raymond D. Croghan		240,015		240,015
Ronald L. Frasch	62,500	100,001		162,501
Peter A. Jacobi		240,015		240,015
Jeffrey H. Margolis⁽²⁾	70,000	100,001		170,001
Thomas J. Smach	170,000	150,001	66,471	386,472
Doreen A. Wright	\$ 137,500	\$ 100,001	\$	\$ 237,501

(1) Amounts reflect the aggregate grant date fair value of grants computed in accordance with stock-based accounting rules (Financial Standards Accounting Board ("FASB") Accounting Standards Codification ("ASC") Topic 718 Stock Compensation), excluding the effect of estimated forfeitures. Assumptions used in to calculate these values are included in Note 9 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2012.

(2) Mr. Margolis joined the Board on June 5, 2012.

As of December 31, 2012, each non-employee director had the following number of stock options and unvested shares of restricted stock outstanding:

	Options Outstanding at December 31, 2012	Unvested Restricted Stock Awards Outstanding at December 31, 2012
W. Stephen Cannon		912
Raymond D. Croghan		4,250
Ronald L. Frasch		
Peter A. Jacobi		4,250
Jeffrey H. Margolis		
Thomas J. Smach	142,609	
Doreen A. Wright		

Director Ownership Guidelines

In 2012, we adopted stock ownership guidelines for our directors. The guidelines require that each of our directors own at least 5,000 shares of our common stock within the later of three years from (i) adoption of the policy or (ii) within three years of their election to the Board. Each of our directors currently meets these stock ownership guidelines.

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EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This Compensation Discussion and Analysis provides information about our executive compensation program as it relates to the following "named executive officers" whose compensation information is presented in the tables and accompanying narratives following this discussion:

John P. McCarvel, Chief Executive Officer and President

Jeffrey J. Lasher, Senior Vice President Finance and Chief Financial Officer

Daniel P. Hart, Executive Vice President, Chief Legal and Administrative Officer

Scott E. Crutchfield, Chief Operating Officer

Executive Summary

2012 Business Performance. In 2012, we grew revenue by 12.2% to over \$1.1 billion. Gross profit increased by 13.3% and diluted earnings per share increased by 16.1% in 2012 compared to 2011. The following table highlights the year-over-year comparison of some of our Company's key financial results.

(\$ in millions, except per share amounts)	2012	2011	Change
Annual revenues*	\$ 1,123	\$ 1,001	12.2%
Annual gross profit	\$ 608	\$ 536	13.3%
Annual selling, general and administrative costs as a % of revenue	41.0%	40.4%	60 bps
Diluted earnings per share*	\$ 1.44	\$ 1.24	16.1%
Annual gross margin	54.1%	53.6%	50 bps
Inventory as of December 31*	\$ 165	\$ 130	27.1%
Cash and cash equivalents as of December 31*	\$ 294	\$ 258	14.2%

*

Indicated metrics were used as performance measures in our 2012 incentive plans.

During the year ended December 31, 2012, revenues increased \$122.4 million, or 12.2%, compared to 2011. Revenue growth was driven by increased sales volume and focused improvements on average footwear selling prices with new product styles as we continue to transform Crocs brand awareness into an all-season footwear brand. Also during the year ended December 31, 2012, diluted earnings per share improved to \$1.44 compared to \$1.24 during 2011.

CEO Performance and Compensation. Since being named our Chief Executive Officer in early 2010, John McCarvel has led the Company's turnaround strategy. Highlights of the Company's achievements under Mr. McCarvel's leadership include:

Sustained profitable growth in 2012, 2011 and 2010 for the first time since 2007;

Record revenue of \$1.1 billion in 2012 exceeding \$1 billion for the second year in a row;

Expansion of product offerings, bringing the total number of Crocs shoe styles to more than 300 including sneakers and boots, which allows Crocs to become a viable four-season brand;

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Opening of 107 new Crocs retail stores net worldwide in 2012 (resulting in a net increase in Crocs stores of 25% over 2011), as well as increasing online presence so consumers can shop the brand from anywhere; and

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Reinvigoration of our corporate social responsibility platform, Crocs Cares, which focuses on helping to make a difference in the lives of children and families in need through initiatives that positively impact the environment, employees and local and global communities.

Mr. McCarvel has received numerous awards in the past two years in recognition of his leadership and achievements. Mr. McCarvel received the prestigious Stevie Award for turnaround executive of the year at the 2011 American Business Awards. In October 2012, Mr. McCarvel was recognized for his achievements as the winner of the retail and product manufacturing category in the *Denver Business Journal's* 2012 Power Book. In addition, he was a finalist for Colorado Biz Magazine's 2012 CEO of the Year award. Most recently, in January 2013, Mr. McCarvel received the award of Retail Innovator of the Year from the National Retail Federation in recognition of his work as a retail pioneer.

Mr. McCarvel's 2012 compensation reflects these achievements and our pay for performance philosophy. Mr. McCarvel declined his potential 2012 annual cash incentive award payout. Mr. McCarvel received an annual award of 67,500 restricted stock units (at target subject to achievement of an earnings per share growth target and time-based vesting) to provide incentive for long-term performance. There was no change to Mr. McCarvel's salary or cash incentive award target in 2012.

Corporate Governance Highlights. In order to further align the long-term interests of management with those of our stockholders and align our compensation program with best practices, the Compensation Committee (the "Committee") has established the following policies and practices:

Independent Compensation Committee. The Committee, comprised solely of independent directors, approves all compensation for our named executive officers.

Independent compensation consultant. The Committee retains an independent compensation consultant that does not provide any services to management and that had no prior relationship with management prior to the engagement. The Committee has also determined that the independent compensation consultant has no conflicts of interest with our company.

Assessment of compensation risk. The Committee assessed our compensation policies and programs and determined that we have no compensation policies and programs that give rise to risks reasonably likely to have a material adverse effect on the Company.

Annual Say-on-Pay vote. We will hold annual say-on-pay, or advisory votes to approve executive compensation.

Executive stock ownership guidelines. Our Board adopted stock ownership guidelines that our named executive officers are expected to meet within three years.

Clawback policy. Our Board adopted a clawback policy for awards made pursuant to our annual cash incentive plan and in 2012 also implemented a clawback policy under which all annual and long-term incentive awards, including those granted in 2012, are subject to any clawback or recoupment policy adopted by us pursuant to the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

No excise tax gross-ups. We do not provide our management with "excise tax gross-ups" in the event of a change of control.

No enhanced benefit programs. We do not provide our management with pensions, supplemental executive retirement plans or any other enhanced benefit programs beyond those that are typically available to all other employees other than a deferred compensation plan for senior executives, which is funded by deferred bonus payments to senior executives.

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Limited perquisites. Our management receives minimal perquisites, consisting primarily of health insurance premiums.

No hedging or pledging. We do not allow our management or directors to engage in hedging transactions in our stock or to pledge our stock to secure loans or other obligations.

Executive Compensation Objectives and Principles

The objectives of our executive compensation program are to:

attract and retain exemplary executive talent who are able to succeed in our fast-paced, rapidly evolving Company;

hold our executives accountable to stockholders;

motivate our executives to achieve our financial and strategic business objectives;

align our executives' compensation with our stockholders' interests; and

assure that our total compensation program aligns with good corporate governance and best practices.

We achieve these objectives through implementing the following pay principles.

Fair and Competitive: We believe that a fair and competitive pay package for our executives is essential to attract and retain talented executives in key positions.

Short and Long-Term Incentives: Our compensation program rewards both short-term and long-term performance. Annual cash incentive awards are tied to achievement of short-term quantitative performance goals that we believe closely correlate to shareholder value. Long-term performance is rewarded through equity-based awards, which align our executives' interests with those of our stockholders. The value of equity awards depends on future share prices, and the realization of the awards is contingent on satisfaction of vesting schedules requiring continued service with us and the achievement of performance goals.

Pay for Performance: Our executives have a high proportion of variable, performance-based compensation. We aim to tie more than 50% of our executive pay to performance metrics. Actual compensation will be above or below targeted levels depending on the level of performance achieved.

Good Governance: We have designed our executive compensation program in light of the best practice governance policies and practices discussed above under "Corporate Governance Highlights."

At our annual meeting of stockholders in June 2012, we held our second advisory stockholder vote to approve the compensation of our named executive officers ("say-on-pay"). The compensation of our named executive officers reported in our 2012 proxy statement was approved by over 99% of the votes cast at the 2012 annual meeting, similar to the results at our 2011 annual meeting. The Committee believes this affirms our stockholders' support of our approach to executive compensation, and the Committee did not change its approach in 2012. The Committee has considered and will continue to consider the outcome of our say-on-pay votes when making future compensation decisions for the named executive officers.

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Governance of Pay Setting Process

Role of Compensation Committee, Chief Executive Officer and Compensation Consultant

The Committee has overall responsibility for evaluating and approving our executive officer compensation, benefits, severance, equity-based or other compensation plans, policies and programs. The Committee sets the Chief Executive Officer's compensation, and considers the recommendations of the Chief Executive Officer with respect to the compensation of the other named executive officers. The Committee works with Towers Watson, an independent executive compensation consultant engaged by the Committee, for advice and perspective regarding market trends and best practices. For a more detailed discussion about the Committee, its methodology and the role of consultants, see "Compensation Committee" on page 7.

Peer Group Companies

The Committee uses peer company and survey data to guide its review of the total compensation of our officers and executives and generally reviews the compensation data of our peer companies and industry to understand market competitive compensation. The Committee focuses on ensuring that the performance-based elements of our executive compensation program are consistent with peer and industry trends. However, the Committee does not benchmark compensation to a specific percentage of the compensation of peer companies.

In 2012, the Committee approved a revised peer group based on analysis and preliminary recommendations by Towers Watson. The peer group was selected based on the key industry criteria noted below, and took into consideration the company's revenue, market capitalization and other key financial metrics. This peer group is comprised of 15 publicly traded companies. As of December 31, 2012, our market capitalization was at the 50th percentile of this group and our annual revenue was at the 21st percentile of the group. We believe these companies are broadly comparable to us, and represent our labor market for talent for key leadership positions. The Committee will regularly review our peer group to determine if adjustments are necessary to ensure that it continues to be relevant or if additional peer companies or groups are necessary to provide appropriate information on market practices and compensation levels.

The 2012 peer companies and the criteria for their inclusion are listed below:

Columbia Sportswear Co.	G III Apparel Group, Ltd.	Skechers USA, Inc
Deckers Outdoor Corp.	lululemon athletica inc.	Steven Madden, LTD
DSW Inc.	Oxford Industries, Inc.	Under Armour, Inc.
Fossil, Inc.	Perry Ellis International, Inc.	Warnaco Group
Genesco Inc.	Quiksilver, Inc.	Wolverine Worldwide, Inc.

The peer group used in 2012 differs from the peer group used in the 2011 executive compensation review process in the following respects: (i) lululemon athletica inc. and Warnaco Group were added and (ii) Shoe Carnival Inc. was deleted. These changes served to make the overall composition of the peer group better reflect our size, complexity, growth prospects, global operations, product focus and labor market for executive talent. The Committee intends to continue to monitor how changes in the peer group will impact the peer group information it reviews in making its executive compensation decisions.

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Elements of Compensation

Our executive compensation objectives and principles are implemented through the use of the following principal elements of compensation, each of which is discussed more fully below:

Base salary, which provides a fixed level of cash compensation;

Annual cash incentive awards, which motivate and reward annual company performance;

Long-term incentives (in the form of equity awards), which motivate and retain executives by rewarding long-term financial performance and tying incentives to the performance of our common stock over the long-term; and

Limited executive benefits and perquisites.

The Committee does not utilize an exact calculation in determining the break-down or weighting of named executive officer compensation among base salary, annual cash incentive awards and long-term equity awards. Rather, the Committee considers all forms of compensation in light of the market competition for executive talent, the risk to an executive inherent in employment with our fast-paced, rapidly evolving Company and our financial goals. Accordingly, we believe that over 50% of each named executive officer's compensation should be in the form of annual cash performance-based awards and equity awards that vest upon performance. We believe that the total compensation opportunities offered to our executives are sufficient to reduce the need for anything other than limited executive perquisites or enhanced benefit programs beyond those that are typically available to all other employees.

Base Salary. The Committee establishes base salary for our named executive officers by considering the size of our operations, the responsibilities of the named executive officers and the competitive marketplace for executive talent in similar positions. The Committee sets the base salary of the Chief Executive Officer. Base salary for other named executive officers is set by the Committee after considering the recommendation of the Chief Executive Officer.

Base salary is reviewed on an annual basis and at the time of hire or promotion. Annual adjustments are influenced by growth of our operations, revenues and profitability, individual performance, changes in responsibility, peer company comparisons and other factors. There was no change to base salary for Messrs. McCarvel and Hart. Messrs. Lasher and Crutchfield received increases of 3%.

The current base salaries of our named executive officers are below:

Named Executive Officer	2012 Base Salary	Increase Over 2011 Base Salary
John P. McCarvel	\$ 840,000	0%
Daniel P. Hart	\$ 498,750	0%
Jeffrey J. Lasher	\$ 334,750	3%
Scott E. Crutchfield	\$ 334,750	3%

Annual Incentive Awards. The Committee believes that an annual cash incentive plan that offers significant awards to our named executive officers for meeting or exceeding company performance goals provides our officers additional incentive to outperform our peer companies and ensures that we attract and retain talented named executive officers.

Each year, the Committee establishes a target annual incentive award for each named executive officer expressed as a percentage of the executive's base salary, based on the estimated contribution and

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responsibility of the individual named executive officer and considering market practices. For 2012, the targets were:

Named Executive Officer	Annual Incentive Plan Target (as a percentage of Base Salary)
John P. McCarvel	100%
Daniel P. Hart	60%
Jeffrey J. Lasher	60%
Scott E. Crutchfield	60%

The total annual incentive award actually paid to each named executive officer is determined based on the extent to which specified weighted objective performance goals are achieved. Each of these performance targets has a threshold payout of 75% of the named executive officer's annual incentive award target and a maximum payout of 175% of the target. For 2012, these goals and their applicable weightings were:

2012 Performance Goal Targets	Weighting	2012 Actual Performance as a Percentage of Target
Annual Revenues: \$1,182.9 million	20%	16.6%
Earnings Per Share: \$1.48	50%	0%
Inventory Turnover: 3.66	15%	0%
Net unrestricted cash (net of short- and long-term debt): \$373.6 million	15%	0%

Based on 2012 actual results and applying the weighting described above, our named executive officers were eligible to be paid annual cash incentive awards at up to 16.6% of their respective target annual incentive award amounts because our 2012 performance results, in the aggregate, equated to 16.6% of the weighted performance targets. The Committee has discretion to depart from the formula in approving the annual incentive awards by decreasing, but not increasing, incentive awards after general results are known.

However, in keeping with our pay for performance philosophy, our named executive officers informed the Committee that they intended to decline any annual cash incentive award because of the Company's overall performance versus plan in 2012. Therefore, the Committee did not award our named executive officers a bonus under the annual incentive plan in 2012.

Long-Term Equity Awards. The Committee grants long-term equity awards annually to the named executive officers in order to provide long-term performance-based compensation, to encourage the named executive officers to continue their employment throughout the vesting periods of the awards, and to align management and stockholder interests. We believe that a significant portion of each named executive officer's compensation should be in the form of equity awards. Each year the Committee considers the number of shares to grant and the appropriate type and combination of equity-based awards in making named executive officer grant decisions.

2012 Long-Term Performance Incentive Program. In 2012, all of our named executive officers received grants of restricted stock units ("RSUs"), half of which vest based on satisfaction of performance goals

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and half of which vest based on continued service. The material terms of the 2012 restricted stock awards are as follows:

Performance Vested RSUs (50% of Award)			
Time Vested RSUs (50% of Award)	Performance Goal	Potential Award	Further Time Vesting
Vest in 3 annual installments beginning one year after the date of grant	Achievement of at least 70% of a two-year cumulative earnings per share performance goal	Executive may earn from 50% to 200% of the target number of RSUs based on the level of achievement of the performance goal	Earned RSUs vest 50% upon satisfaction of performance goal and 50% one year later

For 2012, the amount of restricted stock unit awards granted to the named executive officers was based on a review of the equity compensation of our peer companies, input from the independent compensation consultant and the Committee's assessment of each named executive officer's expected future contributions.

The Committee grants performance-based awards to further demonstrate our pay for performance philosophy and better align the interests of our named executive officers with those of our stockholders. The Committee grants restricted stock units because it generally believes that full value awards such as restricted stock units offer a stronger retention incentive than do stock options. In addition, restricted stock units are less dilutive to our current stockholders and to the Company's 2007 Amended and Restated Equity Incentive Plan than are stock options, as fewer restricted stock units are necessary to provide the same equity benefit compared to stock options. The Committee selected cumulative earnings per share as the performance metric because it views cumulative earnings per share as a primary driver of enhanced stockholder value.

Other Benefits. We provide other benefits to our named executive officers in order to achieve a competitive pay package. The Committee believes that those benefits, which are detailed in the Summary Compensation Table under the heading "All Other Compensation," are reasonable, competitive and consistent with our overall executive compensation program. Those benefits consist principally of employer-paid premiums on health insurance.

Post-Employment Compensation

Senior Executive Deferred Compensation Plan. Certain senior executives are eligible to participate in the 2007 Senior Executive Deferred Compensation Plan (the "Deferred Compensation Plan"), which permits executives to defer all or a part of their cash compensation and save for future financial needs. No named executive officers have contributed to the Deferred Compensation Plan since 2008. For a more detailed discussion of the Deferred Compensation Plan, see the Nonqualified Deferred Compensation table and accompanying narrative on page 23.

Severance and Change in Control Benefits. We entered into an employment agreement with Mr. Hart concurrent with his appointment as an officer in 2009. The agreement provides for guaranteed payments and accelerated vesting of certain equity awards upon his involuntary termination of employment with us (other than for cause) or his resignation for good reason. For a more detailed discussion of the agreement, see Potential Payments on Termination or Change in Control beginning on page 23.

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Additional Considerations

Executive Stock Ownership. In March 2012, the Committee adopted stock ownership guidelines to ensure that our senior executive officers have a meaningful stake in the equity of the Company and to further align the interests of our executives with the long-term interests of our stockholders. Under these guidelines, our Chief Executive Officer is required to hold 10,000 shares of our common stock and the other named executive officers are required to hold 5,000 shares. The ownership guidelines assume that, in normal circumstances, an executive can reach the requisite stock ownership within the later of three years from (i) the adoption of the guidelines or (ii) the date the executive's employment commences. These ownership guidelines are based on analysis of peer and market practices, as prepared by the Committee's independent compensation consultant. Each of our named executive officers currently meets these stock ownership guidelines.

Equity Granting Practices. The Committee has determined to make our annual equity award grants at the regular meeting of the Committee held in the first quarter of each year. The Committee meeting date, or the next business day if the meeting falls on a day where the Nasdaq is closed for trading, is the effective grant date for the grants. For stock options, the exercise price is the fair market value of our common stock on that date.

We also may grant equity awards (e.g., options, restricted stock) to recognize increased responsibilities or special contributions, attract new hires, retain executives or recognize certain other special circumstances that occur throughout the year. The effective date of these grants is determined based on the timing of the recognition or recruitment event and approved on or in advance of the effective date of the grant. The exercise/grant price is the fair market value of our common stock on the effective date. The Committee approves all equity grants to executive officers. We do not permit repricing of stock options without stockholder approval.

Clawbacks. In 2010, our Compensation Committee adopted a clawback policy for awards made under our annual incentive plan. Under this policy, at the discretion of the Committee, executives may be required to repay awards to us if within two years of the award: (i) we are required to restate our financial statements due to fraud or willful misconduct involving the executive; or (ii) the executive took part in any fraud, negligence or breach of fiduciary duty.

In 2012, our Board also adopted a policy whereby any incentive compensation awards granted to management, including annual and long-term incentive awards granted in 2012, will be subject to any clawback or recoupment policy adopted by the Company pursuant to the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Deductibility of Executive Compensation. Section 162(m) of the Code imposes a \$1.0 million annual limit on the amount that a public company may deduct for compensation paid to the company's chief executive officer during a tax year or to any of the company's four other most highly compensated executive officers who are still employed at the end of the tax year. The limit does not apply to compensation that meets the requirements of the Code for "qualified performance-based" compensation (i.e., compensation paid only if the executive meets pre-established, objective goals based on performance criteria approved by the company's stockholders).

The Committee reviews and considers the deductibility of executive compensation under Section 162(m) of the Code. In certain situations, the Committee may approve compensation that does not meet the requirements of the Code in order to ensure competitive levels of total compensation for our executive officers. The annual incentive awards paid in 2012 under our 2008 Cash Incentive Plan and the performance-vested restricted stock units granted in 2012 are designed to meet the requirements for consideration as "qualified performance-based compensation" under Section 162(m).

Table of Contents**COMPENSATION COMMITTEE REPORT**

The Compensation Committee has reviewed and discussed the foregoing Compensation Discussion and Analysis with our management. Based on such review and discussion, the Compensation Committee recommended to the Board that the foregoing Compensation Discussion and Analysis be included in this proxy statement.

THE COMPENSATION COMMITTEE

Doreen A. Wright (Chairperson)

Raymond D. Croghan

Peter A. Jacobi

Summary Compensation Table

The following table sets forth information regarding compensation earned for services rendered during fiscal years 2012 and 2011, and, where applicable 2010 for our Chief Executive Officer, our Chief Financial Officer, and the two other most highly compensated executive officers who were serving as executive officers at the end of 2012.

Name and Principal Position	Year	Salary (\$)	Stock Awards⁽¹⁾ (\$)	Option Awards⁽¹⁾ (\$)	Non-Equity Incentive Plan Compensation⁽²⁾ (\$)	All Other Compensation⁽³⁾ (\$)	Total (\$)
John P. McCarvel President and Chief Executive Officer	2012	\$ 840,000	\$ 1,313,550	\$	\$	\$ 32,203	\$ 2,185,753
	2011	828,333	2,349,981		1,285,200	15,015	4,478,529
	2010	766,667	831,723		800,000	233,451	2,631,841
Daniel P. Hart Executive Vice President, Chief Legal and Administrative Officer	2012	498,750	462,175			29,883	990,808
	2011	491,823	475,019		450,000	14,606	1,431,448
	2010	475,000	296,298		339,150	41,403	1,151,851
Jeffrey J. Lasher⁽⁴⁾ Senior Vice President Finance and Chief Financial Officer	2012	332,313	462,175			32,260	826,748
	2011	300,000	1,078,320	266,802	300,000	14,606	1,959,728
Scott E. Crutchfield⁽⁵⁾ Chief Operating Officer	2012	332,313	462,175			32,957	827,445
	2011	\$ 325,000	\$ 350,009	\$	\$ 240,000	\$ 15,106	\$ 930,115

(1) Amounts reflect the aggregate grant date fair value of grants made in each respective fiscal year computed in accordance with stock-based accounting rules (FASB ASC Topic 718-Stock Compensation), excluding the effect of estimated forfeitures. Assumptions used in the calculations of these amounts are included in Note 9 to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2012. The grant date fair value of stock awards, which are comprised of time-vested and performance-vested restricted stock units, includes the grant date fair value for the performance-vested restricted stock units calculated based on the target amount for the award period commencing in the year indicated. For 2012, the total aggregate grant date fair value of stock awards, including the time-vested restricted stock units and the performance-vested restricted stock units assuming the highest level of payout for performance against assigned targets would be as follows: \$1.97 million for Mr. McCarvel and \$0.7 million for Messrs. Hart, Lasher, and Crutchfield.

(2) In 2012, our named executive officers did not receive a cash bonus under our annual incentive plan.

(3) All other compensation for 2012 represents the following: (i) Company matches to employee 401(k) contributions in the amounts of \$10,000 for Mr. Hart, \$13,200 for Mr. Lasher and \$13,015 for Mr. Crutchfield, (ii) a \$12,800 car allowance for Mr. McCarvel, (iii) \$14,145 in incremental healthcare premiums paid by us on behalf of each named executive officer that is not offered to other non-executive employees, (iv) group term life insurance premiums paid-in full by the Company for each named executive officer and (v) certain recognition gifts made to the named executive officers.

(4)

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Mr. Lasher was appointed as our Senior Vice President-Finance and Chief Financial Officer effective April 28, 2011. During 2010, he served as our Corporate Controller and Chief Accounting Officer.

(5)

Mr. Crutchfield was appointed as our Chief Operating Officer in September 2012 and previously served as our Senior Vice President for Worldwide Operations.

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The following table provides information for each of our named executive officers regarding annual and long-term incentive award opportunities, including the range of potential payouts under our non-equity annual incentive plan and our performance-vested restricted stock units granted during fiscal year 2012.

Name	Type of Award	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards		Threshold (#)	Estimated Future Payouts Under Equity Incentive Plan Awards		All Other Stock Awards: Number of Shares of Stock or Units (#)	Grant Date Fair Value of Stock and Option Awards ⁽¹⁾
			Target (\$)	Maximum (\$)		Target (#)	Maximum (#)		
John P. McCarvel	Annual Incentive Award		\$ 840,000	\$ 1,147,000					\$
	Restricted Stock Unit	3/14/12			16,875	33,750	67,500	33,750	1,313,550
Daniel P. Hart	Annual Incentive Award		299,250	523,688					
	Restricted Stock Unit	3/14/12			5,938	11,875	23,750	11,875	462,175
Jeffrey J. Lasher	Annual Incentive Award		200,850	351,488					
	Restricted Stock Unit	3/14/12			5,938	11,875	23,750	11,875	462,175
Scott E. Crutchfield	Annual Incentive Plan Restricted Stock Units		200,850	351,488					