

# TRUE RELIGION APPAREL INC (TRLG)

## DEF 14A

Definitive proxy statements

Filed on 03/27/2012

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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

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 Pursuant to §240.14a-12

**TRUE RELIGION APPAREL, INC.**

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(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a 6(i)(1) and 0-11.

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

Amount Previously Paid:

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Date Filed:

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**TRUE RELIGION APPAREL, INC.**  
2263 E. Vernon Avenue  
Vernon, California 90058  
(323) 266-3072

March 27, 2012

Dear Stockholder:

Our Annual Meeting of stockholders will be held at our corporate headquarters located at 2263 E. Vernon Avenue, Vernon, California 90058, at 9:00 a.m., local time, on April 25, 2012. The formal notice for our Annual Meeting and our Proxy Statement are attached.

Each of the proposals to be presented at our Annual Meeting is described in the attached notice of our Annual Meeting and Proxy Statement. We encourage you to carefully review our Proxy Statement, which discusses each of the proposals in more detail.

Your vote is important. Whether or not you plan to attend the meeting, it is important that your shares of common stock be represented and voted at our Annual Meeting. Instructions on the enclosed proxy card will tell you how to cast your vote. The accompanying Proxy Statement explains more about proxy voting. Please read it carefully.

We look forward to seeing you on April 25, 2012.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeffrey Lubell", written in a cursive style.

Jeffrey Lubell  
Chairman of the Board, Chief Executive Officer and Chief Merchant

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**TRUE RELIGION APPAREL, INC.**  
2263 E. Vernon Avenue  
Vernon, California 90058  
(323) 266-3072

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**NOTICE OF 2012 ANNUAL MEETING OF STOCKHOLDERS**

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TIME	9:00 a.m. local time on April 25, 2012
PLACE	2263 E. Vernon Avenue Vernon, California 90058
ITEMS OF BUSINESS	<ol style="list-style-type: none"><li>(1) To elect seven members of the Board of Directors to serve for the ensuing year or until their successors are duly elected and qualified.</li><li>(2) To ratify the appointment of Deloitte &amp; Touche LLP as our independent registered public accounting firm for the year ending December 31, 2012.</li><li>(3) To hold an advisory vote approving the compensation of our named executive officers.</li><li>(4) To transact such other business as may properly come before the Annual Meeting or at any adjournment or postponement thereof.</li></ol>
RECORD DATE	You can vote if, at the close of business on March 13, 2012, you were a holder of record of our common stock.
PROXY VOTING	All stockholders are cordially invited to attend the Annual Meeting in person. However, to ensure your representation at the Annual Meeting, you are urged to vote promptly by signing and returning the enclosed proxy card or, if you hold your shares in street name, by accessing the World Wide Web site indicated on the voting instructions accompanying your proxy card to vote via the Internet.

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**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING TO BE HELD ON APRIL 25, 2012**

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The Notice of Meeting, proxy statement and proxy card are available at <http://investor.truereligionbrandjeans.com>.

March 27, 2012



Peter F. Collins  
Chief Financial Officer and Assistant  
Secretary

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**TRUE RELIGION APPAREL, INC.**  
**2263 E. Vernon Avenue**  
**Vernon, California 90058**  
**(323) 266-3072**

**PROXY STATEMENT**  
**FOR ANNUAL MEETING OF STOCKHOLDERS**  
**To Be Held April 25, 2012**

These proxy materials are delivered in connection with the solicitation by the Board of Directors (referred to as the "Board") of True Religion Apparel, Inc., a Delaware corporation (referred to as the "Company," "we" or "us"), of proxies to be voted at our 2012 Annual Meeting of Stockholders (the "Annual Meeting") and at any adjournments or postponements thereof.

You are invited to attend the Annual Meeting on April 25, 2012 at our corporate headquarters located at 2263 E. Vernon Avenue, Vernon, California 90058, beginning at 9:00 a.m. local time.

This Proxy Statement and form of proxy are being mailed to stockholders commencing on or about March 29, 2012. Our 2011 Annual Report, which is not part of the proxy solicitation materials, is also enclosed.

**Q. Who is entitled to vote at the Annual Meeting?**

- A. Holders of record of our common stock at the close of business on March 13, 2012, which we refer to as the "Record Date," are entitled to vote at the Annual Meeting. As of the Record Date, there were 25,481,882 shares of our common stock outstanding and approximately 60 holders of record. Stockholders are entitled to cast one vote per share on each matter presented for consideration and action at the Annual Meeting.

**Q. What is the purpose of the Annual Meeting?**

- A. At the Annual Meeting, stockholders will consider and vote upon the following matters:
- Election of seven directors to our Board of Directors;
  - Ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the year ending December 31, 2012;
  - An advisory vote approving the compensation of our Named Executive Officers; and
  - Such other matters as may properly come before the Annual Meeting or any adjournments or postponements thereof.

**Q. How does the Board of Directors recommend that I vote?**

- A. Our Board of Directors recommends that you vote:
- "FOR" the election of the Company's nominees to the Board of Directors.
  - "FOR" ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the year ending December 31, 2012.
  - "FOR" the compensation of our Named Executive Officers as disclosed in this Proxy Statement (which disclosure includes the Compensation Discussion and Analysis, the executive compensation tables and the related footnotes and narrative accompanying the tables).

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### **Q. How can I vote my shares in person at the Annual Meeting?**

- A. If your shares are registered directly in your name with the American Stock Transfer and Trust Company, our "Transfer Agent," you are considered the stockholder of record with respect to those shares and the proxy materials, including the proxy card, are being sent directly to you by the Company. As the stockholder of record, you have the right to vote in person at the Annual Meeting. If you choose to do so, you can bring the enclosed proxy card or vote using the ballot provided at the Annual Meeting. Even if you plan to attend the Annual Meeting, we recommend that you vote your shares in advance as described below so that your vote will be counted if you decide later not to attend the Annual Meeting.

Most of our stockholders hold their shares in street name through a broker, bank or other nominee rather than directly in their own name. In that case, you are considered the beneficial owner of shares held in street name, and the proxy materials are being forwarded to you together with a voting instruction card. As the beneficial owner, you are also invited to attend the Annual Meeting. Because a beneficial owner is not the stockholder of record, you may not vote these shares in person at the Annual Meeting unless you obtain a "legal proxy" from the broker, bank or nominee that holds your shares, giving you the right to vote the shares at the meeting. You will need to contact your broker, bank or nominee to obtain a legal proxy, and you will need to bring it to the Annual Meeting in order to vote in person.

### **Q. How can I vote my shares without attending the Annual Meeting?**

- A. Whether you hold shares in your name or through a broker, bank or other nominee, you may vote without attending the Annual Meeting. You may vote by granting a proxy or, for shares held through a broker, bank or other nominee, by submitting voting instructions to that nominee. For shares held through a broker, bank or other nominee, follow the instructions on the voting instruction card included with your voting materials. If you provide specific voting instructions, your shares will be voted as you have instructed and as the proxy holders may determine within their discretion with respect to any other matters that properly come before the Annual Meeting.

A number of brokerage firms and banks offer Internet voting options. Specific instructions to be followed by owners of shares of common stock held in street name are set forth on the voting instruction card accompanying your proxy card. The Internet voting procedures are designed to authenticate stockholders' identities, to allow stockholders to give their voting instructions and to confirm that stockholders' instructions have been recorded properly. Stockholders voting via the Internet should understand that there may be costs associated with electronic access, such as usage charges from telephone companies and Internet access providers that must be borne by the stockholder.

### **Q. What happens if additional matters are presented at the Annual Meeting?**

- A. Other than the four items of business described in this Proxy Statement, we are not aware of any other business to be acted upon at the Annual Meeting. If you grant a proxy, the persons named as proxies, Lynne Koplín and Peter F. Collins, will have the discretion to vote your shares on any additional matters properly presented for a vote at the Annual Meeting.

### **Q. What happens if I do not give specific voting instructions?**

- A. If you hold shares in your name, and you sign and return a proxy card without giving specific voting instructions, the proxy holders will vote your shares in the manner recommended by our Board of Directors on all matters presented in this Proxy Statement, and, with respect to any other matters that properly come before the Annual Meeting, as the proxy holders may determine in their discretion.

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If you hold your shares through a broker, bank or other nominee and you do not provide your broker with specific voting instructions, your broker may vote your shares only with respect to certain matters considered routine.

Specifically, your broker may not vote on the election of directors and approval of the advisory vote on the compensation of the Company's Named Executive Officers if you do not furnish instructions for those items. Your broker may vote in its discretion on the ratification of the appointment of our independent registered public accounting firm if you do not furnish instructions.

***You should use the voting instruction card provided by the institution that holds your shares to instruct your broker to vote your shares or else your shares will be considered broker non-votes.*** If you are the beneficial owner of shares held in the name of a broker, bank or other nominee and do not provide that broker, bank or other nominee with voting instructions, your shares may constitute "broker non-votes." Generally, broker non-votes occur on a matter when a broker is not permitted to vote on that matter without instructions from the beneficial owner and instructions are not given. In tabulating the voting results for any particular proposal, shares that constitute broker non-votes are not considered entitled to vote on that proposal. Thus, broker non-votes will not affect the outcome of any matter being voted on at the meeting, assuming that a quorum is obtained.

### **Q. What is the quorum requirement for the Annual Meeting?**

A. A majority of the Company's outstanding shares as of the Record Date must be present, in person or by proxy, at the Annual Meeting in order to hold the Annual Meeting and conduct business. This is called a quorum. Your shares will be counted for purposes of determining if there is a quorum, whether representing votes for, against, withheld or abstained, if you:

- are present and vote at the Annual Meeting; or
- properly submit a proxy card or vote over the Internet.

Broker non-votes are counted as present for the purpose of determining the existence of a quorum at the Annual Meeting.

### **Q. How can I change my vote after I return my proxy card?**

A. If you are a stockholder of record, there are three ways you can change your vote or revoke your proxy after you have sent in your proxy form.

- First, you may send a written notice to True Religion Apparel, Inc., c/o Office of Assistant Secretary, 2263 E. Vernon Avenue, Vernon, California 90058, stating that you would like to revoke your proxy.
- Second, you may complete and submit a new proxy form. Any earlier proxies will be revoked automatically.
- Third, you may attend the Annual Meeting and vote in person. Any earlier proxy will be revoked. However, attending the Annual Meeting without voting in person will not revoke your proxy.

If your shares are held in street name and you have instructed a broker or other nominee to vote your shares, you must follow directions from your broker or other nominee to change your vote.



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### **Q. Is there a list of stockholders entitled to vote at the Annual Meeting?**

- A. The names of stockholders of record entitled to vote at the Annual Meeting will be available at the Annual Meeting and for ten days prior to the Annual Meeting at our principal executive offices between the hours of 9:00 a.m. and 5:00 p.m. for any purpose relevant to the Annual Meeting. To arrange to view this list during the times specified above, please contact the Assistant Secretary of the Company.

### **Q. What is the deadline to propose actions for consideration at next year's annual meeting?**

- A. Stockholders who, in accordance with Rule 14a-8 under the Securities Exchange Act of 1934, as amended, which we refer to as the "Exchange Act," wish to present proposals for inclusion in the proxy materials to be distributed in connection with the 2013 annual meeting of stockholders must submit their proposals so that they are received at our principal executive offices no later than the close of business November 25, 2012, or, in the event the Company's 2013 annual meeting is advanced or delayed more than 30 days from the date of the 2012 annual meeting, within a reasonable time before the Company begins to print and mail the proxy materials for the 2013 annual meeting. As the SEC rules make clear, simply submitting a proposal does not guarantee that it will be included in the Company's proxy materials.

In addition, stockholders who wish to introduce a proposal from the floor of the 2013 annual meeting of stockholders (outside the processes of Rule 14a-8), must submit that proposal in writing to the Company's Assistant Secretary at our principal executive offices no earlier than December 27, 2012 and no later than January 26, 2013, or, in the event the Company's 2013 annual meeting of stockholders is advanced or delayed more than 30 days from the date of the 2012 annual meeting, not earlier than the 120th day before the 2013 annual meeting and not later than the later of (i) the 90th day before the 2013 annual meeting or (ii) the 10th day following the day on which public announcement of the date of the annual meeting is first made by the Company.

To be in proper form, a stockholder's notice must include the information required by our bylaws with respect to each proposal submitted. The Company may refuse to consider any proposal that is not timely or otherwise does not meet the requirements of our bylaws or the SEC's rules with respect to the submission of proposals.

You can find a copy of our bylaws in the Investor Relations section of the Company's website ([www.truereligionbrandjeans.com](http://www.truereligionbrandjeans.com)) by clicking on Corporate Governance and then Governance Documents or you may obtain a copy by submitting a request to True Religion Apparel, Inc., c/o Office of Assistant Secretary, 2263 E. Vernon Avenue, Vernon, California 90058.

### **Q. How do I nominate a candidate for election as a director?**

- A. Stockholders who wish to nominate a candidate for election as a director at our 2013 annual meeting must submit their nomination in writing to the Company's Assistant Secretary at our principal executive offices no earlier than December 27, 2012, and no later than January 26, 2013, or, in the event the Company's 2013 annual meeting of stockholders is advanced or delayed more than 30 days from the date of the 2012 annual meeting, not earlier than the 120th day before the 2013 annual meeting and not later than the later of (i) the 90th day before the 2013 annual meeting or (ii) the 10th day following the day on which public announcement of the date of the annual meeting is first made by the Company.

To be in proper form, a stockholder's notice must include the information required by our bylaws with respect to the nomination and all other information regarding the proposed nominee and the nominating stockholder required by Section 14 of the Exchange Act and the rules and regulations

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promulgated thereunder. The Company may refuse to consider any nomination that is not timely or otherwise does not meet the requirements of our bylaws or the SEC's rules with respect to the submission of director nominations. A written statement from the proposed nominee consenting to be named as a candidate and, if nominated and elected, to serve as a director should accompany any stockholder nomination.

### **Q. How can I communicate with the Board of Directors?**

- A. Stockholders may communicate with the Board of Directors by sending a letter to the Board of Directors of True Religion Apparel, Inc., c/o Office of Assistant Secretary, 2263 E. Vernon Avenue, Vernon, California 90058. Each communication must contain a clear notation indicating that it is a "Stockholder—Board Communication" or "Stockholder—Director Communication," and each communication must identify the author as a stockholder. The office of the Assistant Secretary will receive the correspondence and forward it to the Chairman of the Board or to any individual director or directors to whom the communication is directed, unless the communication is unduly hostile, threatening, illegal, does not reasonably relate to us or our business, or is similarly inappropriate. The office of the Assistant Secretary has authority to discard any inappropriate communications or to take other appropriate actions with respect to any inappropriate communications.

### **ITEM 1: ELECTION OF DIRECTORS**

Our Board of Directors consists of seven members, six of whom are independent within the director independence standards of the NASDAQ Global Market, or NASDAQ. On the recommendation of our Nominating and Governance Committee, we are proposing to re-elect all of the existing Board members. Consequently, at the Annual Meeting, a total of seven directors will be elected to hold office until the 2013 annual meeting of stockholders or until their successors have been elected and qualified.

### **Vote Required**

The seven director nominees receiving the most votes at the Annual Meeting will be elected. The Board recommends that you vote "FOR" the election of each of the nominees listed below.

Unless otherwise instructed, the proxyholders will vote the proxies received by them for the seven nominees named below. If any of our nominees is unable or declines to serve as a director at the time of the Annual Meeting, the Board may designate a substitute nominee or reduce the size of the Board. If the Board designates a substitute nominee, the proxies will be voted for such nominee. It is not presently expected that any of the nominees named below will be unable or will decline to serve as a director.

The Board proposes the election of the following nominees as directors:

Mr. Jeffrey Lubell	Mr. Marcello Bottoli
Mr. Joseph Coulombe	Mr. G. Louis Graziadio, III
Mr. Robert L. Harris, II	Mr. Seth R. Johnson
Mr. Mark S. Maron	

If elected, the foregoing seven nominees are expected to serve until the 2013 annual meeting of stockholders. The seven nominees for election as directors at the Annual Meeting who receive the highest number of affirmative votes will be elected.

The principal occupation and certain other information about the nominees and certain executive officers are set forth on the following pages.

**THE BOARD UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE ELECTION OF THE NOMINEES LISTED ABOVE.**

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### DIRECTORS AND EXECUTIVE OFFICERS

The following tables set forth certain information with respect to our directors and officers. The following persons serve as our directors:

<u>Directors</u>	<u>Age</u>	<u>Present Position</u>
Jeffrey Lubell	56	Chairman of the Board, Chief Executive Officer and Chief Merchant
Marcello Bottoli	50	Director
Joseph Coulombe	81	Director
G. Louis Graziadio, III	62	Director
Robert L. Harris, II	53	Director
Seth R. Johnson	58	Director
Mark S. Maron	56	Director

The following persons serve as our executive officers:

<u>Executive Officers</u>	<u>Age</u>	<u>Present Position</u>
Jeffrey Lubell	56	Chairman of the Board, Chief Executive Officer and Chief Merchant
Lynne Koplin	55	President
Peter F. Collins	47	Chief Financial Officer and Assistant Secretary
Kelly Gvildys	49	Senior Vice President, Operations
David Chiovetti	40	Senior Vice President, North American Direct to Consumer Sales

Our executive officers are appointed by and serve at the discretion of the Board. There are no family relationships between any director and any executive officer.

*Jeffrey Lubell* has served as our Chairman of the Board of Directors, Chief Executive Officer and Chief Merchant since June 2003. Mr. Lubell is also Chief Executive Officer of our wholly owned subsidiary company, Guru Denim, Inc., a company founded by Mr. Lubell in November 2002. From 2001 to May 2002, Mr. Lubell was the President and Creative Director (Men's) of Hippy Jeans based in Commerce, California, where Mr. Lubell was responsible for creative design concepts and establishing and managing the company's presence at national and regional trade shows. From 1998 to 2001, Mr. Lubell was the Vice President and Creative Director of Jefri Jeans & Bella Dahl based in Los Angeles, California. From 1978 to 1998, Mr. Lubell was the President and CEO of Jeffrey Lubell Textiles, based in Los Angeles, California, a textile design and distribution firm that Mr. Lubell founded. With over 30 years of multifaceted experience in the textile industry, including both creative and managerial roles, Mr. Lubell brings a combination of business skill and innovation to the Board of Directors. His past positions have afforded him unique insights into the operational, promotional, branding and creative requirements of a high-end apparel company.

*Marcello Bottoli* has been a Director since March 2009. Mr. Bottoli is an operating partner of Advent International, a global private equity firm, since 2010. Recently, he served as Interim Chief Executive Officer of Pandora A/S, a designer, manufacturer and marketer of hand-finished, modern jewelry, from August 2011 until March 2012. Prior to that, Mr. Bottoli served as Chief Executive Officer of Samsonite Corporation, a luggage manufacturer and distributor, from 2004 to 2009. Between 2001 and 2003, Mr. Bottoli served as Chairman and Chief Executive Officer at Louis Vuitton Malletier S.A., a manufacturer and retailer of luxury handbags and accessories. Prior to Louis Vuitton, Mr. Bottoli was Executive Vice President of Reckitt Benckiser PLC and Benckiser GMBH between 1991 and 2001. Mr. Bottoli currently serves on the board of directors of International Flavors & Fragrances, Inc. (NYSE:IFF), a global creator of flavors and fragrances, as Deputy Chairman of Pandora A/S, and as a partner at Virima Consulting & Investments LLP. Mr. Bottoli's international management experience in the field of consumer products generally, and premium brands in particular,

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as both an executive and director, brings an additional perspective to the Board related to international business and the global consumer market.

*Joseph Coulombe* has been a Director since May 2005. Mr. Coulombe has been engaged in independent management consulting since April 1995. Previously, he was employed in an executive capacity by several retailing and grocery businesses, and as an independent business consultant. From February 1995 to April 1995, Mr. Coulombe served as President and Chief Executive Officer of Sport Chalet, Inc., a sporting goods retailer. From February 1994 to January 1995, Mr. Coulombe served as Chief Executive Officer of Provigo Corp., a wholesale and retail grocer. Mr. Coulombe is the founder of Trader Joe's, a specialty food grocery chain, and served as its Chief Executive Officer from 1957 to 1989. Mr. Coulombe also serves as a member of the Board of Directors of Cost Plus, Inc., a retailer of home furnishings and decor. With more than 50 years of business experience, both building his own enterprise and advising others as a consultant, Mr. Coulombe is a skilled business leader with particular expertise and insights on delivering merchandise to consumers. As a result of his substantial executive experience and service as a director for public companies Mr. Coulombe brings the financial expertise necessary to lead the Board of Directors' Audit Committee.

*G. Louis Graziadio, III* has been a Director since May 2005. Mr. Graziadio is President and Chief Executive Officer of Second Southern Corp., the managing partner of Ginarra Partners, L.L.C., a closely-held California company involved in a wide range of investments and business ventures. He is also Chairman of the Board and Chief Executive Officer of Boss Holdings, Inc., a distributor of work and hunting gloves, rainwear, rain boots, industrial apparel, pet products, specialty merchandise, and wireless accessories for electronic and mobile devices. Mr. Graziadio is also currently a director of Acacia Research Corporation is the holding company of Acacia Technologies, which develops and licenses intellectual property to the electronics and media industries. Mr. Graziadio served as a director of Rosetta Resources, Inc., an onshore energy exploration and production company until May 2008. Mr. Graziadio, and companies with which he is affiliated, are significant stockholders in numerous private and public companies. Since 1978, Mr. Graziadio has been active in restructurings of both private and public companies, as well as corporate spin-offs and IPOs. Mr. Graziadio's experience in the consumer apparel industry, as an executive and as an investor, and his years of experience as director of various companies enables him to offer advice and guidance to the Company's management and makes him a valuable part of the Board of Directors.

*Robert L. Harris, II* has been a Director since May 2005. Mr. Harris has served as President of Acacia Research Corporation since July 2000 and as a director since April 2000. Acacia Research Corporation is the holding company of Acacia Technologies, which develops and licenses intellectual property to the electronics and media industries. Mr. Harris was previously the President and Director of Entertainment Properties Trust from 1997 to July 2000, a specialty real estate investment trust. Mr. Harris brings to the Board his knowledge and experience in intellectual property matters, as well as significant capabilities in operational, financial and strategic planning matters.

*Seth R. Johnson* was appointed to the Board of Directors in March 2010 and was appointed as our Lead Director in July 2011. From 2007 to 2009 Mr. Johnson was an instructor in business strategy at Chapman University's Argyros School of Business and Economics. Mr. Johnson served as a director of DEI Holdings, Inc., a designer and marketer of consumer branded vehicle security and convenience systems, from 2007 to 2009. From 2005 to 2006, Mr. Johnson served as the Chief Executive Officer of Pacific Sunwear of California, a specialty retailer of casual apparel, accessories, and footwear. From 1999 to 2004, Mr. Johnson was the Chief Operating Officer of Abercrombie & Fitch, a specialty retailer of casual sportswear apparel, personal care products, and accessories, and was its Chief Financial Officer from 1992 to 1998. During this period, Mr. Johnson led Abercrombie & Fitch's initial public offering and participated in business growth from sales of \$85 million to over \$2 billion. With over 30 years of retail experience, including significant executive experience, Mr. Johnson is well

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positioned to provide operational, financial and strategic planning insights with respect to the growth of the Company's business and brand.

*Mark S. Maron* has been a Director since May 2005. Mr. Maron is a private investor. From September 2005 to December 2008, Mr. Maron was a founding principal with Birchmont Capital Advisors, LLC, a real estate private equity firm. Mr. Maron served as a Managing Director of investment banking in the Los Angeles office of Lehman Brothers, Inc., a global financial services company, from 2000 to 2005. Previously, Mr. Maron was with Credit Suisse First Boston Corporation, a stockbroker and investment bank, from 1983 to 2000 where he was responsible for managing the firm's western region investment banking effort and coverage of its financial institution clients in the western United States. Mr. Maron's long-standing investment banking experience makes him a valuable part of the Board of Directors in a volatile economic environment.

*Lynne Koplin* became the President of our company in August 2011. From January 2010 to August 2011, Ms. Koplin served as Chief Operating Officer of our company. Prior to joining our company, and since July 2005, Ms. Koplin served as President of the women's division of Tommy Bahama, Inc., a maker of luxury lifestyle clothing and accessories. Prior to Tommy Bahama, from April 1999 to June 2005, Ms. Koplin served as President and Chief Executive Officer of Apparel Ventures, Inc., a manufacturer and marketer of branded women's swimwear. Ms. Koplin's additional experience includes executive-level roles at Authentic Fitness, a division of Warnaco, and Cole of California.

*Peter F. Collins* became the Chief Financial Officer of our company on March 26, 2007. Mr. Collins served as divisional vice president, corporate controller and principal accounting officer for Nordstrom, Inc., a retailer of luxury apparel, shoes, cosmetics, and accessories, from 2004 to March 2007. From 2002 to 2004, Mr. Collins served in various financial roles with Albertson's, Inc., a supermarket chain, most recently as group vice president and controller. Prior to that, from 1998 until 2002, Mr. Collins was a partner with Arthur Andersen, serving clients in the healthcare, retail, distribution and manufacturing industries.

*Kelly Gvildys* became the Senior Vice President, Operations of our company on March 17, 2008. Ms. Gvildys served as the vice president of production for Lucky Brand, a specialty retailer of apparel, footwear, and accessories, and the Group Vice President of Manufacturing for Liz Claiborne's West Coast Brands, a designer and marketer of apparel, accessories, and fragrance products, from September 2003 to January 2008.

*David Chiovetti* became Senior Vice President, North American Direct to Consumer Sales of our company on February 22, 2011. Mr. Chiovetti served as vice president of stores for Guess and Guess by Marciano, a designer, marketer, distributor, and licensor of apparel and accessories, from 2007 to 2011. From 2004 to 2007, Mr. Chiovetti served as director of stores for Guess and Guess by Marciano.

## **FURTHER INFORMATION CONCERNING THE BOARD**

### **Director Independence**

The Board has determined that each of Marcello Bottoli, Joseph Coulombe, G. Louis Graziadio, III, Robert L. Harris, II, Seth R. Johnson, and Mark S. Maron has no material relationship with us and is an "independent director" within the director independence standards of NASDAQ. Jeffrey Lubell does not meet the aforementioned independence standards as Mr. Lubell serves as our Chief Executive Officer and Chief Merchant.

### **Board Committees**

Our Board has established an Audit Committee, a Compensation Committee and a Nominating and Governance Committee. Other committees may be established by the Board from time to time. Following is a description of each of the committees and their composition.

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*Audit Committee.* Our Audit Committee consists of four directors: Messrs. Coulombe (Chairman), Graziadio, Harris and Johnson. Our Board has determined that Mr. Coulombe qualifies as an "audit committee financial expert" as that term is defined in Item 407(d)(5)(ii) of Regulation S-K of the Exchange Act and that all members of the Audit Committee are "independent" under NASDAQ independence standards, meet the criteria for independence as set forth in the Exchange Act, have not participated in the preparation of our financial statements at any time during the past three years, and are able to read and understand fundamental financial statements. During 2011, the Audit Committee held seven meetings.

Our Audit Committee charter is available at <http://www.truereligionbrandjeans.com>. Among other things, the charter calls upon the Audit Committee to:

- engage and replace the independent registered public accounting firm as appropriate;
- evaluate the performance of, independence of and pre-approve all services provided by the independent registered public accounting firm;
- discuss with management and the Company's independent registered public accounting firm the quality of our accounting principles and financial reporting;
- oversee our internal controls; and
- provide a whistleblower hotline for stakeholders to alert the board of directors to material internal control matters.

*Compensation Committee.* Our Compensation Committee consists of three members: Messrs. Maron (Chairman), Graziadio and Harris. The Board has determined that all of the Compensation Committee members qualify as "independent" under NASDAQ independence standards, are "non-employee directors" under Exchange Act Rule 16b-3, and are "outside directors" under Section 162(m) of the Internal Revenue Code of 1986, as amended, or the Code. The Compensation Committee met seven times during 2011.

Our Compensation Committee charter is available at <http://www.truereligionbrandjeans.com>. Among other things, the charter calls upon the Compensation Committee to assist the Board of Directors in:

- ensuring a proper system of long-term and short-term compensation is in place to provide performance-oriented incentives to management, and ensure that compensation plans are appropriate and competitive and properly reflect the objectives and performance of management and the Company;
- establishing the compensation of all of our executive officers; and
- administering the Company's equity incentive programs.

The Compensation Committee is responsible for overseeing the determination, implementation and administration of remuneration, including compensation, benefits and perquisites, of all executive officers and other members of senior management whose remuneration is the responsibility of the Board of Directors. The Compensation Committee seeks the views of our Chief Executive Officer and Chief Merchant with respect to establishing appropriate compensation packages for the executive officers (other than his own compensation package). The Compensation Committee also has the authority to delegate its responsibilities to subcommittees of the Compensation Committee if it determines such delegation would be in the best interest of the Company.

The Compensation Committee has the authority to retain independent counsel, or other advisers as it deems necessary, in connection with its responsibilities at the Company's expense. In 2011 the Compensation Committee engaged Steven Hall & Partners, LLC as its compensation consultant. The

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Compensation Committee may request that any of our directors, officers or employees, or other persons attend its meetings to provide advice, counsel or pertinent information as the Committee requests.

*Nominating and Governance Committee.* Our Nominating and Governance Committee consists of four members: Messrs. Harris (Chairman), Bottoli, Graziadio, and Maron. Our Board has determined that all members of the Nominating and Governance Committee qualify as "independent" under NASDAQ independence standards. The Nominating and Governance Committee met twice during 2011.

Our Nominating and Governance Committee charter is available at <http://www.truereligionbrandjeans.com>. Among other things, the charter calls upon the Nominating and Governance Committee to:

- oversee our director nomination and corporate governance functions;
- develop criteria for selecting new directors and to identify individuals qualified to become members of our Board and members of the various committees of our Board;
- recommend director nominees to our Board for election at the annual meeting of stockholders; and
- oversee and administer our Corporate Code of Conduct.

*Public Availability of Corporate Governance Documents.* Our key corporate governance documents, including our Corporate Code of Conduct, our Corporate Governance Guidelines and the charters of our Audit Committee, Compensation Committee and Nominating and Governance Committee, are available on our corporate website and available in print to any stockholder who requests them from our Assistant Secretary.

### **Director Attendance**

During 2011, our Board held eight meetings. Each director attended 75% or more of the aggregate of the meetings of our Board and the meetings of each committee of which that director is a member.

### **Executive Sessions of the Board**

Our independent directors meet regularly in executive session without management to review the performance of management and our Company and any related matters. Generally, executive sessions are held in conjunction with regularly scheduled meetings of our Board. We expect our Board to have a least four executive sessions each year.

### **Board Leadership**

Our Company is led by its founder, Mr. Lubell, who has served as Chairman of the Board and Chief Executive Officer since June 2003. We believe that combining the role of Chairman of the Board and Chief Executive Officer promotes unified leadership and direction for our Company and provides for a single, clear focus for management to execute the Company's strategy and business plan. Mr. Lubell's industry expertise and intimate knowledge of the Company's operations and strategy make him uniquely positioned and qualified to serve in these capacities, and we believe Mr. Lubell is seen by our customers, business partners, investors and other stakeholders as providing strong leadership and vision for the Company.

Our Board appointed Seth Johnson to serve as its Lead Director in July 2011. Since our Chairman of the Board, Mr. Lubell, is employed by the Company as its Chief Executive Officer, the Board believes it is desirable to appoint one of its independent members as Lead Director, to provide an

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additional level of independent oversight over management, to increase the Board's effectiveness, and to promote open communication among independent directors. In such capacity, Mr. Johnson, among other things, coordinates the activities of the Board, acts as a liaison between the Company's Chief Executive Officer and the Board between the Board's regularly scheduled meetings and updates the Board on such matters at the Board's regularly scheduled meetings. Mr. Johnson receives a quarterly cash retainer in the amount of \$25,000 for his services as Lead Director.

### **Risk Oversight**

The Board oversees an enterprise wide approach to risk management, designed to support the achievement of the Company's objectives and to maintain stockholder value. The fully-independent Audit Committee is primarily responsible for overseeing the Company's exposure to financial risk and reviewing the steps the Company's management has taken to monitor and control that exposure. The Audit Committee meets at least once per quarter, in addition to periodic meetings with management and internal and independent auditors to accomplish its purpose. While the Audit Committee has primary responsibility for overseeing risk management, the full Board participated in an enterprise risk management assessment in 2009, which was led by the Company's management. This assessment included a discussion of the Company's most significant risks as well as a centralized evaluation and determination of the Company's risk appetite, to ensure consensus and mutual understanding between the Board and management. The Board periodically updates this assessment and reviews risks with management in connection with the Company's implementation of its strategy and business plan and as risk may arise from time to time. Additionally, each of our committees considers the risks within its area of responsibilities.

### **Board Qualification and Selection Process**

Our Nominating and Governance Committee reviews, evaluates and proposes prospective candidates for our Board, recommends director nominees for selection to our Board, and based upon this recommendation, our Board selects the nominees for election as directors. The goal of the Nominating and Governance Committee is to maintain a strong and experienced Board and to ensure that each member of our Board possesses the highest personal and professional ethics and integrity and is devoted to representing our best interests and the best interests of our stockholders. The application of these factors involves the exercise of judgment and as a result the Nominating and Governance Committee does not have a standard set of fixed qualifications that it applies to all potential candidates for nomination. Although the Nominating and Governance Committee does not have a formal policy with respect to diversity, one of the factors that it considers when evaluating potential candidates for nomination is diversity. The Nominating and Governance Committee values all types of diversity, including diversity of viewpoint, gender, ethnic background, technical skills, industry knowledge and experience and takes such diversity into account when considering the overall mix of qualifications of candidates for nomination to our Board. The Nominating and Governance Committee therefore seeks candidates for nomination to our Board who increase the diversity of our Board in all respects.

The Nominating and Corporate Governance Committee also considers candidates recommended by our stockholders, provided that the recommendations are made in accordance with the procedures required under our bylaws, as summarized in the "Questions and Answers" section of this Proxy Statement.

### **Stockholder Meeting Attendance**

As a general matter, all of our directors are encouraged to attend our annual meetings of stockholders. All of our directors attended the 2011 annual stockholders meeting.

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**Compensation Committee Interlocks and Insider Participation**

During 2011, the Compensation Committee consisted of Messrs. Maron, Graziadio and Harris. None of these individuals was one of our officers or employees at any time during 2011 or prior to 2011. None of our executive officers has served on the board of directors or on the compensation committee of any other entity which had officers who served on our Board or our Compensation Committee.

**EXECUTIVE COMPENSATION**

**COMPENSATION DISCUSSION AND ANALYSIS**

**Introduction**

Our executive compensation program is designed to attract and retain the employees who lead our business and reward these executives for outstanding performance. This Compensation Discussion and Analysis explains our executive compensation program philosophy and objectives. This Compensation Discussion and Analysis also addresses how the Compensation Committee makes decisions with regards to the compensation program for our Named Executive Officers and element thereof. The Board of Directors has determined that for fiscal year 2011, the following executives are the Company's Named Executive Officers:

- Jeffrey Lubell, Chief Executive Officer, Chief Merchant and Chairman of the Board of Directors;
- Lynne Koplín, President;
- Peter F. Collins, Chief Financial Officer; and
- Michael Egeck, Former President, who resigned on August 18, 2011.

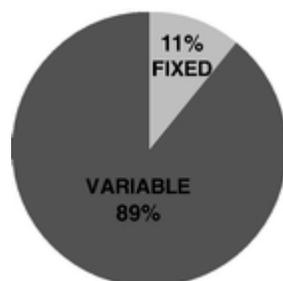
In addition, the compensation and benefits provided to our Named Executive Officers in 2011 are set forth in detail in the Summary Compensation Table and other tables that follow this analysis, and in the footnotes and narrative to such tables.

**Compensation Program Highlights**

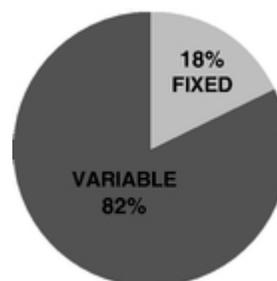
Our compensation program incorporates the following compensation governance practices that we believe are beneficial to our shareholders:

- The majority of the total compensation opportunity for our executives is incentive-based and can be earned only upon the achievement of corporate performance objectives designed to enhance stockholder value. Performance is assessed on a formulaic basis.

**Pay Mix - CEO**



**Pay Mix - Other NEOs (Avg.)**



- In 2011, all of the long-term incentive compensation granted to our Named Executive Officers is performance-based and vests on a long-term basis and is designed to reward performance and continued employment over more than one year.
- We prohibit any form of short sales and/or dealing in puts and calls of the Company's stock by our executives and our directors under our Code of Conduct.

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- Our 2009 Equity Incentive Plan allows the Company to withhold or recapture awards from current and former employees if the employee breaches its employment, confidentiality or other agreements with the Company, commits any act involving willful malfeasance or breach of fiduciary duty, or commits any fraud, embezzlement or certain other acts of misconduct.
- Our Compensation Committee retains discretion to modify, reduce or eliminate any annual cash incentive award.
- We offer limited personal-benefit perquisites to Named Executive Officers, and we do not reimburse our Named Executive Officers for personal-benefit perquisites.
- Our Compensation Committee is comprised entirely of independent directors.
- Our Compensation Committee is advised by an independent compensation consultant. This consultant is retained by the Compensation Committee directly and is independent of management and the Company.
- Our Compensation Committee conducts an annual review and assessment of potential compensation-related risks in our programs and concluded that our compensation programs do not encourage behaviors that would create risks reasonably likely to have a material adverse effect on the Company.

## **Key Performance Achievements in 2011**

Our compensation program is designed to motivate and reward the named executive officers for the achievement of our business performance targets, goals and objectives, which in turn enhance stockholder value over the long-term.

Specifically, in 2011 under the leadership of our management team, we contributed to long-term stockholder value in the following ways:

- Total shareholder return for the 2011 fiscal year was +59.1%.
- Total net sales for 2011 were \$419.8 million, representing an increase of +15.4%.
- Gross profit for 2011 increased +18.2% to \$271.8 million.
- Operating Income for 2011 increased +6.7% to \$74.6 million, or 17.8% of net sales.
- Opened 26 retail stores, including 10 outside the United States.
- In order to support long-term brand value, we reduced our sales to Off-price accounts in the United States by \$10 million.
- Established a regional headquarters for Europe, Middle East and Africa in Switzerland.

## **Executive Compensation Program Objectives and Overview**

We believe that compensation of our Named Executive Officers and other officers should be directly and materially linked to our operating performance. We believe that the performance of individual officers is best viewed through the impact of their performance on our performance as reflected by achievement of annual Company performance targets that we consider to be drivers of long-term stockholder value. As a result, for Named Executive Officers, our compensation programs focus on our performance, rather than individual performance. This compensation program recognizes that our executives with the most senior leadership positions within our organization have the greatest ability to influence our performance. As a result, both the annual and long-term incentive awards as a percentage of total compensation for our Named Executive Officers are greater than that of our other employees.

The fundamental objectives of our executive compensation program are to attract, retain and motivate top-quality officers through compensation that is competitive with the market and industry in which we compete for talent and align the interests of our officers and senior management with the

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interests of our stockholders. We seek to promote service longevity and to provide our executives with long-term wealth accumulation opportunities, assuming that we are able to maintain a high-level of financial and stock performance. The Compensation Committee evaluates both performance and compensation annually to ensure that we maintain our ability to attract and retain superior employees in key positions and that compensation provided to key employees remains competitive relative to the compensation paid to similarly situated executives of our Comparison Group (as discussed below).

Overall, we have designed our executive compensation program to:

- support our business strategy and business plan by clearly communicating what is expected of our Named Executive Officers and other officers with respect to goals and by rewarding them for the achievement of results relative to goals;
- recruit, motivate and retain executive talent; and
- create a direct performance alignment with value for stockholders.

We believe that each element of our executive compensation program (as described below) helps us to achieve one or more of our compensation objectives.

### **Role of the Compensation Committee**

The Compensation Committee oversees our executive compensation and benefit plans and practices, and establishes management compensation policies and procedures to be reflected in the compensation program offered to our Named Executive Officers. The Compensation Committee has the authority to retain independent counsel or other advisers as it deems necessary in connection with its responsibilities at the Company's expense. The Compensation Committee may request that any of our directors, officers or employees, or other persons attend its meetings to provide advice, counsel or pertinent information as the Committee requests.

Consistent with our compensation philosophies, our goal for 2011 was to provide each Named Executive Officer with a current executive compensation package that was competitive in light of the compensation paid to comparable executives at companies in the Comparison Group. The Compensation Committee also considered a number of other factors, including level of experience, length of service, scope of duties, pay history, internal pay equity considerations, the financial performance of the Company, broad trends in executive compensation generally, and any employment agreement benefits to which the officer may be entitled. These factors, when considered together, were used as a basis for making compensation decisions on a position by position basis.

In setting the compensation for our Chief Executive Officer, the Compensation Committee takes into account his additional role as Chief Merchant pursuant to which he leads our design team and is instrumental in the design and development of the merchandise that drive our long term net sales growth. The Compensation Committee took note of the fact that these functions at many of our competitors are performed by more than one executive and compensated accordingly. The difference in the total direct compensation awarded to our Chief Executive Officer relative to the total direct compensation awarded to each of our other Named Executive Officers is generally attributable to differences in the Compensation Committee's assessment of the Named Executive Officers' relative contributions to the performance of the Company, benchmarking data for the positions held by them (as described in greater detail below) and general trends in executive compensation. Based on competitive data reviewed by the independent compensation consultant retained by the Committee, the total direct compensation provided to the chief executive officer position is typically higher than that for other named executive officers at companies in our Comparison Group and other public companies generally. These differences are generally more pronounced in cases in which the chief executive officer acts in multiple roles.

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### **Role of Executive Officers in Compensation Decisions**

Our Chief Executive Officer and Chief Merchant, and our Chief Financial Officer, are involved in the design, development and implementation of our executive compensation programs. These officers typically provide their input through consultation with the Chairman of the Compensation Committee and by presentation to the Compensation Committee as a whole. Our executive officers are not present at Compensation Committee meetings during Committee deliberations on the compensation packages to be awarded to our executive officers. Our Chief Executive Officer and Chief Merchant annually reviews the performance of each executive officer (other than his own performance which is reviewed by the Compensation Committee) and presents his conclusions and recommendations regarding base salary and incentive award opportunities to the Compensation Committee for its consideration. The Compensation Committee can exercise its discretion in accepting, rejecting and/or modifying any executive compensation recommendation.

### **Role of the Independent Compensation Consultant**

In 2011 the Compensation Committee continued to engage Steven Hall & Partners, LLC, which we refer to throughout this discussion as SH&P, as its independent compensation consultant. SH&P generally reviews, analyzes and provides advice about the Company's executive compensation program for senior executives in relation to the objectives of the compensation programs, including comparisons to similar executive positions at the companies within the Comparison Group. In addition, SH&P provides information, analysis and advice on competitive compensation practices, trends and "best practices." SH&P directly reports to the Compensation Committee and, as directed by the Compensation Committee, works with management and the Chairman of the Compensation Committee and also regularly participates in Compensation Committee meetings.

### **Benchmarking of Compensation Levels**

In making compensation decisions with respect to our Named Executive Officers, the Compensation Committee compares each component to the total compensation package of comparable executive positions within the Comparison Group. With the assistance of SH&P, the Compensation Committee reviews the makeup of the Comparison Group annually and makes adjustments as it deems appropriate. In establishing the Comparison Group for 2011, SH&P selected 17 companies using selection factors previously established by the Compensation Committee, including design dependent premium brands, specialty retail operations, international operations, and performance.

These companies are Abercrombie & Fitch Co., Aeropostale, Inc., Bebe Stores, Inc., Buckle, Inc., Carter's, Inc., Chicos' FAS, Inc., Coach, Inc., Deckers Outdoor Corp., Guess?, Inc., J. Crew Group, Inc., Lululemon Athletica, Inc., New York & Company, Inc., Pacific Sunwear of California, Inc., Phillips-Van Heusen Corp., Polo Ralph Lauren Corp., Steven Madden, Ltd., and Wolverine World Wide, Inc. The Comparison Group for 2011 differs from the Comparison Group for 2010 because one company previously included in the Comparison Group no longer met the defined criteria necessary to be included the Comparison Group. Tween Brands, Inc. has been excluded from the Comparison Group because it was acquired and ceased to be a public company. The information gathered from this Comparison Group included base salary, cash incentive compensation and equity incentive compensation. A review of the compensation of companies in our Comparison Group indicated that with regard to targeted total direct compensation our Chief Executive Officer and Chief Merchant, our current President and our Chief Financial Officer ranked above the 75<sup>th</sup> percentile. However, a substantial portion of our Chief Executive Officer and Chief Merchant's, our President's and our Chief Financial Officer's compensation is variable and earned only upon the achievement of performance goals. If the performance goals are not met, actual pay for our Chief Executive Officer and Chief Merchant, our President and our Chief Financial Officer would be ranked at approximately the 75<sup>th</sup> percentile.

In determining base compensation, the Compensation Committee also considers compensation levels at similarly situated companies for similar positions, referred to as benchmarking. The

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Committee uses benchmarking as a point of reference for measurement, and has discretion in determining how much weight to place on the benchmarking analysis. Benchmarking helps the Compensation Committee assess whether our level of executive pay is appropriate when compared to industry standards. Our general philosophy is to provide a base salary that is at or below the midpoint of the applicable salary range for companies in the Comparison Group, particularly in light of our decision to place significant emphasis on companywide performance for compensation purposes. A review of the compensation of companies in our Comparison Group indicated that our Chief Executive Officer and Chief Merchant and Chief Financial Officer ranked between the 25<sup>th</sup> and 50<sup>th</sup> percentile with regard to base salary and our other Named Executive Officers ranked at or below the 50<sup>th</sup> percentile with respect to base salary.

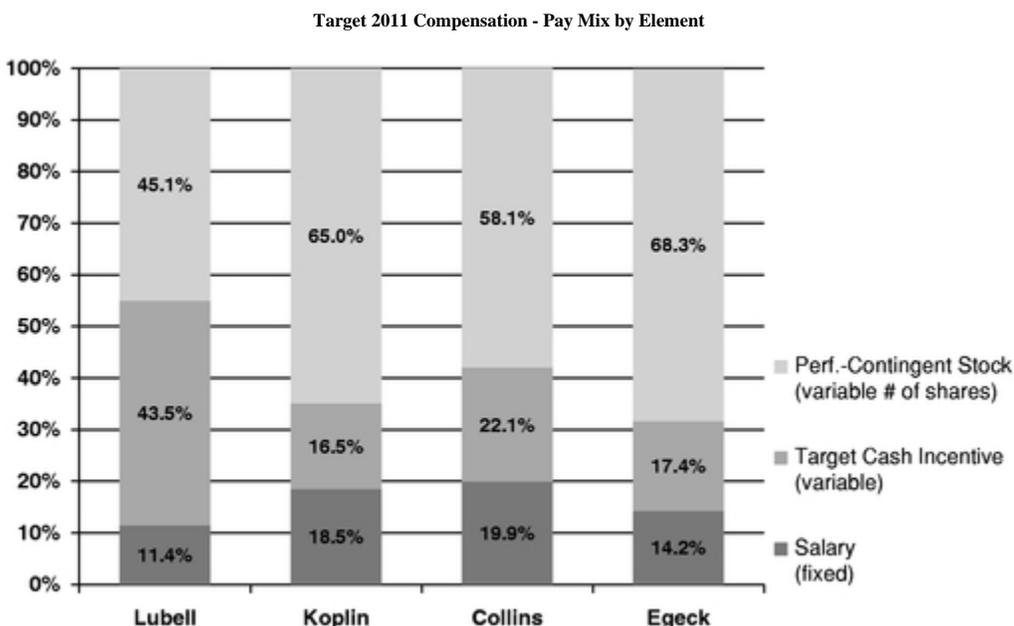
**Role of Stockholder Say-on-Pay Votes**

The Company provides its stockholders with the opportunity to cast an annual advisory vote on executive compensation ("say-on-pay"). At the Company's annual meeting of stockholders held in April 2011, 81% of the votes cast on say-on-pay at the meeting were voted in favor of the proposal. The Compensation Committee believes this affirms stockholders' support of the Company's approach to executive compensation, and did not change its approach in 2011. The Compensation Committee will continue to consider the outcome of the Company's say-on-pay votes when making future compensation decisions for the executive officers.

**Components of 2011 Executive Compensation**

For the fiscal year ended December 31, 2011, the principal components of compensation for the Named Executive Officers were:

- base salary;
- annual cash performance awards, delivered in the form of an annual cash performance award, the payment of which is conditioned on meeting pre-established performance goals;
- long-term incentive awards, delivered in the form of restricted stock awards that are earned based on the service and achievement of performance metric(s) as established by the Compensation Committee;
- executive perquisites and other benefits; and
- severance and change in control benefits.



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### *Base Salary*

The Compensation Committee reviews and approves base salaries for Named Executive Officers annually and in connection with promotions or other changes in responsibilities. In addition, our Chief Executive Officer and Chief Merchant, our President and our Chief Financial Officer have entered into employment agreements with the Company that provide for minimum base salaries and, in the case of Mr. Lubell, an annual increase in base salary of at least five percent during the term of the agreement. For a more complete description of these employment arrangements, see "Employment Agreements" below. The Compensation Committee generally reviews the base salaries for each Named Executive Officer in the first quarter of each year to set salaries. The Committee considers individual qualifications and job responsibilities, individual compensation history, pay in relation to other executives at the Company, individual job performance and future potential, as well as evaluations and recommendations by the Chief Executive Officer with respect to each other Named Executive Officer, in determining base salary. The Committee has not established a specific formula for determining base salary increases or decreases for the other Named Executive Officers, and the weight given to each of the foregoing factors differs from individual to individual as the Compensation Committee deems appropriate.

In September 2011, the Compensation Committee approved increased base salaries for Ms. Koplín and Mr. Collins from \$475,000 and \$391,230 to \$750,000 and \$450,000, respectively. The increases were attributable to Ms. Koplín's promotion to President and Mr. Collins' increased operational responsibilities due to the resignation of Mr. Egeck, our former President. The base salary paid to each Named Executive Officer for fiscal year 2011 is reflected in the column titled "Salary" of the Summary Compensation Table on page 24 of this Proxy Statement.

### *Performance Metric for 2011*

For 2011, the Compensation Committee set performance targets for our annual cash and equity performance awards based on Adjusted EBIT (as defined below). The Compensation Committee used Adjusted EBIT to set targets after taking into account the advice of SH&P regarding measures of performance used by the companies in the Comparison Group and after taking into account the compensation philosophy of the Company. The Compensation Committee set the specific performance targets for fiscal 2011 so that the Named Executive Officers would be eligible to receive the target level awards if the Company achieved Adjusted EBIT of 101% of 2010 Adjusted EBIT, taking into account that, at the time 2011 performance goals were set, the Company continued to face a very difficult retail and wholesale environment that would require outstanding performance to achieve the targeted goals. By setting this target level for performance-based awards in 2011, the Compensation Committee believed the performance targets were challenging in light of industry and market conditions and trends in the general economy.

For purposes of our annual cash and equity performance awards, "Adjusted EBIT" means the sum of the following determined on a consolidated basis, without duplication, for us and our subsidiaries in accordance with GAAP: (a) net income, plus (b) the sum of the following to the extent deducted in determining net income as reflected on the Company's statement of consolidated net income (i) taxes based on income or capital, including franchise and similar taxes, (ii) interest expense, amortization or write off of debt discount and debt issuance costs and commissions, discounts and other fees and charges associated with indebtedness, (iii) any extraordinary, unusual or non-recurring losses or expenses that are extraordinary or unusual in nature or infrequent in occurrence (including, without limitation, expenses for severance, non-recurring retention bonuses, inducement payments to newly hired executives, employees of acquired entities under stock option plans or similar incentive plans, relocation and restructuring costs), (iv) charges resulting from foreign exchange losses; (v) all payments to directors of the Company other than our chief executive officer; (vi) any charges for litigation or other dispute or claim resolution in excess of amounts included in the Company's operating budget; and (vii) any reasonable expense related to any equity offering, acquisition, recapitalization, divestiture, asset sale or indebtedness (whether or not successful); minus (c) to the extent reflected as income or

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gain in the Company's statement of consolidated net income, any income or gains resulting from foreign exchange gains.

### *Annual Cash Performance Awards*

We grant annual cash performance awards that are designed to create a direct link between performance and compensation for our Named Executive Officers by providing cash compensation that is at-risk and contingent on the achievement of overall company performance. Performance awards provide our Named Executive Officers with the potential for an award based on the achievement of one or more levels of performance to be attained with respect to one or more performance criteria, which we refer to as "performance goals." The Compensation Committee approves threshold, target and maximum performance goals and potential cash incentive awards within three months of the beginning of each performance period. Actual cash incentive amounts are calculated based on the extent to which the pre-established performance goals are achieved. The Compensation Committee certifies the attainment level of all goals and approves specific payments to each Named Executive Officer. The Compensation Committee also reviews the performance of each Named Executive Officer and may reduce (but not increase) actual cash incentive payments.

Depending on performance against the Adjusted EBIT goal for fiscal 2011, the Named Executive Officers were eligible to receive a cash incentive bonus equal to between 68% and 307% of his or her base salary at threshold performance, between 85% and 383% of his or her base salary at target performance and between 110% and 498% of his or her base salary at maximum performance. The percentage incentive amounts generally increase as the Named Executive Officer's responsibilities increase. The cash incentive opportunity for Mr. Lubell was higher than such opportunity for the other Named Executive Officers principally due to his dual role as Chief Executive Officer and Chief Merchant, his greater ability to influence broader areas of the Company's business and competitive market rates for his position.

Bonus opportunities for 2011 for our Named Executive Officers were as follows:

Named Executive Officer	Bonus Opportunity(1)		
	Threshold \$60.95 million Adjusted EBIT	Target \$75.93 million Adjusted EBIT	Maximum \$90.91 million Adjusted EBIT
Jeffrey Lubell	\$ 3,018,400	\$ 3,773,000	\$ 4,904,900
Lynne Koplin(2)	\$ 392,121	\$ 490,152	\$ 637,197
Peter F. Collins(3)	\$ 362,018	\$ 452,522	\$ 588,278
Michael Egeck(4)	\$ —	\$ —	\$ —

- (1) No cash performance awards were payable if Adjusted EBIT was below \$60.95 million. Performance awards for our Named Executive Officers were interpolated for Adjusted EBIT amounts between \$60.95 million and \$75.93 million; and between \$75.93 million and \$90.91 million.
- (2) Following her promotion to President, the Compensation Committee increased Ms. Koplin's annual cash performance award on September 16, 2011, and it is prorated based on the number of days from September 16, 2011 to the end of 2011.
- (3) Following his assumption of additional responsibilities, the Compensation Committee increased Mr. Collins' annual cash performance award on September 16, 2011, and it is prorated based on the number of days from September 16, 2011 to the end of 2011.
- (4) Mr. Egeck left the Company in September 2011 and, pursuant to a Separation, Non-Disclosure and Release Agreement, he is not eligible to receive a bonus for 2011. For further details of Mr. Egeck's Separation, Non-Disclosure and Release Agreement, see "Employment Agreement—Michael Egeck" on page 31 of this Proxy Statement.

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On February 6, 2012, the Compensation Committee certified the Adjusted EBIT achieved by the Company for fiscal year 2011 to be approximately \$79.677 million. As a result each of our Named Executive Officers (other than Mr. Egeck) was paid an annual cash performance award for fiscal year 2011, which is reflected in the column titled "Non-Equity Incentive Plan Compensation" of the Summary Compensation Table on page 24 of this Proxy Statement.

### *Long-Term Incentive Awards*

The long-term incentive compensation component provides awards that are granted on an annual basis, which are based upon the long-term performance of the Company. The objective of the program is to align compensation for Named Executive Officers over a multi-year period directly with the interests of our stockholders by motivating and rewarding creation and preservation of long-term stockholder value. Equity ownership for all of our Named Executive Officers, other officers, and senior managers is important for purposes of motivation, retention, and alignment with stockholders.

We do not have, nor do we intend to have, a program, plan or practice to select the grant dates of restricted stock for Named Executive Officers in coordination with the release of material non-public information. Restricted stock awards are typically reviewed and granted during the first quarter of each year. All restricted stock awards for Named Executive Officers are granted on the date the Compensation Committee approves the awards using the fair market value of the Company's common stock at the close of the business day of the grant.

In March 2011, our Compensation Committee approved grants of 503,286 shares of restricted stock to our Named Executive Officers under our 2009 Equity Incentive Plan. Of this amount, 111,227 shares were granted to Michael Egeck, our former President. Under the Separation, Non-Disclosure and Release Agreement entered into with Mr. Egeck upon his departure in September 2011, these awards were terminated and no portion of these shares were actually delivered to Mr. Egeck. Shares of restricted stock vest only upon service and attainment of the Adjusted EBIT goal for fiscal year 2011 (as described above under "Performance Metric for 2011"). Depending on performance against the Adjusted EBIT goal for fiscal 2011, the restricted stock awards granted to the Named Executive Officers would vest at an approximate value of between 234% and 318% of base salary at threshold performance, between 293% and 397% of base salary at target performance and between 380% and 516% of base salary at maximum performance. For these purposes, the restricted stock is valued at the same price as the Company's unrestricted common stock on the grant date.

The percentage of base salary for annual long-term equity incentive awards varies depending on the Named Executive Officer's level of responsibility, with more senior executive officers generally eligible to receive a higher percentage of compensation subject to financial performance. The long-term equity incentive award for Mr. Lubell was higher than the other Named Executive Officers principally due to his dual role as Chief Executive Officer and Chief Merchant, his greater ability to influence broader areas of the company's business and competitive market rates for his position.

<u>Named Executive Officer</u>	<u>Performance Based Restricted Share Opportunity(1)</u>		
	<u>Threshold \$60.95 million Adjusted EBIT</u>	<u>Target \$75.93 million Adjusted EBIT</u>	<u>Maximum \$90.91 million Adjusted EBIT</u>
Jeffrey Lubell	136,274	170,342	221,445
Lynne Koplín	71,451	84,140	103,172
Peter F. Collins	41,503	51,878	67,442
Michael Egeck(2)	—	—	—

(1) No performance awards were payable if Adjusted EBIT was below \$60.95 million. Performance awards were interpolated for Adjusted EBIT amounts between \$60.95 million and \$75.93 million; and between \$75.93 million and \$90.91 million.

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- (2) Mr. Egeck left the Company in September 2011 and, pursuant to a Separation, Non-Disclosure and Release Agreement, he is not eligible to receive any performance award for 2011. For further details of Mr. Egeck's Separation, Non-Disclosure and Release Agreement, see "Employment Agreement—Michael Egeck" on page 31 of this Proxy Statement.

On February 6, 2012, the Compensation Committee certified the Adjusted EBIT achieved by the Company for fiscal year 2011 to be approximately \$79.677 million. As a result, each Named Executive Officer (other than Mr. Egeck) earned the following number of restricted shares of which two-thirds vested on March 29, 2012 and one-third will vest on March 29, 2013, subject in each case to the terms of the grant and each Named Executive Officer's respective employment agreement, which is reflected in the column titled "Stock Awards" of the Summary Compensation Table on page 24 of this Proxy Statement:

<u>Named Executive Officer</u>	<u>Number of Performance Restricted Shares Earned(1)</u>
Jeffrey Lubell	183,110
Lynne Koplin	88,894
Peter F. Collins	55,766

- (1) The terms of the grant provide that if the Adjusted EBIT achieved by the Company for fiscal year 2011 is in excess of the target performance and less than maximum performance, then the number of restricted shares earned will increase on an interpolated basis and be rounded up to the nearest whole share.

### *Perquisites and other Personal Benefits in 2011*

In order to better enable us to attract and retain highly skilled executive officers and to round out a competitive compensation package for our Named Executive Officers, we provide our Named Executive Officers with limited perquisites and other benefits that we believe are reasonable and consistent with our overall compensation philosophy and objectives. The Company does not have a formal perquisite policy, although the Compensation Committee periodically reviews the levels of perquisites and other benefits provided to our Named Executive Officers.

Mr. Lubell, Ms. Koplin, Mr. Collins and Mr. Egeck received paid car allowances in 2011. We maintain employee benefit programs for our executives and other employees. Our Named Executive Officers generally participate in our employee health and welfare benefits on the same basis as all other employees, except as otherwise noted. Mr. Lubell, Ms. Koplin and Mr. Egeck received fully-paid health insurance in 2011.

The attributed costs and a detailed description of the perquisites and other personal benefits that we provided each of our Named Executive Officers for fiscal year 2011 are included in the column titled "All Other Compensation," and in the accompanying footnotes, of the Summary Compensation Table on page 24 of this Proxy Statement

### *Severance and Change in Control Provisions*

The Compensation Committee believes that agreeing to provide reasonable severance benefits is common among the companies in our Comparator Group and is essential to recruiting and retaining key executives, which, as described above, is one of the fundamental objectives to the executive compensation program. Accordingly, the Company has entered into employment agreements with each of our Named Executive Officers, which provide for varying levels of severance to be paid to the executive in the event of a termination by the Company without "cause," or the executive terminates for "good reason" (each as defined in the applicable employment agreement with the Named Executive Officer).

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In addition, our 2009 Equity Incentive Plan provides that all restricted stock awards will automatically terminate upon the termination of the executive by the Company for any reason.

Mr. Lubell, Ms. Koplin, and Mr. Collins have change in control provisions in their employment agreements as did Mr. Egeck when he was employed with the Company. These provisions grant these Named Executive Officers certain compensation and accelerated vesting of equity awards in the event of a change in control. These provisions are based on market comparisons and are an important element in the retention of these Named Executive Officers.

A summary of these severance and change in control payments is set forth under the heading "Potential Payments Upon Termination or Change in Control" on page 33 of this Proxy Statement.

## **Risk Assessment**

The Compensation Committee, supported by SH&P, has reviewed the Company's compensation policies and practices and analyzed the potential business risks inherent in such policies and practices. The Compensation Committee believes that the Company's executive compensation policies and practices do not encourage our management, including our Named Executive Officers, to take unnecessary business risks that are reasonably likely to have a material adverse effect on the Company.

## **Tax and Accounting Implications**

### *Deductibility of Executive Compensation*

The Compensation Committee reviews and considers the deductibility of executive compensation under Section 162(m) of the Code, which provides that the Company may not deduct for federal income tax purposes annual compensation of more than \$1 million paid to our Named Executive Officers (defined below), excluding our Chief Financial Officer. Performance based compensation paid pursuant to stockholder approved plans is not subject to this deduction limit as long as such compensation is approved by "outside directors" within the meaning of Section 162(m). Although the Compensation Committee generally intends to structure and administer executive compensation plans and arrangements so that they will not be subject to the deduction limit of Section 162(m) of the Code, the Compensation Committee may from time to time approve non-deductible payments in order to maintain flexibility in structuring appropriate compensation programs in the interests of the Company and our stockholders.

The Compensation Committee also considers the impact of other tax provisions, including the restrictions on deferred compensation set forth in Section 409A of the Code. The Compensation Committee and the Company attempt to structure the Company's compensation plans, programs and agreements in a tax-efficient manner and in a manner that avoids possible adverse tax consequences to our executive officers and other key employees.

## **Policy on Recovery of Awards in Event of Misconduct**

Our 2009 Equity Incentive Plan includes a "clawback" provision that permits the Board to withhold or recover awards made under the 2009 Equity Incentive Plan from recipients of such awards who, among other things, breaches its employment, confidentiality or other agreements with the Company, commits any act involving willful malfeasance or breach of fiduciary duty, or commits any fraud embezzlement or certain other acts of misconduct. Any unexpired, unpaid, or deferred awards may be canceled or rescinded at any time. After an exercise, payment, or delivery of an award, the Board may rescind any such award within one year thereafter.

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### Policy Prohibiting Hedging of Company Securities

Our Code of Conduct prohibits our officers, directors, and employees from short-selling our stock or engaging in derivative transactions in our stock through the use of puts, calls, options, and other similar derivative securities.

### Burn Rate Policy

In administering the long-term equity incentive compensation component of our compensation program, we actively manage our awards in accordance with a target "burn rate." The burn rate measures the potential dilutive effect of our annual equity awards. In May 2009, we committed that with respect to shares of our common stock reserved under our 2009 Equity Incentive Plan, the burn rate of equity awards would not exceed an average of 3.44% per fiscal year through our fiscal year ended December 31, 2011. Under this policy we recalculate our burn rate at the end of each fiscal year, consistent with the method utilized by Institutional Shareholder Services Inc. ("ISS"), which defines burn rate as the adjusted total number of equity awards made in a given year divided by the weighted common shares outstanding. The adjusted total number of equity awards is equal to the sum of (i) the number of shares of our common stock subject to options and (ii) the number of full-value equity-based awards, such as restricted stock, granted during the year multiplied by a premium in accordance with ISS policy, which converts full value awards into option equivalents based on stock price volatility. The premium we adopted, based on ISS guidelines in effect at the time we adopted our 2009 Equity Incentive Plan, counts one full-value award as equivalent to:

- 1.5 shares if our annual common stock price volatility is 54.6% or higher;
- 2 shares if our annual common stock price volatility is at least 36.1% but less than 54.6%;
- 2.5 shares if our annual common stock price volatility is at least 24.9% but less than 36.1%;
- 3.0 shares if our annual common stock price volatility is at least 16.5% but less than 24.9%;
- 3.5 shares if our annual common stock price volatility is at least 7.9% but less than 16.5%; and
- 4 shares if our annual common stock price volatility is less than 7.9%.

We calculate annual common stock price volatility over a 200 day period consistent with the formula published by ISS.

The total number of restricted shares awarded in 2011 pursuant to our 2009 Equity Incentive Plan was 473,112. Our annual common stock price volatility in 2011 was 54.8% and as of December 31, 2011 the weighted common shares outstanding was 24,856,000. For 2011, our burn rate was 2.85% and our average burn rate with respect to shares of our common stock reserved under our 2009 Equity Incentive Plan from 2009 through 2011 was 2.25%. The following table summarizes the burn rate of shares awarded under the 2009 Equity Incentive Plan for 2011, 2010, and 2009 and for the average of 2011, 2010 and 2009:

<u>Shares Awarded Under 2009 Equity Incentive Plan</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2009 – 2011 Average</u>
Service Based Restricted Shares Granted	145,342	146,079	26,500	
Performance Based Shares Earned	327,770	309,437	—	
Total Shares Awarded Pursuant to 2009 Equity Incentive Plan	473,112	455,516	26,500	
Basic Weighted Shares Outstanding	24,856,000	24,495,000	23,993,000	
Unadjusted Burn Rate	1.90%	1.86%	0.11%	
Full Value Adjustment	1.5	2.0	1.5	
Adjusted Burn Rate	2.85%	3.72%	0.17%	2.25%

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**EXECUTIVE OFFICER COMPENSATION**

The following table provides certain summary information concerning the compensation earned by our Chief Executive Officer and Chief Merchant, President, Chief Financial Officer, and former President, in 2011. We refer to these officers as the Named Executive Officers.

**Summary Compensation Table**

Name and principal position	Year	Salary (\$)	Bonus (\$)	Stock Awards (1)(\$)	Option Awards (1)(\$)	Non-Equity Incentive Plan Compensation (\$)	Change In Pension Value and Non-Qualified Deferred Compensation Earnings (\$)	All Other Compensation (2)(\$)	Total (\$)
Jeffrey Lubell	2011	984,638	—	3,909,349(3)	—	4,055,808	—	37,030	8,986,825
Chairman, Chief Executive Officer and Chief Merchant	2010	937,750	—	3,999,999(3)	—	3,368,836	—	34,640	8,341,225
	2009	851,606	—	3,280,418(3)	—	3,914,396	—	34,595	8,081,015
Lynne Koplín	2011	549,038	—	1,931,013(5)	—	526,891	—	23,182	3,030,124
President(4)	2010	475,000	—	2,250,003(5)	—	352,598	—	21,156	3,098,757
	2009	—	—	—	—	—	—	—	—
Peter F. Collins	2011	407,053	—	1,190,600(7)	—	486,441	—	14,400	2,098,494
Chief Financial Officer and Assistant Secretary(6)	2010	391,230	—	1,258,367(7)	—	328,196	—	5,317	1,983,110
	2009	377,792	—	1,215,822(7)	—	478,562	—	—	2,072,176
Michael Egeck	2011	450,000	—	2,158,792(9)	—	0	—	2,917,152	5,525,944
Former President(8)	2010	365,000	—	3,933,190(9)	—	284,556	—	10,628	4,593,374
	2009	—	—	—	—	—	—	—	—

(1) The amounts reported reflect the grant date fair value of performance shares and/or restricted shares granted in the years ended December 31, 2011, 2010 and 2009. The amounts reported do not reflect compensation actually received by the Named Executive Officers. See the columns under the heading "Estimated Future Payouts Under Equity Incentive Plan Awards" in the Grants of Plan-Based Awards table on page 26 of this Proxy Statement for the number of performance shares granted in 2011.

(2) The following table details the components of this column:

Name	Year	Car Allowance (\$)	Company Paid Health Insurance (\$)	Severance (\$)	Total (\$)
Jeffrey Lubell	2011	30,000	7,030	—	37,030
	2010	30,000	4,640	—	34,640
	2009	30,000	4,595	—	34,595
Lynne Koplín	2011	14,400	8,782	—	23,182
	2010	14,400	6,756	—	21,156
	2009	—	—	—	—
Peter F. Collins	2011	14,400	—	—	14,400
	2010	5,317	—	—	5,317
	2009	—	—	—	—
Michael Egeck	2011	9,415	3,570	2,904,167(10)	2,917,152
	2010	8,308	2,320	—	10,628
	2009	—	—	—	—

(3) Represents the grant date fair value of performance shares awarded. The grant date fair value of the performance shares awarded is based upon the probable outcome of the performance

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condition as of the grant date, excluding the effect of estimated forfeitures. If the highest level of performance were to be assumed, the grant date value of the performance awards would be \$5,082,163, \$4,999,999, and \$4,071,847 for 2011, 2010, and 2009, respectively. The grant date fair value of the shares awarded and actually earned was \$4,202,375, \$3,490,498, and \$3,666,671 for 2011, 2010, and 2009, respectively.

- (4) Ms. Koplin served as Chief Operating Officer beginning in January 2010 with a base salary of \$475,000 and she assumed the position of President in August 2011, at which time her base salary was increased to \$750,000. The number reported in the column entitled "Salary" reflects the mid-year increase in Ms. Koplin's base salary.
- (5) Represents the grant date fair value of both performance and non-performance shares awarded. The grant date fair value of the performance shares awarded is based upon the probable outcome of the performance condition as of the grant date, excluding the effect of estimated forfeitures. If the highest level of performance were to be assumed, the grant date value of the performance awards would be \$2,367,797 and \$1,699,997 for 2011 and 2010, respectively. The grant date fair value of the shares awarded and actually earned was \$2,040,117 and \$1,045,237 for 2011 and 2010, respectively.
- (6) Upon Mr. Egeck's departure from the Company, Mr. Collins' base salary increased from \$391,230 to \$450,000 due to the increased responsibilities he assumed. The number reported in the column entitled "Salary" reflects the mid-year increase in Mr. Collins' base salary.
- (7) Represents the grant date fair value of performance shares awarded. The grant date fair value of the performance shares awarded is based upon the probable outcome of the performance condition as of the grant date, excluding the effect of estimated forfeitures. If the highest level of performance were to be assumed, the grant date value of the performance awards would be \$1,547,794, \$1,549,995, and \$1,502,573 for 2011, 2010, and 2009, respectively. The grant date fair value of the shares awarded and actually earned was \$1,279,830, \$1,063,040, and \$1,355,768 for 2011, 2010, and 2009, respectively.
- (8) Mr. Egeck was hired in June 2010 and left his position as President of the Company in September 2011. The number in the column entitled "Salary" reflects the salary paid to Mr. Egeck between January 1, 2011 and September 2, 2011.
- (9) Represents the grant date fair value of both performance and non-performance shares awarded. The grant date fair value of the performance shares awarded is based upon the probable outcome of the performance condition as of the grant date, excluding the effect of estimated forfeitures. If the highest level of performance were to be assumed, the grant date value of the performance awards would be \$2,552,660 and \$1,508,785 for 2011 and 2010, respectively. The grant date fair value of the shares awarded and actually earned was \$0 and \$1,172,286 for 2011 and 2010, respectively.
- (10) Pursuant to the terms of his Separation, Non-Disclosure and Release Agreement, Mr. Egeck received a lump sum cash separation payment of \$2,904,167. For further details of Mr. Egeck's Separation, Non-Disclosure and Release Agreement, see "Employment Agreement—Michael Egeck" on page 31 of this Proxy Statement.

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**Grants of Plan-Based Awards**

The following table sets forth information regarding grants of plan-based awards to our Named Executive Officers during the year ended December 31, 2011. No options were awarded to our Named Executive Officers during the year ended December 31, 2011.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts Under Equity Incentive Plan Awards(2)			All Other Stock Awards: Number of Shares or Units (#)	Grant Date Fair Value of Stock and Option Awards (\$)
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)		
Jeffrey Lubell	3/29/11	3,018,400	3,773,000	4,904,900	136,274	170,342	221,445	—	3,909,349(3)
Lynne Koplin	3/29/11	392,121	490,152	637,197	71,451	84,140	103,172	—	1,931,013(3)
Peter F. Collins	3/29/11	362,018	452,522	588,278	41,503	51,878	67,442	—	1,190,600(3)
Michael Egeck(4)	3/29/11	440,276	550,345	715,448	82,623	94,065	111,227	—	2,158,792(3)

- (1) These columns report the range of possible cash payouts for 2011 performance under the Annual Cash Performance Awards as described in the Compensation Discussion and Analysis beginning on page 13 of this Proxy Statement. The amounts shown in the Threshold, Target and Maximum columns reflect the payout opportunity associated with established levels of performance, as indicated in the Bonus Opportunity table on page 19 of this Proxy Statement. No payout is made if minimum performance thresholds are not met. The actual payments are reported in the Summary Compensation Table on page 24 of this Proxy Statement, in the column titled, "Non-Equity Incentive Plan Compensation."
- (2) These columns report the range of performance shares targeted for the performance period of the 2011 grant, beginning January 1, 2011, and ending December 31, 2011, as described in the Compensation Discussion and Analysis beginning on page 13 of this Proxy Statement. No performance shares vest if minimum performance thresholds are not met. The amounts shown in the threshold, target and maximum columns reflect the potential restricted awards corresponding to the established level of performance, as indicated in the Performance Based Restricted Share Opportunity Table on page 20 of this Proxy Statement. The grant date fair value at the target performance level for the Named Executive Officers is included in the amounts shown in the Summary Compensation Table on page 24 of this Proxy Statement, in the column titled, "Stock Awards."
- (3) Reflects the grant date fair value of the restricted stock award based on the probable outcome of the performance conditions as of the grant date. These shares of restricted stock are performance based and will vest two-thirds on March 29, 2012 and one-third on March 29, 2013 if the requisite targets are satisfied and the Named Executive Officer remains employed by the Company on the vesting dates. The fair value was \$22.95 per share for restricted stock awarded on March 29, 2011.
- (4) Mr. Egeck resigned from his position with the Company in September 2011. Pursuant to a Separation, Non-Disclosure and Release Agreement, Mr. Egeck forfeited all unvested restricted stock awards issued to him. Please see "Outstanding Equity Awards at Year End" on page 27 of this Proxy Statement for a description of the treatment of Mr. Egeck's outstanding equity awards.

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**Stock Vested in 2011**

The following table sets forth information regarding the vesting of restricted stock during the year ended December 31, 2011. No option awards were outstanding on December 31, 2011.

Name	Stock Awards	
	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
Jeffrey Lubell	192,448	4,684,811
Lynne Koplin	48,796	1,068,185
Peter F. Collins	65,976	1,611,425
Michael Egeck	64,096	1,708,158

**Outstanding Equity Awards at Year End**

No option awards were granted in 2011 or outstanding at December 31, 2011. Performance conditions on the restricted stock were satisfied and therefore no un-earned performance-based restricted stock awards were outstanding at December 31, 2011.

The following table sets forth information concerning restricted shares that had not vested and equity incentive plan awards for each of our Named Executive Officers as of December 31, 2011.

Name	Stock Awards		Equity Incentive Plan Awards:	
	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
Jeffrey Lubell	39,745(1)	1,374,382	—	—
	183,110(2)	6,331,944	—	—
Lynne Koplin	11,902(1)	411,571	—	—
	88,894(2)	3,073,955	—	—
	25,000(3)	864,500	—	—
Peter F. Collins	12,105(1)	418,591	—	—
	55,766(2)	1,928,388	—	—
Michael Egeck(4)	—	—	—	—

- (1) Reflects the number of restricted stock shares earned under the performance-based award granted to the named executive officer in fiscal 2010. Two-thirds of this restricted stock award vested on March 24, 2011 and the remaining one-third vested on March 24, 2012.
- (2) Reflects the number of restricted stock shares earned under the performance-based award granted to the named executive officer in fiscal 2011. Two-thirds of this restricted stock award will vest on March 29, 2012 and the remaining one-third will vest on March 29, 2013.
- (3) One-half of this restricted stock award granted in fiscal 2010 vested on January 4, 2011 and the remaining one-half vested on January 4, 2012.
- (4) Mr. Egeck left the Company in September 2011 and forfeited any unvested securities upon his separation from the Company.

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### Summary of Equity Compensation Plan

The following table sets forth information concerning all equity compensation plans and individual compensation arrangements in effect during the year ended December 31, 2011.

<u>Plan Category</u>	<u>Number of Securities to Be Issued Upon Exercise of Outstanding Options, Warrants and Rights</u>	<u>Weighted Average Exercise Price of Outstanding Options, Warrants and Rights</u>	<u>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans</u>
Equity Compensation Plans Approved by Security Holders	—	—	881,286
Equity Compensation Plans Not Approved By Security Holders	—	—	—
<b>Total</b>	<b>—</b>	<b>—</b>	<b>881,286</b>

### Pension Benefits

We do not provide any pension benefits to any of our Named Executive Officers or employees.

### Non-Qualified Deferred Compensation

We do not provide any non-qualified deferred compensation to our Named Executive Officers or employees.

### Employment Agreements

We have entered into employment agreements with Jeffrey Lubell, our Chief Executive Officer and Chief Merchant; Lynne Koplín, our President; Peter F. Collins, our Chief Financial Officer, and Michael Egeck, our former President.

#### Jeffrey Lubell

Effective January 4, 2006, we entered into an employment agreement, which was subsequently amended on May 31, 2006 and September 12, 2008, with Jeffrey Lubell (as amended, the "CEO Agreement"). Pursuant to the CEO Agreement, Mr. Lubell will serve as our Chief Executive Officer and Chief Merchant. The initial term of the CEO Agreement is three years, which has been extended through March 31, 2010, and is subject to automatic three-year extensions thereafter. The CEO Agreement provides that Mr. Lubell's minimum base salary will be \$775,000 per year and thereafter increase by at least 5% annually. As of the date of this Proxy Statement, Mr. Lubell's base compensation for 2012 had not yet been established. Pursuant to the CEO Agreement, Mr. Lubell is eligible to earn an annual cash performance bonus for year 2007 and subsequent years based on achieving performance goals established by the Compensation Committee.

The CEO Agreement provides that if we terminate Mr. Lubell's employment without Cause or if Mr. Lubell terminates his employment for Good Reason (each as defined in the CEO Agreement), then (1) Mr. Lubell will receive a severance amount of three times the sum of Mr. Lubell's base salary in effect on the date of termination plus the average annual bonus received by Mr. Lubell for the two complete years prior to the termination date, and (2) any options or other equity grants received by Mr. Lubell will be modified to reflect full vesting. However, if less than one year remains in Mr. Lubell's employment term after termination, the aforementioned severance payment will equal the sum of Mr. Lubell's base salary in effect on the date of termination plus the average annual bonus received by Mr. Lubell for the two complete years prior to the termination date. Mr. Lubell shall also be entitled to a pro-rated annual cash bonus if applicable performance goals are satisfied. The amount of such pro-rated cash bonus will be equal to the greater of: (i) the product of (x) the amount of the

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annual bonus to which Mr. Lubell would have been entitled if his employment had not been terminated, and (y) a fraction, the numerator of which is the number of days in such year through the date of termination and the denominator of which is the total number of days in such year; or (ii) the product of (x) the amount of the annual cash bonus to which Mr. Lubell would have been entitled if his employment had not been terminated, and (y) a percentage which represents that percentage of the highest applicable performance goals actually satisfied as of the end of the quarter immediately preceding the date of termination. In addition, all outstanding stock options, restricted stock and other equity awards (except for performance based awards, which will vest only upon satisfaction of the performance goals) received by Mr. Lubell shall fully vest.

If we terminate Mr. Lubell's employment without Cause or if Mr. Lubell terminates his employment for Good Reason during the one-year period following a Change in Control (as defined in the CEO Agreement), he would be entitled to receive severance equal to three times the sum of his base salary in effect on the date of termination plus the average annual bonus received by Mr. Lubell for the two complete years prior to the termination date, and all stock options, restricted stock and other equity awards would vest in full. Moreover, the CEO Agreement provides that if any payment made to Mr. Lubell is subject to the "golden parachute" excise tax imposed under the Internal Revenue Code, Mr. Lubell will be entitled to a tax gross-up payment from us to hold him harmless from the effect of such excise tax.

If Mr. Lubell terminates his employment without Good Reason and he has been continuously employed by us for ten years or more immediately preceding his termination, then all outstanding stock options, restricted stock and other equity awards granted to Mr. Lubell under any of our equity incentive plans shall be modified to reflect full vesting upon satisfaction of any applicable vesting goals. Additionally, Mr. Lubell shall be paid a pro-rated annual bonus for any quarterly periods that have been completed during the year in which he is terminated, provided: (i) the minimum performance goals entitling Mr. Lubell to any annual bonus for all such quarters have been met or exceeded on a pro rata basis, and (ii) the minimum performance goals entitling Mr. Lubell to any annual bonus for such year have also been met or exceeded.

Any payments made to Mr. Lubell in connection with a termination of his employment that are considered to be non-qualified deferred compensation for purposes of Section 409A of the Code and that otherwise would have been payable at any time during the six-month period immediately following such termination of employment will instead be paid in a lump sum as soon as practicable following the expiration of such six-month period. Additionally, any Annual Bonus (as defined in Amendment No. 1 to the CEO Agreement) earned by Mr. Lubell will be paid no later than March 15 of the year following the year for which the Annual Bonus is to be paid.

### **Lynne Koplin**

Effective January 4, 2010, we entered into an employment agreement, or the Koplin Agreement, with Lynne Koplin (which was subsequently amended in August 2010 and October 2011), pursuant to which Ms. Koplin will serve as our President. The initial term of the Koplin Agreement is three years, subject to annual renewals thereafter. The Koplin Agreement provides that Ms. Koplin's base salary will be \$475,000 per year, subject to increase (but not decrease) at the discretion of our Compensation Committee or full Board of Directors. As of the date of this Proxy Statement, Ms. Koplin's base compensation for 2012 had not yet been established. Pursuant to the Koplin Agreement, Ms. Koplin is eligible to earn an annual performance bonus each year based on achieving performance targets established by the Compensation Committee.

The Koplin Agreement provides that if we terminate Ms. Koplin's employment without Cause or if Ms. Koplin terminates her employment for Good Reason (each as defined in the Koplin Agreement), (1) Ms. Koplin will receive a severance amount of one and one-half times (the "Koplin Severance

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Multiple") the sum of Ms. Koplin's base salary in effect on the date of termination and the average annual cash bonus received by Ms. Koplin for the two complete years prior to the termination date; provided that the Koplin Severance Multiple reduces to one times following January 4, 2012. Ms. Koplin shall also be entitled to a pro-rated annual cash bonus if applicable performance goals are satisfied. The amount of such pro-rated cash bonus will be equal to the greater of: (i) the product of (x) the amount of the annual cash bonus to which Ms. Koplin would have been entitled if her employment had not been terminated, and (y) a fraction, the numerator of which is the number of days in such year through the date of termination and the denominator of which is the total number of days in such year; or (ii) the product of (x) the amount of the annual cash bonus to which Ms. Koplin would have been entitled if her employment had not been terminated, and (y) a percentage which represents that percentage of the highest applicable performance goals actually satisfied as of the end of the quarter immediately preceding the date of termination. In addition, Ms. Koplin will be entitled to group health insurance coverage for herself and her eligible family members for a period of 18 months following the date of termination and all outstanding equity awards (except for performance based awards, which shall vest only upon satisfaction of the performance goals), which are scheduled to vest within 12 months following the date of termination shall become immediately vested and exercisable in full.

Additionally, if we terminate Ms. Koplin's employment without Cause or if Ms. Koplin terminates her employment for Good Reason during the one year period following a Change in Control (as defined in the Koplin Agreement), Ms. Koplin would be entitled to receive severance equal to three times the sum of her base salary in effect on the date of termination and the average annual cash bonus received by Ms. Koplin for the two complete years prior to the termination date, and all stock options, restricted stock and other equity awards would vest in full. The August 2010 amendment to the Koplin Agreement also provides that if any payment or benefits received or to be received by Ms. Koplin are subject to the "golden parachute" excise tax imposed under the Internal Revenue Code, the payment and benefits will be reduced to the extent necessary so that the payment and benefits will not be subject to imposition of the excise tax, but only if the net amount of the payment or benefits received as reduced is greater than the net amount of the payment and benefits without the reduction.

### **Peter F. Collins**

Effective August 13, 2010, we entered into a new employment agreement, or the CFO Agreement, with Peter F. Collins, pursuant to which Mr. Collins will continue to serve as our Chief Financial Officer. The initial term of the CFO Agreement is three years, subject to annual renewals thereafter. The CFO Agreement provides that Mr. Collins' base salary will be \$391,230 per year, subject to increase (but not decrease) at the discretion of our Compensation Committee or full Board of Directors. As of the date of this Proxy Statement, Mr. Collins' base compensation for 2012 had not yet been established. Pursuant to the CFO Agreement, Mr. Collins is eligible to earn an annual performance bonus each year based on achieving performance targets established by the Compensation Committee.

The CFO Agreement provides that if we terminate Mr. Collins' employment without Cause or if Mr. Collins terminates his employment for Good Reason (each as defined in the CFO Agreement), (1) Mr. Collins will receive a severance amount of one and one-half times (the "Collins Severance Multiple") the sum of Mr. Collins' base salary in effect on the date of termination and the average annual cash bonus received by Mr. Collins for the two complete years prior to the termination date; provided that the Collins Severance Multiple reduces to one times following August 13, 2012. Mr. Collins shall also be entitled to a pro-rated annual cash bonus if applicable performance goals are satisfied. The amount of such pro-rated cash bonus will be equal to the greater of: (i) the product of (x) the amount of the annual cash bonus to which Mr. Collins would have been entitled if his employment had not been terminated, and (y) a fraction, the numerator of which is the number of days

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in such year through the date of termination and the denominator of which is the total number of days in such year; or (ii) the product of (x) the amount of the annual cash bonus to which Mr. Collins would have been entitled if his employment had not been terminated, and (y) a percentage which represents that percentage of the highest applicable performance goals actually satisfied as of the end of the quarter immediately preceding the date of termination. In addition Mr. Collins will be entitled to group health insurance coverage for himself and his eligible family members for a period of 18 months following the date of termination and all outstanding equity awards (except for performance based awards, which shall vest only upon satisfaction of the performance goals), which are scheduled to vest within 12 months following the date of termination shall become immediately vested and exercisable in full.

Additionally, if we terminate Mr. Collins' employment without Cause or if Mr. Collins terminates his employment for Good Reason during the one year period following a Change in Control (as defined in the CFO Agreement), Mr. Collins would be entitled to receive severance equal to three times the sum of his base salary in effect on the date of termination and the average annual cash bonus received by Mr. Collins for the two complete years prior to the termination date, and all stock options, restricted stock and other equity awards would vest in full. The CFO Agreement also provides that if any payment or benefits received or to be received by Mr. Collins are subject to the "golden parachute" excise tax imposed under the Internal Revenue Code, the payment and benefits will be reduced to the extent necessary so that the payment and benefits will not be subject to imposition of the excise tax, but only if the net amount of the payment or benefits received as reduced is greater than the net amount of the payment and benefits without the reduction.

### **Michael Egeck**

Effective June 4, 2010, we entered into an employment agreement, or the Egeck President Agreement, with Michael Egeck (which was subsequently amended in August 2010 and terminated in September 2011), pursuant to which Mr. Egeck would serve as our President. The initial term of the Egeck President Agreement was three years, subject to annual renewals thereafter. The Egeck President Agreement provided that Mr. Egeck's base salary would be \$650,000 per year, subject to increase (but not decrease) at the discretion of our Compensation Committee or full Board of Directors. For 2011, the Compensation Committee established Mr. Egeck's base salary at \$650,000. Pursuant to the Egeck President Agreement, Mr. Egeck was eligible to earn an annual performance bonus each year based on achieving performance targets established by the Compensation Committee.

The Egeck President Agreement provided that if we terminated Mr. Egeck's employment without Cause or if Mr. Egeck terminated his employment for Good Reason (each as defined in the Egeck President Agreement), (1) Mr. Egeck would receive a severance amount of one and one-half times (the "Egeck Severance Multiple") the sum of Mr. Egeck's base salary in effect on the date of termination and the average annual cash bonus received by Mr. Egeck for the two complete years prior to the termination date; provided that the Egeck Severance Multiple reduced to one times following June 4, 2012. Mr. Egeck would also be entitled to a pro-rated annual cash bonus if applicable performance goals were satisfied. The amount of such pro-rated cash bonus would be equal to the greater of: (i) the product of (x) the amount of the annual cash bonus to which Mr. Egeck would have been entitled if his employment had not been terminated, and (y) a fraction, the numerator of which was the number of days in such year through the date of termination and the denominator of which was the total number of days in such year; or (ii) the product of (x) the amount of the annual cash bonus to which Mr. Egeck would have been entitled if his employment had not been terminated, and (y) a percentage which represents that percentage of the highest applicable performance goals actually satisfied as of the end of the quarter immediately preceding the date of termination. In addition Mr. Egeck would be entitled to group health insurance coverage for himself and his eligible family members for a period of 18 months following the date of termination and all outstanding equity awards (except for performance

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based awards, which would vest only upon satisfaction of the performance goals), which were scheduled to vest within 12 months following the date of termination would become immediately vested and exercisable in full; plus any restricted shares granted to Mr. Egeck as an inducement to join the Company would become immediately vested and exercisable in full.

Additionally, if we terminated Mr. Egeck's employment without Cause or if Mr. Egeck terminated his employment for Good Reason during the one year period following a Change in Control (as defined in the Egeck President Agreement), Mr. Egeck would be entitled to receive severance equal to three times the sum of his base salary in effect on the date of termination and the average annual cash bonus received by Mr. Egeck for the two complete years prior to the termination date, and all stock options, restricted stock and other equity awards would vest in full. The August 2010 amendment to the Egeck President Agreement also provided that if any payment or benefits received or to be received by Mr. Egeck are subject to the "golden parachute" excise tax imposed under the Internal Revenue Code, the payment and benefits would be reduced to the extent necessary so that the payment and benefits would not be subject to imposition of the excise tax, but only if the net amount of the payment or benefits received as reduced was greater than the net amount of the payment and benefits without the reduction.

Mr. Egeck left his position as President of the Company in September 2011. In connection with his departure from the Company, Mr. Egeck entered into a Separation, Non-Disclosure and Release Agreement, dated as of August 18, 2011 (the "Egeck Separation Agreement"), pursuant to which Mr. Egeck voluntarily terminated his employment with the Company effective September 2, 2011. Mr. Egeck received his base salary through September 2, 2011, a payment for accrued and unused vacation days, and a lump-sum cash separation payment of \$2,904,167. Pursuant to the Egeck Separation Agreement, Mr. Egeck forfeited the unvested portion of any stock awards he received and any cash performance award for the fiscal year ending December 31, 2011.

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**Potential Payments Upon Termination or Change in Control**

The following table reflects the amounts that would have been paid if a change in control or other termination event occurred on December 31, 2011 and our stock price per share was the closing market price as of that date. The closing market price of our common stock at December 31, 2011 was \$34.58.

	<u>Jeffrey Lubell</u>	<u>Lynne Koplin</u>	<u>Peter Collins</u>	<u>Michael Egeck(1)</u>
<b>Termination Scenario (12/31/11)</b>				
Voluntary Resignation or for Cause	\$ —	\$ —	\$ —	\$ —
<b>Total</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>
<b>Without Cause or for Good Reason (Not Within One Year of Change in Control)</b>				
Pro Rata Bonus	\$ 4,055,808	\$ 526,891	\$ 486,441	\$ 397,099
Severance Pay	14,090,880	1,784,617	1,285,978	1,401,834
Health Benefits Continuation	27,895	27,895	27,895	16,751
Unvested Restricted Stock(2)	7,706,326	3,325,374	1,704,183	4,615,465
<b>Total</b>	<b>\$25,880,909</b>	<b>\$ 5,664,777</b>	<b>\$3,504,496</b>	<b>\$ 6,431,149</b>
<b>Within One Year of Change in Control (Without Cause or for Good Reason)</b>				
Pro Rata Bonus	\$ 4,055,808	\$ 526,891	\$ 486,441	\$ 284,556
Severance Pay	14,090,880	3,569,234	2,571,956	2,803,668
Health Benefits Continuation	27,895	27,895	27,895	16,751
Unvested Restricted Stock(2)	7,706,326	4,350,026	2,346,979	5,556,048
280G/4999 Tax Gross Up(3)	—	—	—	—
<b>Total</b>	<b>\$25,880,909</b>	<b>\$ 8,474,045</b>	<b>\$5,433,270</b>	<b>\$ 8,661,023</b>
<b>Change in Control—Assuming No Termination</b>				
Unvested Restricted Stock	\$ 7,706,326	\$ 4,350,026	\$2,346,979	\$ 5,556,048
<b>Total</b>	<b>\$ 7,706,326</b>	<b>\$ 4,350,026</b>	<b>\$2,346,979</b>	<b>\$ 5,556,048</b>
<b>Death or Disability</b>				
Pro Rata Bonus	\$ 4,055,808	\$ 526,891	\$ 486,441	\$ 397,099
Severance Pay	984,638	750,000	450,000	650,000
Health Benefits Continuation	27,895	27,895	27,895	16,751
<b>Total</b>	<b>\$ 5,068,341</b>	<b>\$ 1,304,786</b>	<b>\$ 964,336</b>	<b>\$ 1,063,850</b>

- (1) Reflects amounts Mr. Egeck would have been entitled to under his employment agreement on September 2, 2011, if it had not been terminated on that day.
- (2) This amount represents the value of the restricted stock that would become vested as a direct result of the termination event or Change in Control, as the case may be, before the applicable stated vesting date. Equity awards are valued at the closing market price of our common stock on December 31, 2011 of \$34.58 per share for each of Mr. Lubell, Ms. Koplin, and Mr. Collins. Equity awards are valued at the closing of our common stock on September 2, 2011 of \$28.69 per share for Mr. Egeck.
- (3) This amount includes any payment of a "gross-up" to offset the estimated amount of the "golden parachute" excise tax that would apply to each Named Executive Officer and the amount of additional excise tax and income and other taxes payable by the Named Executive Officer as a result of the Change in Control. Mr. Lubell is the only Named Executive Officer eligible to receive such a "gross-up."

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**Indemnification Agreements**

In addition to the indemnification provisions contained in our certificate of incorporation and bylaws, we have entered into separate indemnification agreements with each of our directors and executive officers. These agreements require us, among other things, to indemnify each such director and executive officer against all costs, charges, expenses (including legal or other professional fees), damages or liabilities incurred by such individual arising out of, in connection with, or incidental to, any action, suit, demand, proceeding, investigation or claim by reason of such individual's status or service as a director or executive officer, regardless of whether sustained or incurred by reason of the individual's negligence, default, breach of duty or failure to exercise due diligence. However, we will not indemnify such director or executive officer under these agreements if it is proved that such individual's failure to act constituted a breach of his fiduciary duties as a director and such breach of those duties involved intentional misconduct, fraud or a knowing violation of law. The agreements also require us to advance expenses incurred by such individual in connection with any proceeding against such individual with respect to which such individual may be entitled to indemnification by us.

**Certain Transactions with Directors and Executive Officers**

Except as disclosed in this Proxy Statement, neither the nominees for election as directors, our directors or executive officers, nor any of their respective associates or affiliates, had any material interest, direct or indirect, in any material transaction to which we were a party during 2011, or which is presently proposed.

**COMPENSATION COMMITTEE REPORT**

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis. Based on such review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement.

The Compensation Committee  
Mark S. Maron (Chairman)  
G. Louis Graziadio, III  
Robert L. Harris, II

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### DIRECTOR COMPENSATION

For serving on our Board in 2011, our independent directors receive an annual cash retainer of \$100,000, payable quarterly, for service on our Board and an annual grant of shares of our restricted stock with an aggregate market value of \$135,000 on the date of grant, which shall vest in three equal annual installments on the date of grant, the first anniversary of the date of grant, and the second anniversary of the date of grant. We reimburse all of our directors for the expenses they incur in connection with attending Board and committee meetings. The Lead Director receives an annual retainer of \$100,000. The Chairman of our Audit Committee and the Chairman of our Compensation Committee each receive an annual retainer of \$15,000. In addition, we may make additional grants of equity awards to our independent Board members from time to time.

The following table provides information concerning the compensation of directors who are not Named Executive Officers for the year ended December 31, 2011:

Name	Fees Earned or Paid in Cash (\$)	Stock Awards(1) (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Marcello Bottoli	100,000	134,992	—	—	—	—	234,992
Joseph Coulombe	117,500	134,992	—	—	—	—	252,492
G. Louis Graziadio, III	100,000	134,992	—	—	—	—	234,992
Robert L. Harris, II	100,000	134,992	—	—	—	—	234,992
Seth R. Johnson	175,000	134,992	—	—	—	—	309,992
Mark S. Maron	117,500	134,992	—	—	—	—	252,492

(1) Represents the amount of the total fair value of restricted stock awards on the date of grant.

### ITEM 2: RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Item 2 is the ratification of the Company's engagement of Deloitte & Touche LLP to serve as our independent registered public accounting firm for the year ending December 31, 2012. Stockholder ratification of the appointment of our independent registered public accounting firm is not required by the Company's bylaws or otherwise. However, we are submitting this proposal to the stockholders as a matter of good corporate practice.

The ratification of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the year ending December 31, 2012, will require the affirmative vote of a majority of the shares of common stock present or represented and entitled to vote at the Annual Meeting. All proxies will be voted to approve the appointment unless a contrary vote is indicated on the enclosed proxy card.

We anticipate that a representative of Deloitte & Touche LLP will attend the Annual Meeting for the purpose of responding to appropriate questions. The representative of Deloitte & Touche LLP will be afforded an opportunity to make a statement if he or she so desires at the Annual Meeting.

If the appointment of Deloitte & Touche LLP is not ratified, we will reconsider the appointment. Even if the appointment is ratified, we may direct the appointment of a different independent registered public accounting firm at any time during the year if it is determined that such change would be in the best interests of the Company and its stockholders.

**THE BOARD UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE RATIFICATION OF THE APPOINTMENT OF DELOITTE & TOUCHE LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE YEAR ENDING DECEMBER 31, 2012.**

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### AUDIT AND NON-AUDIT FEES

The following table sets forth the aggregate fees billed to the Company by Deloitte & Touche LLP for the audit of our financial statements for 2011 and 2010, and for other services provided by Deloitte & Touche LLP during those periods:

	Year Ended December 31,	
	2011	2010
Audit fees	\$ 1,424,113	\$ 900,350
Audit-related fees(1)	\$ 18,050	—
Tax fees	—	—
All other fees(2)	\$ 2,200	\$ 2,200
Total fees	\$ 1,444,363	\$ 902,550

(1) Fees for the assurance and related services performed by Deloitte & Touche LLP that are related to the performance of the audit or review of our financial statements, including an agreed-upon procedures report and consultation on the response to an SEC comment letter.

(2) Fees paid to Deloitte & Touche LLP for accounting policy research tool subscriptions.

The reports of Deloitte & Touche LLP on our financial statements for the years ended December 31, 2011 and 2010, did not contain an adverse opinion or a disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope, or accounting principles.

### Pre-Approval Policy

Our Audit Committee's policy is to pre-approve all audit and permissible non-audit services provided by the independent auditor. 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 specific service or category of service and is generally subject to a specific budget. The independent auditor and management are required to periodically communicate to our Audit Committee regarding the extent of services provided by the independent auditor in accordance with this pre-approval, and the fees for the services performed to date. The Audit Committee may also pre-approve particular services on a case-by-case basis. All audit and permissible non-audit services provided to us in 2011 and 2010 were approved by the Audit Committee.

### REPORT OF THE AUDIT COMMITTEE

**THE AUDIT COMMITTEE REPORT IS NOT DEEMED TO BE "SOLICITING MATERIAL" OR TO BE FILED WITH THE SEC OR SUBJECT TO THE SEC'S PROXY RULES OR THE LIABILITIES OF SECTION 18 OF THE EXCHANGE ACT AND THE REPORT SHALL NOT BE DEEMED TO BE INCORPORATED BY REFERENCE INTO ANY PRIOR OR SUBSEQUENT FILING BY THE COMPANY UNDER THE EXCHANGE ACT, EXCEPT TO THE EXTENT THAT THE COMPANY SPECIFICALLY INCORPORATES THE INFORMATION CONTAINED IN THE REPORT BY REFERENCE THEREIN.**

*Responsibilities.* The responsibilities of the Audit Committee include hiring the independent registered public accounting firm to audit the Company's consolidated financial statements. Our management has primary responsibility for our internal controls and financial reporting process. The independent registered public accounting firm is responsible for performing an independent audit of our consolidated financial statements and our internal controls over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board and for issuing reports thereon.

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The Audit Committee's responsibility is to evaluate the performance and independence of our independent registered public accounting firm and oversee our internal controls.

*Review with Management and Independent Registered Public Accounting Firm.* In fulfilling its responsibilities for the financial statements for the year ended December 31, 2011, the Audit Committee has:

- reviewed and discussed the audited financial statements with management and the independent registered public accounting firm;
- discussed with the independent registered public accounting firm the matters required to be discussed by the Statement on Auditing Standards No. 114 (The Auditor's Communication With Those Charged With Governance) and other matters, including Rule 2-07 of Regulation S-X; and
- received and reviewed the written disclosures and the letter from the independent registered public accounting firm required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accounting firm's communications with the Audit Committee concerning independence, and discussed with the independent registered public accounting firm the independent registered public accounting firm's independence from the Company and its management.

*Conclusion.* Based upon the Audit Committee's discussions with management and the independent registered public accounting firm, the Audit Committee's review of the representations of management and the reports of the independent registered public accounting firm to the Audit Committee, the Audit Committee recommended the inclusion of our audited consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2011, as filed with the SEC.

*Appointment of Independent Registered Public Accounting Firm.* On February 1, 2012, the Audit Committee reappointed Deloitte & Touche LLP as our independent registered public accounting firm for the year ending December 31, 2012.

Respectfully Submitted by the Audit  
Committee of the Board of Directors,

Joseph Coulombe (Chairman)  
G. Louis Graziadio, III  
Robert L. Harris, II  
Seth R. Johnson

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**ITEM 3: ADVISORY VOTE ON THE COMPENSATION OF THE COMPANY'S NAMED EXECUTIVE OFFICERS**

Item 3 is an advisory vote on the compensation of our Named Executive Officers. The Compensation Discussion and Analysis beginning on page 13 of this Proxy Statement describes the Company's compensation program and the compensation decisions made by the Compensation Committee and the Board with respect to our Named Executive Officers. The Board is asking our stockholders to cast a non-binding advisory vote on the following resolution:

"RESOLVED, that the stockholders of the Company approve, on an advisory basis, the compensation of the executive officers of the Company named in the Summary Compensation Table, as disclosed in the Company's Proxy Statement for the Company's 2012 Annual Meeting of Stockholders (which disclosure includes the Compensation Discussion and Analysis, the executive compensation tables and the related footnotes and narrative accompanying the tables)."

While the advisory vote the Board is asking you to cast is non-binding, the Compensation Committee and the Board value the view of the Company's stockholders and will review and consider the voting results when making future decisions regarding our executive compensation program.

**THE BOARD UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE APPROVAL, ON A NON-BINDING ADVISORY BASIS, OF THE COMPENSATION OF THE COMPANY'S NAMED EXECUTIVE OFFICERS AS DISCLOSED IN THIS PROXY STATEMENT (WHICH DISCLOSURE INCLUDES THE COMPENSATION DISCUSSION AND ANALYSIS, THE EXECUTIVE COMPENSATION TABLES AND THE RELATED FOOTNOTES AND NARRATIVE ACCOMPANYING THE TABLES).**

**PRINCIPAL STOCKHOLDERS**

The following table sets forth information regarding beneficial ownership of our common stock as of March 13, 2012, by:

- each of our directors;
- each of our Named Executive Officers;
- all of our directors and Named Executive Officers as a group; and
- all other stockholders known by us to beneficially own more than 5% of our outstanding common stock.

Beneficial ownership is determined in accordance with the rules of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of common stock subject to options held by that person that are currently exercisable or exercisable within 60 days of the date that this information is provided, and not subject to repurchase as of that date, are deemed outstanding. These shares, however, are not deemed outstanding for the purposes of computing the percentage ownership of any other person.

Except as indicated in the notes to this table, and subject to applicable community property laws, each stockholder named in the table has sole voting and investment power with respect to the shares shown as beneficially owned by them. Percentage ownership is based on 25,481,882 shares of common stock outstanding on March 13, 2012. Unless otherwise indicated, the address for each of the

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stockholders listed below is c/o True Religion Apparel, Inc., 2263 E. Vernon Avenue, Vernon, California 90058.

<u>Name of Beneficial Owner</u>	<u>Beneficial Ownership</u>	
	<u>Number of Shares (#)</u>	<u>Percent of Total (%)</u>
BlackRock, Inc.(1)	1,911,978	7.50%
Columbia Wanger Asset Management, LLC(2)	1,961,900	7.70%
Robeco Institutional Asset Management(3)	1,373,000	5.39%
The Vanguard Group, Inc.(4)	1,305,546	5.12%
Jeffrey Lubell	509,647	2.00%
Lynne Koplin	117,287	*
Peter F. Collins	202,177	*
Marcello Bottoli(5)	26,248	*
Joseph Coulombe	12,015	*
G. Louis Graziadio, III	23,354	*
Seth R. Johnson	11,810	*
Robert L. Harris, II	13,354	*
Mark S. Maron	23,099	*
Michael Egeck(6)	230,144	*
Executive Officers and Directors as Group	1,169,135	4.59%

\* Denotes less than 1%

- (1) Based on a Schedule 13G/A filed on February 10, 2012 by BlackRock, Inc., whose address is 40 East 52<sup>nd</sup> Street, New York, NY 10022.
- (2) Based on a Schedule 13G/A filed on February 10, 2012 by Columbia Wanger Asset Management, LLC, whose address is 227 West Monroe Street, Suite 3000, Chicago, Illinois 60606. The figure reported includes shares held by Columbia Acorn Trust, a Massachusetts business trust that is advised by Columbia Wanger Asset Management, LLC. Columbia Acorn Trust holds approximately 6.5% of the total outstanding shares of the Company's common stock.
- (3) Based on Schedule 13G filed on February 10, 2012 by Robeco Institutional Asset Management (RIAM BV), whose address is Coolensingel 120, 3011 AG Rotterdam, The Netherlands.
- (4) Based on a Schedule 13G filed on February 9, 2012 by The Vanguard Group, Inc., whose address is 100 Vanguard Blvd., Malvern, PA 19355. The figure reported includes shares held by Vanguard Fiduciary Trust Company, which is a wholly-owned subsidiary of The Vanguard Group, Inc. Vanguard Fiduciary Trust Company holds approximately 0.13% of the total outstanding shares of the Company's common stock.
- (5) Includes 7,500 shares held by a grantor trust of which Mr. Bottoli and his minor children are beneficiaries.
- (6) Mr. Egeck left his position as President of the Company in September 2011. Based on the last Form 4 filed by Mr. Egeck on June 13, 2011.

### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act requires our directors, officers (including a person performing a principal policy making function) and persons who own more than 10% of a registered class of our equity securities to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock and other equity securities of ours. Directors, officers and 10% holders are required by SEC's regulations to send us copies of all of the Section 16(a) reports they file. Based

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solely upon a review of the copies of the forms sent to us and the representations made by the reporting persons to us, other than as described below, we believe that during the year ended December 31, 2011, our directors, officers and 10% holders complied with all filing requirements under Section 16(a) of the Exchange Act.

Mr. Egeck filed a late Form 4 on June 13, 2011, to report the disposition of shares of common stock to pay the withholding tax in connection with the vesting of restricted shares on June 4, 2011.

ON BEHALF OF THE BOARD OF DIRECTORS

A handwritten signature in black ink that reads "Peter Collins". The signature is written in a cursive, flowing style.

*Peter F. Collins*  
*Chief Financial Officer and Assistant Secretary*

March 27, 2012  
2263 E. Vernon Avenue  
Vernon, California 90058

**ANNUAL MEETING OF STOCKHOLDERS  
OF  
TRUE RELIGION APPAREL, INC.**

**April 25, 2012**

**NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIAL**

The Notice of Meeting, proxy statement and proxy card are available at <http://investor.truereligionbrandjeans.com>.

Please sign, date and mail your proxy card in the envelope provided as soon as possible.

Please detach along perforated line and mail in the envelope provided.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" EACH OF THE PROPOSALS LISTED BELOW. PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE**

1. To elect directors to hold office until the 2013 annual meeting of stockholders or until their successors are elected.

FOR ALL NOMINEES LISTED

WITHHOLD AUTHORITY FOR ALL NOMINEES

FOR ALL EXCEPT (see instructions below)

**NOMINEES:**

Jeffrey Lubell

Joseph Coulombe

Robert L. Harris, II

Mark S. Maron

Marcello Bottoli

G. Louis Graziadio, III

Seth R. Johnson

**INSTRUCTIONS:** To withhold authority to vote for any individual nominee(s), mark "FOR ALL EXCEPT" and mark the box next to each nominee you wish to withhold, as shown here:

2. To ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the year ending December 31, 2012.  FOR  AGAINST  ABSTAIN

3. An advisory vote approving the compensation of our named executive officers.  FOR  AGAINST  ABSTAIN

The undersigned hereby revokes any other proxy to vote at the Annual Meeting, and hereby ratifies and confirms all that said attorneys and proxies, and each of them, may lawfully do by virtue hereof. With respect to matters not known at the time of the solicitation hereof, said proxies are authorized to vote in accordance with their best judgment.

**THE UNDERSIGNED HEREBY ACKNOWLEDGES RECEIPT OF (A) NOTICE OF ANNUAL MEETING OF STOCKHOLDERS TO BE HELD APRIL 25, 2012, (B) THE ACCOMPANYING PROXY STATEMENT AND (C) THE ANNUAL REPORT OF THE COMPANY FOR THE YEAR ENDED DECEMBER 31, 2011.**

**THIS PROXY WILL BE VOTED AS SPECIFIED, OR, IF NO CHOICE IS SPECIFIED, WILL BE VOTED "FOR" THE SEVEN NOMINEES FOR ELECTION TO THE BOARD OF DIRECTORS LISTED ABOVE, AND "FOR" PROPOSAL 2 AND PROPOSAL 3. IF ANY OTHER BUSINESS IS PRESENTED AT THE ANNUAL MEETING, THIS PROXY CONFERS AUTHORITY TO AND SHALL BE VOTED IN ACCORDANCE WITH THE RECOMMENDATIONS OF THE PROXIES.**

**STOCKHOLDERS ARE URGED TO MARK, DATE, SIGN AND RETURN THIS PROXY IN THE ENVELOPE PROVIDED, WHICH REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES.**

Signature of Stockholder \_\_\_\_\_ Date \_\_\_\_\_ Signature of Stockholder \_\_\_\_\_ Date \_\_\_\_\_

**Note:** Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

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**FORM OF PROXY CARD**

**TRUE RELIGION APPAREL, INC.**

**PROXY FOR ANNUAL MEETING OF STOCKHOLDERS ON APRIL 25, 2012**

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

The undersigned hereby appoints Lynne Koplín and Peter F. Collins, or either of them, each with full power of substitution, as proxies of the undersigned to attend the Annual Meeting of Stockholders of True Religion Apparel, Inc. to be held on Wednesday, April 25, 2012 at 9:00 a.m. local time, and at any adjournment or postponement thereof, and to vote the number of shares the undersigned would be entitled to vote if personally present as indicated on the reverse side.

**(Continued and to be signed on the reverse side.)**

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