

Francesca's Holdings CORP
Form DEF 14A
May 24, 2013

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

SCHEDULE 14A

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

Filed by the Registrant ☒ ☐
Filed by a Party other than the Registrant ☐ ☐
Check the appropriate box:

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

FRANCESCA S HOLDINGS CORPORATION

(Name of Registrant as Specified In Its Charter)

(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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(2) Aggregate number of securities to which transaction applies:

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

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

☐ Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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Francesca's Holdings Corporation
8760 Clay Road
Houston, Texas 77080

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held On July 9, 2013
10:00 a.m., Central Time

To the Stockholders of Francesca's Holding Corporation:

Notice is hereby given that the 2013 annual meeting of stockholders (the Annual Meeting) of Francesca's Holding Corporation (the Company) will be held at 8760 Clay Road, Houston, Texas 77080 on Tuesday, July 9, 2013, at 10:00 a.m., Central Time, for the following purposes:

- To elect to the Board of Directors of the Company the three (3) nominees named in the attached Proxy Statement
- (1) to serve until the Company's 2016 annual meeting of stockholders and until their successors are duly elected and qualified;
 - (2) To ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending February 1, 2014; and
 - (3) To transact such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

Only stockholders of record of the Company's common stock as of the close of business on May 10, 2013 are entitled to notice of, and to vote at, the Annual Meeting and any postponements or adjournments thereof.

You are cordially invited to attend the Annual Meeting in person. **Your vote is important to us. Whether or not you expect to attend the Annual Meeting, please date, sign and mail the enclosed proxy card or submit your proxy using the internet or telephone as soon as possible. If you attend the Annual Meeting and vote in person, your proxy will not be used.**

By Order of the Board of Directors,

Kal Malik
Secretary

Houston, Texas
May 24, 2013

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS
FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON JULY 9, 2013.**

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The Proxy Statement and the Annual Report to Stockholders are available at
<http://materials.proxyvote.com/351793>

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FRANCESCA S HOLDINGS CORPORATION
8760 Clay Road
Houston, Texas 77080

PROXY STATEMENT
FOR 2013 ANNUAL MEETING OF STOCKHOLDERS

IMPORTANT NOTICE REGARDING INTERNET
AVAILABILITY OF PROXY MATERIALS

We encourage you to vote by internet or telephone, or complete, sign and return your proxy prior to the meeting even if you plan to attend. After you vote, you may confirm that your shares were voted in accordance with your instructions. Immediately following the below company overview is a question and answer section that provides information about how to vote your shares and how to confirm your vote.

This Proxy Statement and our annual report to stockholders (the 2012 Annual Report) are first being mailed to the Company s stockholders and will be made available on the internet at <http://investors.francescas.com> or at <http://materials.proxyvote.com/351793> on or about May 24, 2013.

COMPANY OVERVIEW

Francesca s Holdings Corporation (the Company) is a holding company and all of our business operations are conducted through our wholly-owned indirect subsidiary, Francesca s Collections, Inc., a corporation formed and existing under the laws of the State of Texas.

francesca s® is a growing specialty retailer with retail locations designed and merchandised to feel like independently owned, upscale boutiques providing customers a fun and differentiated shopping experience. The merchandise assortment is a diverse and balanced mix of apparel, jewelry, accessories and gifts. Today francesca s® operates 421 boutiques in 44 states and also serves its customers through www.francescas.com.

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GENERAL INFORMATION ABOUT THE PROXY MATERIALS AND THE ANNUAL MEETING

Q: Why did I receive only a Notice of Internet Availability of Proxy Materials?

As permitted by the Securities and Exchange Commission (the "SEC"), the Company is furnishing to stockholders its notice of the Annual Meeting (the "Notice"), this Proxy Statement and the 2012 Annual Report primarily over the internet. On or about May 24, 2013, we mailed to each of our stockholders (other than those who previously requested electronic delivery or to whom we are mailing a paper copy) a Notice of Internet Availability of Proxy Materials (the "Notice of Internet Availability") containing instructions on how to access and review the proxy materials via the internet and how to submit a proxy electronically using the internet. The Notice of Internet Availability also contains instructions on how to receive, free of charge, paper copies of the proxy materials. If you received the Notice of Internet Availability, you will not receive a paper copy of the proxy materials unless you request one.

We believe the delivery options that we have chosen will allow us to provide our stockholders with the proxy materials they need, while minimizing the cost of the delivery of the materials and the environmental impact of printing and mailing printed copies.

Q: What items will be voted on at the Annual Meeting?

A: The items of business scheduled to be voted on at the Annual Meeting are:

The election to the Board of Directors of the three (3) nominees named in this Proxy Statement to serve as Class II Directors until the 2016 annual meeting of stockholders and until their successors are duly elected and qualified (Proposal No. 1); and

The ratification of the appointment of Ernst & Young LLP ("E&Y") as the Company's independent registered public accounting firm for the fiscal year ending February 1, 2014 (Proposal No. 2).

We will also consider any other business that properly comes before the Annual Meeting or any adjournments or postponements thereof. See **How will voting on any other business be conducted?** below.

Q: How does the Board of Directors recommend I vote on these items?

A: The Board of Directors recommends that you vote your shares:

FOR the election to the Board of Directors of the following nominees: Mr. Richard Emmett, Mr. Richard Kunes and Mr. Richard Zannino (Proposal No. 1); and

FOR the ratification of the appointment of E&Y as our independent registered public accounting firm for the fiscal year ending February 1, 2014 (Proposal No. 2).

Q: Who can attend the Annual Meeting?

Subject to space availability, all holders of our common stock as of the record date for the Annual Meeting, which is May 10, 2013, or their duly appointed proxies, may attend the meeting. Admission to the meeting will be on a first-come, first-served basis. Registration will begin at 9:30 a.m. If you attend, please note that you may be asked to present valid photo identification, such as a driver's license or passport. Cameras, recording devices and other electronic devices will not be permitted at the meeting. Please also note that if you hold your shares in "street name" (that is, through a broker or other nominee), you will need to bring a copy of a brokerage statement reflecting your stock ownership as of the record date and check in at the registration desk at the meeting.

Q: Who is entitled to vote at the Annual Meeting?

A: The record date for the Annual Meeting is May 10, 2013. Stockholders of record of the Company's common stock as of the close of business on the record date are entitled to vote at the Annual Meeting.

Q: How many shares are eligible to vote at the Annual Meeting?

A:

As of the close of business on the record date of May 10, 2013, there were 44,023,026 shares of the Company's common stock outstanding and eligible to vote at the Annual Meeting. There is no other class of voting securities outstanding. Each share of common stock entitles its holder to one vote at the Annual Meeting.

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Q: What is the difference between a stockholder of record and a stockholder who holds stock in street name?

Stockholders of Record. If your shares are registered in your name with our transfer agent, Registrar and Transfer Agent, you are a shareholder of record with respect to those shares and the Notice of Internet Availability or the proxy materials were sent directly to you by Broadridge Financial Solutions.

Street Name Holders. If you hold your shares in an account at a bank, broker or other nominee, then you are the beneficial owner of shares held in street name. The Notice of Internet Availability or proxy materials were forwarded to you by your bank or broker, who is considered the shareholder of record for purposes of voting at the Annual Meeting. As a beneficial owner, you have the right to direct your bank or broker on how to vote the shares held in your account.

Q: What options are available to me to vote my shares?

Whether you hold shares directly as the stockholder of record or through a bank, broker or other nominee (that is, in street name), your shares may be voted at the Annual Meeting by following any of the voting options available to you below:

You may vote via the Internet.

- (1) If you received a Notice of Internet Availability by mail, you can submit your proxy or voting instructions over the internet by following the instructions provided in the Notice of Internet Availability;
- (2) If you received a Notice of Internet Availability or proxy materials by email, you may submit your proxy or voting instructions over the internet by following the instructions included in the email; or
- (3) If you received a printed set of the proxy materials by mail, including a paper copy of the proxy card or voting instruction form, you may submit your proxy or voting instructions over the internet by following the instructions on the proxy card or voting instruction form.

You may vote via the telephone.

- If you are a stockholder of record, you can submit your proxy by calling the telephone number specified on the paper copy of the proxy card you received if you received a printed set of the proxy materials. You must have the control number that appears on your proxy card available when submitting your proxy over the telephone.
- (2) Most stockholders who hold their shares in street name may submit voting instructions by calling the number specified on the paper copy of the voting instruction form provided by their bank, broker or other nominee. Those stockholders should check the voting instruction form for telephone voting availability.

You may vote in person at the meeting.

- (1) All stockholders of record may vote in person at the Annual Meeting. Written ballots will be passed out to anyone who wants to vote at the meeting.
- (2) If you are the beneficial owner of shares held in street name, you may not vote your shares at the Annual Meeting unless you obtain a legal proxy, as described below, giving you the right to vote the shares at the meeting.

You may vote by mail. If you received a printed set of the proxy materials, you can submit your proxy or voting instructions by completing and signing the separate proxy card or voting instruction form you received and mailing it in the accompanying prepaid and addressed envelope.

Even if you plan to attend the Annual Meeting, we recommend that you submit your proxy or voting instructions in advance to authorize the voting of your shares at the Annual Meeting to ensure that your vote will be counted if you later are unable to attend.

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Q: How can I vote at the Annual Meeting if I own shares in street name?

A: If you are a street name holder, you may not vote your shares at the Annual Meeting unless you obtain a legal proxy from your bank, broker or other nominee. A legal proxy is a bank's or broker's authorization for you to vote the shares it holds in its name on your behalf. To obtain a legal proxy, please contact your bank or broker for further information.

Q: What is the deadline for voting my shares?

A: If you are a stockholder of record, your proxy must be received by telephone or the internet by 11:59 p.m. Eastern Time on July 8, 2013 in order for your shares to be voted at the Annual Meeting. However, if you are a stockholder of record and you received a copy of the proxy materials by mail, you may instead mark, sign, date and return the proxy card you received and return it in the accompanying prepaid and addressed envelope so that it is received by the Company before the Annual Meeting in order for your shares to be voted at the Annual Meeting. If you hold your shares in street name, please provide your voting instructions by the deadline specified by the bank, broker or other nominee who holds your shares.

Q: Once I have submitted my proxy, is it possible for me to change or revoke my proxy?

A: Yes. Any stockholder of record has the power to change or revoke a previously submitted proxy at any time before it is voted at the Annual Meeting by:

Submitting to our Corporate Secretary, before the voting at the Annual Meeting, a written notice of revocation bearing a later date than the proxy;

Properly submitting a proxy on a later date prior to the deadlines specified in **What is the deadline for voting my shares?** above (only the last proxy submitted by a stockholder via Internet, telephone or mail will be counted); or Attending the Annual Meeting and voting in person; however, attendance at the Annual Meeting will not by itself constitute a revocation of a proxy.

For shares held in street name, you may revoke any previous voting instructions by submitting new voting instructions to the bank, broker or nominee holding your shares by the deadline for voting specified in the voting instructions provided by your bank, broker or nominee. Alternatively, if your shares are held in street name and you have obtained a legal proxy from the bank, broker or nominee, giving you the right to vote the shares at the Annual Meeting, you may revoke any previous voting instructions by attending the Annual Meeting and voting in person.

Q: How is a quorum determined?

A: A quorum refers to the number of shares that must be in attendance at an annual meeting of stockholders to lawfully conduct business. The representation, in person or by proxy, of holders entitled to cast a majority of all of the votes entitled to be cast at the Annual Meeting constitutes a quorum at the meeting. Your shares will be counted for purposes of determining whether a quorum exists for the Annual Meeting if you returned a signed and dated proxy card or voting instruction form, if you submitted a proxy or voting instructions by telephone or the Internet, or if you vote in person at the Annual Meeting, even if you abstain from voting on any of the proposals. In addition, if you are a street name holder, your shares may also be counted for purposes of determining whether a quorum exists for the Annual Meeting even if you do not submit voting instructions to your broker. See **How will votes be counted at the Annual Meeting?** below.

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Q: What is required to approve each proposal at the Annual Meeting?

Election of Directors (Proposal No. 1). The Amended and Restated Bylaws of the Company (the "Bylaws") provide for a plurality voting standard for the election of directors. Under this voting standard, once a quorum has been established, the three nominees receiving the highest number of affirmative votes of the shares entitled to be voted A: for directors will be elected as Class II directors to serve until the 2016 annual meeting of stockholders and until their successors are duly elected and qualified. Votes withheld shall have no legal effect. The voting standard is discussed further under the section entitled "Election of Directors (Proposal No. 1) Plurality Voting Standard." Stockholders are not permitted to cumulate their shares for the purpose of electing directors.

Appointment of Independent Registered Public Accounting Firm (Proposal No. 2). Once a quorum has been established, pursuant to the Bylaws, approval of the ratification of the appointment of E&Y as our independent registered public accounting firm for the fiscal year ending February 1, 2014 requires the affirmative vote of a majority of all of the votes cast on this item at the meeting. Notwithstanding this vote standard required by the Bylaws, Proposal No. 2 is advisory only and is not binding on the Company.

Q: How will votes be counted at the Annual Meeting?

In the election of directors (Proposal No. 1), you may vote FOR or WITHHOLD with respect to each of the director A: nominees. For the proposal to ratify the appointment of E&Y as our independent registered public accounting firm for the fiscal year ending February 1, 2014 (Proposal No. 2), you may vote FOR, AGAINST or ABSTAIN.

With respect to Proposal No. 1, abstentions will not be counted as a vote cast on the election of any of the director nominees and therefore will not be counted in determining the outcome of any of the directors' election. With respect to Proposal No. 2, abstentions have the same effect as votes AGAINST the matter.

If you hold your shares in street name through a brokerage account and you do not submit voting instructions to your broker, your broker may generally vote your shares in its discretion on routine matters. However, a broker cannot vote shares held in street name on non-routine matters unless the broker receives voting instructions from the beneficial holder. Proposal No. 2 is considered routine under applicable rules, while Proposal No. 1 is considered non-routine.

Accordingly, if you hold your shares in street name through a brokerage account and you do not submit voting instructions to your broker, your broker may exercise its discretion to vote your shares on Proposal No. 2, but will not be permitted to vote your shares on Proposal No. 1 at the Annual Meeting. If your broker exercises this discretion, your shares will be counted as present for the purpose of determining the presence of a quorum at the Annual Meeting and will be voted on Proposal No. 2 in the manner directed by your broker, but your shares will constitute "broker non-votes" for purposes of Proposal No. 1 at the Annual Meeting. Broker non-votes will not be counted as a vote cast for Proposal No. 1 and therefore will not be counted in determining the outcome of such proposal.

Q: How will my shares be voted if I do not give specific voting instructions in the proxy or voting instructions I submit?

If you properly submit a proxy or voting instructions but do not indicate your specific voting instructions on one or A: more of the items listed above in the notice of meeting, your shares will be voted as recommended by the Board of Directors on those items. See **How does the Board of Directors recommend I vote on these items?** above.

Q: How will voting on any other business be conducted?

Although the Board of Directors does not know of any business to be considered at the Annual Meeting other than the items described in this Proxy Statement, if any other business properly comes before the Annual Meeting, A: a stockholder's properly submitted proxy gives authority to the proxy holders to vote on those matters in their discretion.

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Q: Who will bear the costs of the solicitation of proxies?

The cost of preparing the Notice of Annual Meeting, this Proxy Statement, the Notice of Internet Availability and the form of proxy, the cost of making such materials available on the internet and the cost of soliciting proxies will be paid by the Company. In addition to solicitation by mail, certain officers, regular employees and directors of the Company, without receiving any additional compensation, may solicit proxies personally or by telephone. The Company will request brokerage houses, banks and other custodians or nominees holding stock in their names for others to forward proxy materials to their customers or principals who are the beneficial owners of shares of our common stock and will reimburse them for their expenses in doing so.

Q: Where can I find the voting results of the Annual Meeting?

A: We intend to announce preliminary voting results at the Annual Meeting and disclose final voting results in a Current Report on Form 8-K to be filed with the SEC within four business days following the Annual Meeting.

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SECURITY OWNERSHIP OF PRINCIPAL STOCKHOLDERS AND MANAGEMENT

The following table sets forth certain information regarding the beneficial ownership of the Company's common stock as of May 10, 2013 for the following: (i) each of the Company's directors and each executive officer of the Company identified as a named executive officer in this Proxy Statement, (ii) all persons who are directors and executive officers of the Company as a group and (iii) any person who is known by the Company to be the beneficial owner of more than 5% of the Company's outstanding common stock. Except as set forth in the footnotes below, this table is based on information supplied to us by our executive officers, directors and principal stockholders or included in a Schedule 13G filed with the SEC.

To our knowledge, except as set forth in the footnotes below, each stockholder identified in the table possesses sole voting and investment power with respect to all shares of our common stock shown as beneficially owned by that stockholder. Unless otherwise indicated, the address for each person named in the table below is c/o Francesca's Holdings Corporation, 8760 Clay Road, Houston, Texas 77080.

Name of Beneficial Owner	Shares Beneficially Owned ⁽¹⁾	Percent of Shares ⁽¹⁾
Directors and Named Executive Officers:		
Sei Jin Alt ⁽²⁾	32,000	*
Theresa Backes ⁽³⁾	181,031	*
Neill Davis	68,000	*
Kal Malik ⁽⁴⁾	102,175	*
Mark Vendetti		
John De Meritt ⁽⁵⁾	1,459,583	3.3 %
Gene Morphis ⁽⁶⁾	17,626	*
Cynthia Thomassee ⁽⁷⁾	36,000	*
Patricia Bender	3,906	*
Greg Brenneman		
Richard Emmett ⁽⁸⁾	34,000	*
Richard Kunes		
Laurie Ann Goldman		
Joseph O'Leary		
Marie Toulantis	2,000	*
Richard Zannino		
All persons who are directors and executive officers of the Company as a group (13 persons, each of whom is named above) ⁽⁹⁾	459,112	*
5% Stockholders:		
FMR LLC ⁽¹⁰⁾		
89 Devonshire Street	5,722,823	13.05 %
Boston, Massachusetts 02109		
Wellington Company Management, LLP ⁽¹¹⁾		
280 Congress Street	3,589,729	8.19 %
Boston, Massachusetts 02210		

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AllianceBernstein LP ⁽¹²⁾		
1345 Avenue of the Americas	3,499,014	8.00 %
New York, New York 10105		
T. Rowe Price Associates, Inc. ⁽¹³⁾		
1345 Avenue of the Americas	4,638,859	10.50 %
New York, New York 10105		

*

Less than 1.0%

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We have determined beneficial ownership in the table in accordance with SEC rules and regulations. These rules generally provide that a person is the beneficial owner of securities if such person has or shares the power to vote or direct the voting thereof, or to dispose or direct the disposition thereof or has the right to acquire such powers within 60 days. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we have deemed shares of our common stock subject to options held by that person that are

- (1) currently exercisable or will become exercisable within 60 days of May 10, 2013 to be outstanding, but we have not deemed these shares to be outstanding for computing the percentage ownership of any other person. Our calculation of the percentage of beneficial ownership is based on 44,023,026 shares of our common stock outstanding as of May 10, 2013. Except as indicated in the footnotes to this table and pursuant to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all shares of common stock beneficially owned.
- (2) Includes 16,000 shares of our common stock issuable pursuant to the exercise of stock options.
- (3) Includes 181,031 shares of our common stock issuable pursuant to the exercise of stock options.
- (4) Includes 42,583 shares of our common stock issuable pursuant to the exercise of stock options.
- (5) Includes 949,583 shares of our common stock issuable pursuant to the exercise of stock options. Mr. De Meritt resigned from the Company and as a member of the Company's Board of Directors effective December 31, 2012. Mr. Morphis served as the Company's Chief Financial Officer until May 13, 2012. Beneficial ownership information is based on information contained in the last Form 4 filed by Mr. Morphis with the SEC prior to May
- (6) 13, 2012, adjusted to give effect to subsequent transactions through May 10, 2013 of which we are aware in connection with employment-related equity awards.
- (7) Includes 23,500 shares of our common stock issuable pursuant to the exercise of stock options.
- (8) Includes 24,000 shares of our common stock issuable pursuant to the exercise of stock options.
- (9) Includes 287,114 shares of our common stock issuable pursuant to the exercise of stock options.
- Beneficial ownership information is based on information contained in the Schedule 13G/A filed with the SEC on
- (10) February 14, 2013 by FMR LLC and is as of December 31, 2012. The Schedule 13G/A states that FMR LLC has sole voting power and sole dispositive power over all of its shares.
- Beneficial ownership information is based on information contained in the Schedule 13G filed with the SEC on
- (11) February 14, 2013 by Wellington Company Management, LLP and is as of December 31, 2012. The Schedule 13G states that Wellington Company Management, LLP has shared dispositive power over all of its 3,589,729 shares.
- Beneficial ownership information is based on information contained in the Schedule 13G filed with the SEC on
- (12) February 13, 2013 by AllianceBernstein LP and is as of December 31, 2012. The Schedule 13G states that AllianceBernstein LP has sole voting power and sole dispositive power over 3,409,994 shares and shared dispositive power over 89,020 shares.
- Beneficial ownership information is based on information contained in the Schedule 13G/A filed with the SEC on
- (13) February 7, 2013 by T. Rowe Price Associates, Inc. and is as of December 31, 2012. The Schedule 13G/A states that T. Rowe Price Associates, Inc. has sole voting power and sole dispositive power over all of its shares.

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BOARD OF DIRECTORS AND EXECUTIVE OFFICERS

Directors of the Company

Set forth below is a brief biographical description of each of our directors who we expect to continue to serve on our Board of Directors following the Annual Meeting, of which Mr. Emmett, Mr. Kunes and Mr. Zannino have been nominated for election to the Board of Directors as Class II directors at the Annual Meeting. The key experience, qualifications and skills that are important for persons who serve on the Company's Board of Directors in light of its business and structure include: independence (with respect to independent directors); adherence to ethical standards; the ability to exercise sound business judgment; substantial business or professional experience and the ability to offer our management meaningful advice and guidance based on that experience; ability to devote sufficient time and effort to his or her duties as a director; and any other criteria established by our Board of Directors together with any core competencies or technical expertise necessary for our committees. We believe that each director possesses these qualities and has demonstrated business acumen and an ability to exercise sound judgment, as well as a commitment of service to us and to our Board of Directors. The specific experiences, qualifications and skills that led to the conclusion that each of our directors is qualified to serve on the Board of Directors is also included in the biographical description for each director provided below.

Greg Brenneman. Mr. Brenneman, 51, has served as a member of our Board of Directors since February 2010 and is the Chairman of our Board of Directors. Mr. Brenneman is the Chairman of CCMP and a member of its investment committee. Prior to joining CCMP in October 2008, Mr. Brenneman served as Chief Executive Officer of Quiznos from January 2007 until September 2008 and as President of Quiznos from January 2007 until November 2007. He also served as Executive Chairman of Quiznos from 2008 to 2009. Mr. Brenneman currently serves on the board of directors of The Home Depot, Inc. and Automatic Data Processing, Inc. Mr. Brenneman's many years of experience working as a director and a chief executive officer of several private and public companies allows him to provide significant business, leadership and management advice to the Board of Directors.

Patricia Bender. Ms. Bender, 59, has served as a member of our Board of Directors since October 2011. Ms. Bender has served as Executive Vice President and Director of Leasing at Weingarten Realty Investors since 2005. Ms. Bender has also served in various other managerial positions at Weingarten Realty since 1982. Ms. Bender is a member of the Board of Directors of Uptown Houston and Vice President of National Charity League, Houston Hearts Chapter. Also, Ms. Bender is an adjunct professor in the Jones School at Rice University. Ms. Bender brings commercial real estate expertise and a perspective on successful growth of specialty retail concepts to the Board of Directors.

Neill Davis. Mr. Davis, 56, has served as a member of our Board of Directors since May 2007. In August 2012, he was appointed as our President, a position he held until January 2013 when he was appointed as our Chief Executive Officer. Prior to joining the Company, Mr. Davis held various positions at Men's Wearhouse, most recently as Executive Vice President and Chief Financial Officer, a position he held from March 2002 to July 2012. From May 1997 to February 2002, he was Vice President and Treasurer at Men's Wearhouse, Inc. Mr. Davis's position as our Chief Executive Officer enables him to bring his in-depth knowledge of the Company and its operations and business to the Board of Directors and his experience as a treasurer and a chief financial officer at a large retail apparel company provide valuable insight to the Board of Directors, particularly as it relates to financial matters and the retail apparel industry.

Richard Emmett. Mr. Emmett, 57, has served as a member of our Board of Directors since November 2009. Mr.

Emmett was named Senior Vice President, General Counsel and Secretary of Dunkin Brands in 2009. Prior to joining Dunkin Brands, Mr. Emmett served as Executive Vice President, Chief Legal Officer and Secretary of Quiznos from May 2007 to April 2009. Mr. Emmett also served as a member of the Quiznos leadership team and worked a wide array of issues ranging from the development of the overall business strategy to managing U.S. and international franchise relations. Mr. Emmett has over twenty years of experience serving as in-house legal counsel for various large corporations, allowing him to provide valuable insights and advice to the Board of Directors, particularly as it pertains to legal matters.

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Laurie Ann Goldman. Laurie Ann Goldman, 51, has served as a member of our Board of Directors since April 2013. Ms. Goldman currently serves as Chief Executive Officer of Spanx, Inc., a position that she has held since 2002. Ms. Goldman currently serves on the Advisory Board of Suntrust Banks, Inc. Ms. Goldman brings significant brand management and multi-channel experience to the Board of Directors.

Richard Kunes. Mr. Kunes, 60, has served as a member of our Board of Directors since February 2013. Mr. Kunes has served as Executive Vice President & Senior Advisor to the Chief Executive Officer at The Estée Lauder Companies, Inc. (Estée Lauder) since August 2012. Prior to such time, Mr. Kunes served for twelve years as Executive Vice President and Chief Financial Officer at Estée Lauder, as well as holding several other financial management positions with Estée Lauder, including Corporate Controller. Mr. Kunes brings extensive financial, statistic and operative leadership experience to the Board of Directors.

Joseph O Leary. Mr. O Leary, 54, has served as a member of our Board of Directors since April 2013. Mr. O Leary has served as Executive Vice President, Merchandising, Marketing, Supply Chain and Strategic Planning at PetSmart, Inc. since January 2011, and served as Senior Vice President, Merchandising and Supply Chain from October 2008 through January 2011 and as Senior Vice President, Supply Chain from 2006 through September 2008. Before joining PetSmart, Mr. O Leary served as Chief Operating Officer of Human Touch, LLC from 2005 to 2006. Mr. O Leary brings extensive supply chain and logistics experience to the Board of Directors.

Marie Toulantis. Ms. Toulantis, 59, has served as a member of our Board of Directors since July 2012. Ms. Toulantis served as Interim Vice President of University Relations of Pace University from November 2011 to August 2012. Prior to joining Pace University in November 2011, Ms. Toulantis was Chief Executive Officer of Barnes & Noble.com from February 2002 to August 2008, and Chief Financial Officer from April 1999 to February 2002. Ms. Toulantis currently serves on the Board of Trustees of Pace University. Ms. Toulantis brings significant e-commerce, marketing and finance experience and perspective to our Board of Directors.

Richard Zannino. Mr. Zannino, 54, has served as a member of our Board of Directors since February 2010. Mr. Zannino is a managing director of CCMP and a member of its investment committee. Prior to joining CCMP in 2009, Mr. Zannino was Chief Executive Officer and a member of the board of directors of Dow Jones & Company. He joined Dow Jones as Executive Vice President and Chief Financial Officer in February 2001 and was promoted to Chief Operating Officer in July 2002 and then to Chief Executive Officer and Director in February 2006. Mr. Zannino is currently a member of the board of directors of IAC, Estee Lauder and Infogroup and is a trustee of Pace University. Mr. Zannino's past leadership experience, knowledge of operations, as well as his extensive operating and financial experience in the retail industry, allow him to provide valuable business and leadership advice to the Board of Directors.

Executive Officers of the Company

The following sets forth biographical information regarding our executive officers, other than Mr. Davis, whose biographical information is set forth above.

Theresa Backes. Ms. Backes, 55, has served as our Chief Operating Officer since 2007 and our President since January 2013. Prior to joining the Company, from 2004 to 2007, Ms. Backes was the Vice President, Store Operations of David's Bridal.

Kal Malik. Mr. Malik, 52, has served as our General Counsel since October 2009 and our Chief Administrative Officer since December 2012. Prior to joining the Company, Mr. Malik was an attorney in private practice from

August 2007 through September 2009 as a partner (of counsel during 2009) at the law firm of Condon Thornton
Harrell Malik LLP.

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Sei Jin Alt. Ms. Alt, 41, has served as our Chief Merchandising Officer since January 2012. From June 2010 to December 2011, Ms. Alt served as the Company's Vice President of Merchandising. Prior to joining the Company, from 2006 to 2010, Ms. Alt served as Divisional Vice President of Accessories at JC Penney.

Mark Vendetti. Mr. Vendetti, 51, has served as our Chief Financial Officer since March 2013. Prior to joining the Company, Mr. Vendetti served as Vice President of Finance for Abercrombie and Fitch from October 2009 to January 2013, where his duties included serving as Chief Financial Officer of the Direct-to-Consumer business and managing the business's financial planning and analysis. Prior to such time, Mr. Vendetti served as Senior Vice President, Corporate Finance for XM Satellite Radio, where he was responsible for finance, planning and analysis, and treasury, from May 2005 to September 2008.

There are no family relationships among any of our directors or executive officers.

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CORPORATE GOVERNANCE

Board Composition

Our business and affairs are managed under the direction of our Board of Directors. Our Board of Directors currently consists of nine members. Our Bylaws provide that, subject to any rights applicable to any then outstanding preferred stock, our Board of Directors will consist of a number of directors to be fixed from time to time by resolution adopted by the affirmative vote of a majority of the total directors then in office.

Our certificate of incorporation and Bylaws provide for a staggered, or classified, Board of Directors consisting of three classes of directors, each serving a staggered three-year term and with one class being elected at each year's annual meeting of stockholders as follows:

the Class I directors are Mr. O'Leary and Messrs. Toulantis and Bender and their terms expire at the annual meeting of stockholders to be held in 2015;

the Class II directors are Messrs. Emmett, Kunes and Zannino and their terms expire at the annual meeting of stockholders to be held in 2013; and

the Class III directors are Messrs. Brenneman and Davis and Ms. Goldman and their terms expire at the annual meeting of stockholders to be held in 2014.

Upon the expiration of the term of a class of directors, directors for that class will be elected for a three-year term at the annual meeting of stockholders in the year in which the term expires. Each director's term is subject to the election and qualification of his or her successor, or his or her earlier death, resignation or removal. Subject to any rights applicable to any then outstanding preferred stock, any vacancies on our Board of Directors may be filled only by the affirmative vote of a majority of the directors then in office. Any increase or decrease in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the directors.

Director Independence

Except for Mr. Davis, all members of our Board of Directors are independent directors and our Board of Directors' Nominating and Corporate Governance Committee is composed entirely of independent directors, as defined under the rules of the NASDAQ Global Select Market (NASDAQ). Our Audit Committee and Compensation Committee are composed entirely of directors that meet the independence requirements of both the Sarbanes-Oxley Act of 2002 and NASDAQ rules.

Our Board of Directors considered each of the transactions described below in making its affirmative determination that each non-employee director is independent pursuant to the NASDAQ rules and the additional standards established by NASDAQ and the SEC for members of the Audit Committee. In each case, our Board of Directors affirmatively determined that, because of the nature of the director's relationship with the entity and/or the amount involved, the relationship did not, or would not, interfere with the director's exercise of independent judgment in carrying out his or her responsibilities as a director.

Transactions in the ordinary course of business with Spanx, Inc., or its applicable subsidiaries, for which Ms. Goldman serves as an executive officer.

Transactions in the ordinary course of business with Weingarten Realty Investors, or its applicable affiliates, for which Ms. Bender serves as Executive Vice President and Director of Leasing.

Committees of the Board of Directors

The standing committees of our Board of Directors include: the Audit Committee, the Compensation Committee, and the Nominating and Corporate Governance Committee. The composition and responsibilities of each standing committee are described below. Members will serve on these committees until their resignation or until otherwise determined by our Board of Directors. In the future, our Board of Directors may establish other committees, as it deems appropriate, to assist with its responsibilities. Current copies of the charters for each of these committees are posted on the Investor Relations section of our website at www.francescas.com.

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Our General Counsel expects to regularly attend meetings of our Board of Directors committees when they are not in executive session, and to report on matters that are not addressed by other officers, and our Chief Financial Officer expects to regularly attend the meetings of the Audit Committee when they are not in executive session. In addition, our directors are encouraged to communicate directly with members of management regarding matters of interest, including matters related to risk, at times when meetings are not being held.

Audit Committee

The Audit Committee currently consists of Ms. Toulantis (Chair), Mr. Emmett and Ms. Bender. Mr. Davis served as Chairman of the Audit Committee until August 2012 when Ms. Toulantis was appointed to the Audit Committee. The Board of Directors has determined that each member of the Audit Committee is an independent director under the NASDAQ independence rules applicable to Audit Committee members. In addition, each member of the Audit Committee is also independent under Rule 10A-3 under the Securities Exchange Act of 1934, as amended (the Exchange Act), and each member satisfies the additional financial literacy requirements of the applicable NASDAQ rules. The Board of Directors has designated one member of the Audit Committee, Ms. Toulantis, as an Audit Committee financial expert as defined by SEC rules.

The Audit Committee is responsible for, among other things:

- selecting and hiring our independent registered public accounting firm and approving the audit and non-audit services to be performed by our independent registered public accounting firm;
- evaluating the qualifications, performance and independence of our independent registered public accounting firm;
- monitoring the integrity of our financial statements and our compliance with legal and regulatory requirements as they relate to financial statements or accounting matters;
- reviewing the adequacy and effectiveness of our internal control policies and procedures;
- preparing the Audit Committee report required by the SEC to be included in our annual proxy statement;
- discussing the scope and results of the audit with the independent registered public accounting firm and reviewing with management and the independent registered public accounting firm our interim and year-end operating results; and
- approving related party transactions.

Compensation Committee

The Compensation Committee currently consists of Mr. Brenneman (Chair), Mr. Emmett and Mr. Zannino. The Board of Directors has determined that each member of the Compensation Committee is an independent director under the applicable NASDAQ rules. The Compensation Committee is responsible for, among other things:

- reviewing and approving compensation of our executive officers, including annual base salary, annual incentive bonuses, specific goals, equity compensation, employment agreements, severance and change-in-control arrangements and any other benefits, compensation or arrangements;
- reviewing and recommending compensation goals, bonus and stock compensation criteria for our employees;
- determining the compensation of our directors;
- reviewing and discussing annually with management our Compensation Discussion and Analysis disclosure required by SEC rules;
- preparing the compensation committee report required by the SEC to be included in our annual proxy statement; and
- administering, reviewing and making recommendations with respect to our equity compensation plans.

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The Compensation Committee is solely responsible for making the final decisions on compensation for our executive officers. However, the Compensation Committee takes into account recommendations of our Chief Executive Officer in determining the compensation (including stock awards) of executive officers other than the Chief Executive Officer. The terms of the compensation for our Chief Executive Officer are recommended by our Compensation Committee and ultimately approved by our Board of Directors. Otherwise, our officers do not have any role in determining the form or amount of compensation paid to our executive officers.

Pursuant to its charter, the Compensation Committee is authorized to retain compensation consultants to assist in the evaluation of compensation to our executive officers. As further described under Executive Compensation Compensation Discussion and Analysis below, the Compensation Committee retained Pearl Meyer & Partners, LLC (Pearl Meyer), an independent compensation consultant, and reviewed with Pearl Meyer a report Pearl Meyer prepared for the Compensation Committee concerning recommendations for our executive compensation program, including recommended base salary, target bonus and equity awards for certain of our executive officers. Pearl Meyer reports only to the Compensation Committee and does not perform services for us, except for executive compensation-related services on behalf of, and as instructed by, the Compensation Committee. All compensation decisions were made solely by our Compensation Committee or Board of Directors. The Compensation Committee has assessed the independence of Pearl Meyer pursuant to SEC rules and concluded that no conflict of interest exists that would prevent Pearl Meyer from serving as an independent consultant to the Compensation Committee.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee currently consists of Mr. Zannino (Chair), Mr. Brenneman and Ms. Bender. Mr. Davis served as a member of the Nominating and Corporate Governance Committee until August 2012, when Ms. Bender was appointed to the Nominating and Corporate Governance Committee. The Board of Directors has determined that each member of the Nominating and Corporate Governance Committee is an independent director under the applicable NASDAQ rules. The Nominating and Corporate Governance Committee is responsible for, among other things:

assisting our Board of Directors in identifying prospective director nominees and recommending nominees for each annual meeting of stockholders to our Board of Directors;
reviewing developments in corporate governance practices and developing and recommending governance principles applicable to our Board of Directors;
overseeing the evaluation of our Board of Directors and management;
reviewing succession planning for our executive officers; and
recommending members for each board committee of our Board of Directors.

Meetings and Attendance

During fiscal 2012, there were ten meetings of the Board of Directors, six meetings of the Audit Committee, five meetings of the Compensation Committee and three meetings of the Nominating and Corporate Governance Committee. Each of our directors attended at least 75% of the aggregate meetings of the Board of Directors and the committees of the Board of Directors on which he or she served during fiscal 2012. Ms. Toulantis, who was appointed to the Board of Directors in July 2012, attended at least 75% of the aggregate meetings of the Board of Directors, and the committees of the Board of Directors on which she served, that were held during the period that she served as a member of the Board of the Directors in fiscal 2012. Messrs. Kunes and O Leary and Ms. Goldman did not attend any meetings of the Board of Directors in fiscal 2012, as they were not appointed to the Board of Directors until February 25, 2013, April 17, 2013 and April 17, 2013, respectively. In addition, the independent directors meet regularly in executive session without the presence of management. Mr. Brenneman, our Non-Executive Chairman, chairs these

executive sessions of the independent directors.

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Our Board of Directors encourages each director to attend the annual meeting of stockholders. All of our directors attended the 2012 annual meeting of stockholders, with the exception of Messrs. Kunes and O'Leary and Ms. Goldman, none of whom were members of our Board of Directors at the time of the 2012 annual meeting of stockholders.

Compensation Committee Interlocks and Insider Participation

During the past fiscal year, Messrs. De Meritt and Davis and Ms. Gill, each an executive officer of the Company during fiscal 2012, served as members of our Board of Directors. Mr. De Meritt and Ms. Gill retired from the Company and as members of the Board of Directors in December 2012 and July 2012, respectively. Mr. Davis, a member of our Board of Directors since May 2007, was appointed as an executive officer of the Company in August 2012. However, none of the executive officers of the Company during fiscal 2012, served on the Compensation Committee, or other committee serving an equivalent function, of any entity that has one or more executive officers who served as members of our Board of Directors or our Compensation Committee. None of the members of our Compensation Committee is an officer or employee of the Company, nor have they ever been an officer or employee of the Company.

Board Leadership Structure and Board's Role in Risk Oversight

Mr. Brenneman, a non-employee, serves as Non-Executive Chairman of our Board of Directors. We support separating the position of Chief Executive Officer and Chairman to allow our Chief Executive Officer to focus on our day-to-day business, while allowing the Chairman to lead our Board of Directors in its fundamental role of providing advice to, and oversight of, management. Our Board of Directors recognizes the time, effort and energy that the Chief Executive Officer is required to devote to his position in the current business environment, as well as the commitment required to serve as our Chairman, particularly as our Board of Directors' oversight responsibilities continue to grow. Our Board of Directors also believes that this structure ensures a greater role for the non-management directors in the oversight of the Company and active participation of the independent directors in setting agendas and establishing priorities and procedures for the work of our Board of Directors.

While our Bylaws do not require that our Chairman and Chief Executive Officer positions be separate, our Board of Directors believes that having separate positions and having a non-employee director serve as Chairman is the appropriate leadership structure for us at this time and demonstrates our commitment to good corporate governance.

Risk is inherent with every business and we face a number of risks as outlined in the Risk Factors section of our 2012 Annual Report. Management is responsible for the day-to-day management of risks we face, while our Board of Directors, as a whole and through its Audit Committee, is responsible for overseeing our management and operations, including overseeing its risk assessment and risk management functions. Our Board of Directors has delegated responsibility for reviewing our policies with respect to risk assessment and risk management to our Audit Committee through its charter. Our Board of Directors has determined that this oversight responsibility can be most efficiently performed by our Audit Committee as part of its overall responsibility for providing independent, objective oversight with respect to our accounting and financial reporting functions, internal and external audit functions and systems of internal controls over financial reporting and legal, ethical and regulatory compliance. Our Audit Committee regularly reports to our Board of Directors with respect to its oversight of these important areas.

Our Board of Directors believes that the processes it has established to administer the Board of Directors' risk oversight function would be effective under a variety of leadership frameworks and therefore do not have a material effect on the Company's leadership structure described above.

Compensation Risk Assessment

We believe that our compensation programs do not encourage unnecessary or excessive risk taking that could have a material adverse effect on the Company. In particular, our Compensation Committee considers, in establishing and reviewing our executive compensation program, whether the program encourages unnecessary or excessive risk taking and has concluded that it does not. The executive compensation program reflects a balanced approach using both quantitative and qualitative assessments of performance without

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putting an undue emphasis on a single performance measure. Base salaries are fixed in amount and thus do not encourage risk taking. While annual incentive bonuses focus on achievement of annual goals, executives' annual bonuses are based on both Company and individual performance criteria as described below and our Compensation Committee retains discretion to reduce bonus amounts otherwise payable based on any factors it deems appropriate. Our Compensation Committee believes that the annual bonus opportunity appropriately balances risk and the desire to focus executives on specific annual goals important to the Company's success.

A substantial portion of compensation provided to our executive officers is in the form of equity awards that further align executives' interests with those of our stockholders. As further described under "Executive Compensation" Compensation Discussion and Analysis below, the majority of the total compensation package opportunity for each of our named executive officers is in the form of stock options that have value only if our stock price appreciates after the date of grant of the award. Our Compensation Committee believes that these equity awards do not encourage unnecessary or excessive risk taking because the ultimate value of the awards is tied to the Company's stock price, and, because grants are subject to long-term vesting schedules and our executives are subject to our stock ownership guidelines outlined below, we believe our executives will have significant value tied to long-term stock price performance.

Director Nomination Process

Identifying and Evaluating Director Nominee Candidates

Candidates may come to the attention of the Nominating and Corporate Governance Committee through current members of the Board of Directors, stockholders or other persons. These candidates are evaluated at regular or special meetings of the Nominating and Corporate Governance Committee. Stockholders wishing to recommend director candidates for consideration by the Nominating and Corporate Governance Committee may do so by writing our Corporate Secretary at 8760 Clay Road, Houston, Texas 77080, who will forward all recommendations to the Nominating and Corporate Governance Committee. Stockholders must submit their recommendations on or before March 14, 2014 for consideration for our next Annual Meeting and provide the following information:

- (a) name of the stockholder, whether an entity or an individual, making the recommendation;
- (b) a written statement disclosing such stockholder's beneficial ownership of the Company's shares;
- (c) name of the individual recommended for consideration as a director nominee;
- (d) a written statement from the stockholder making the recommendation stating why such recommended candidate would be able to fulfill the duties of a director;
- (e) a written statement from the stockholder making the recommendation stating how the recommended candidate meets the independence requirements established by the NASDAQ or any other exchange upon which the securities of the Company are traded;
- (f) a written statement disclosing the recommended candidate's beneficial ownership of the Company's shares;
- (g) a written statement disclosing relationships between the recommended candidate and the Company which may constitute a conflict of interest; and
- (h) any other information as reasonably requested by the Company.

The Nominating and Corporate Governance Committee may consider the following criteria in recommending candidates for election to the Board of Directors:

personal and professional integrity, ethics and values;
no relationships that, in the opinion of our Board of Directors or Nominating and Corporate Governance Committee, would interfere with, or have the appearance of interfering with, the exercise of his or her independent judgment as a

member of our Board of Directors;

experience in the Company's business and the specialty retail industry;

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experience in corporate management, such as serving as an officer or former officer of a publicly held company;
experience as a board member of another publicly held company;
academic expertise in an area of the Company's operations;
willingness and ability to contribute positively to the decision-making process of the Company;
demonstrated ability to exercise sound business judgment;
potential to contribute to the diversity of viewpoints, backgrounds, or experiences of the Board of Directors as a whole; and
diligence and dedication to the success of the Company.

The Nominating and Corporate Governance Committee seeks to recommend candidates that further the objective of having a Board of Directors that encompasses a broad range of talents and expertise and reflects a diversity of background, experience and viewpoints. The Nominating and Corporate Governance Committee does not, however, have a formal policy with regard to the consideration of diversity in identifying candidates for the Board of Directors.

Please note that stockholders who wish to nominate a person for election as a director in connection with an annual meeting of stockholders (as opposed to making a recommendation to the Nominating and Corporate Governance Committee as described above) must deliver written notice to our Corporate Secretary in the manner described in Section 1.12 of our Bylaws.

Code of Conduct and Ethics

Our code of business conduct and ethics applies to all of our employees, officers and directors, including those officers responsible for financial reporting. Our code of business conduct and ethics addresses, among other things, competition and fair dealing, conflicts of interest, financial matters and external reporting, company funds and assets, confidentiality and corporate opportunity requirements and the process for reporting violations of the code of business conduct and ethics, employee misconduct, conflicts of interest or other violations. Our code of business conduct and ethics is available on our website at www.francescas.com. Any amendments to the code, or any waivers of its requirements, will be disclosed on our website.

Stockholder Communications with the Board

Stockholders may send written communications to the Board of Directors or to specified individuals on the Board of Directors, c/o Corporate Secretary at 8760 Clay Road, Houston, Texas 77080. All mail received will be opened and communications that relate to matters that are within the scope of the responsibilities of the Board of Directors, other than solicitations, junk mail and frivolous or inappropriate communications, will be forwarded to the Chairman of the Board of Directors or any specified individual director, as applicable. If the correspondence is addressed to the Board of Directors, the Chairman will distribute it to the other members of the Board of Directors if he determines it is appropriate for the full Board of Directors to review.

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DIRECTOR COMPENSATION

Director Compensation for Fiscal 2012

Compensation for our non-executive directors during fiscal 2012 consisted of an annual retainer, an additional retainer for acting as a Chair of the Audit Committee of our Board of Directors, and were eligible to receive discretionary equity awards. No director is provided any additional fees based on the number of meetings they attend.

For fiscal 2012, Mr. Emmett and Mses. Bender and Toulantis received a \$40,000 annual retainer from us for their services as members of our Board of Directors. Ms. Toulantis also received an additional \$10,000 annual retainer in consideration of her service as the Chair of the Audit Committee of the Board of Directors. Ms. Toulantis joined our Board of Directors in July 2012 and both of her annual retainers described above were prorated accordingly during her first year of service. In fiscal 2012, Mr. Davis received a prorated portion of his \$40,000 annual retainer for his service as a member of our Board of Directors until such time that he became an employee of the Company in August 2012, as further described below.

In connection with her appointment to our Board of Directors, on July 10, 2012 we granted Ms. Toulantis stock options, under the 2011 Francesca's Holdings Equity Incentive Plan (the "2011 Plan"), to purchase 10,000 shares of our common stock at a per-share exercise price of \$29.19, the closing price of our common stock on the date of grant. Subject to her continued service through the applicable vesting date, the grant will vest in substantially equal annual installments on each of the first five anniversaries of the award date. The terms and conditions of the stock option grant are similar to the terms and conditions of the stock options granted to employees generally. For a discussion of the 2011 Plan and the terms and conditions of stock options granted thereunder, please see the narrative following the

Grants of Plan-Based Awards During Fiscal Year 2012 table under the heading, "Equity Incentive Plan Awards", below. Equity grants to members of our Board of Directors during fiscal 2012 were determined at the discretion of our Board of Directors.

We entered into indemnification agreements with all our directors upon completion of our initial public offering ("IPO") or upon their initial appointment to our Board of Directors, as applicable. See "Certain Relationships and Related Party Transactions" "Certain Relationships" "Indemnification of Officers and Directors" for more information. All members of our Board of Directors receive reimbursement of reasonable and documented costs and expenses incurred by directors in connection with attending any meetings of our Board of Directors or any of our committees of our Board of Directors.

During fiscal 2012 and under our New Director Compensation Policy described below, those members of our Board of Directors who are either employed by us or are employees of CCMP do not receive additional compensation from us in connection with their service on our Board of Directors. Accordingly, Messrs. De Meritt, Brenneman, Scharfenberger and Zannino and Ms. Gill did not receive compensation from us for their service on our Board of Directors during fiscal 2012.

The following table sets forth information regarding the compensation of our non-executive directors for their service on our Board of Directors for fiscal 2012. Mr. Davis was a non-executive director for a portion of fiscal 2012 until his appointment as President of the Company in August 2012. Mr. Davis is not entitled to receive additional compensation for his service as a member of our Board Directors while he is employed by the Company. In accordance with applicable SEC rules, the compensation paid to Mr. Davis for the portion of fiscal 2012 that he served as a non-executive director of the Company is included in the "All Other Compensation" column of the "Summary Compensation Table" included on page 31 of this Proxy Statement.

Name	Fees Earned or Paid in Cash (\$)	Option Awards (\$) ⁽¹⁾	All Other Compensation (\$)	Total (\$)
Richard Emmett	40,000			40,000
Patricia Bender	40,000			40,000
Marie Toulantis ⁽²⁾	23,641	182,851		206,492

The amounts reported in this column reflect the fair value on the grant date of the stock awards granted in fiscal (1)year 2012 computed in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 718 *Compensation Stock Compensation*. For a

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discussion of the assumptions and methodologies used to calculate the amounts referred to above, please see the discussion of stock awards contained in Note 6 to the consolidated financial statements included as part of our Annual Report on Form 10-K for the fiscal year ended February 2, 2013, filed with the SEC. As of February 2, 2013, Mr. Emmett held stock options to purchase 40,000 shares of common stock, which vest in equal annual installments on each anniversary of the March 26, 2010 award date over a five-year period commencing with the first anniversary of the award date, with an exercise price of \$3.74 per share. As of February 2, 2013, Ms. Bender held stock options to purchase 15,624 shares of common stock, which vest in equal annual installments on each anniversary of the October 4, 2011 award date over a five-year period commencing with the first anniversary of the award date, with an exercise price of \$20.29 per share. As of February 2, 2013, Ms. Toulantis held stock options to purchase 10,000 shares of common stock, which vest in equal annual installments on each anniversary of the July 10, 2012 award date over a five-year period commencing with the first anniversary of the award date, with an exercise price of \$29.19 per share.

(2) Ms. Toulantis was appointed to our Board of Directors effective July 10, 2012.

Director Compensation Program Commencing in Fiscal 2013

In March 2013, the Compensation Committee approved a new compensation program for our non-executive directors, the terms of which became effective as of February 25, 2013 (the New Director Policy). Under the terms of the New Director Policy, commencing with fiscal 2013, annual compensation for our non-executive directors will consist of an annual retainer, an additional retainer for acting as Chair of the Audit Committee, and an annual equity award. Our Board of Directors reserves the right to modify the New Director Policy from time to time.

Pursuant to the terms of the New Director Policy, the annual retainer is \$50,000, and the additional annual retainer for the Chair of the Audit Committee is \$10,000. Each such retainer will be paid at the Company's annual meeting of stockholders each year. Our non-executive directors will not receive any additional fees based on the number of meetings they attend under the New Director Policy.

On the date of each annual meeting of our stockholders held after the effective date of the New Director Policy, each non-executive director who is serving on our Board of Directors after such annual meeting will receive an award of stock options. The number of shares subject to these stock option awards will be determined by our Board of Directors at the time of grant, provided that each such stock option grant will have a grant date fair value of approximately \$100,000 (determined using a Black-Scholes or similar valuation method based on the assumptions generally used by the Company in valuing its stock options for financial reporting purposes) and will have a per-share exercise price equal to the closing price of our common stock on the date of grant. Additionally, these stock option awards will vest in substantially equal annual installments on each of the first five anniversaries of the grant date (or, as to any year in which the annual meeting of our stockholders occurs prior to the applicable anniversary of the date of grant, such installment will vest on the date of the annual meeting) and are subject to forfeiture if the director's membership terminates prior to vesting. Each such option will be subject to the terms and conditions of a stock option agreement in the form then used by the Company to evidence grants of stock options to our non-executive directors.

In the case of a non-executive director who is initially elected or appointed to our Board of Directors on a date other than the date of an annual meeting of our stockholders, the director may be eligible to receive a prorated cash retainer and an equity award on the date of such initial election or appointment, the amount and terms of which will be determined by our Board of Directors (or a committee thereof) in its discretion.

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EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Introduction

This Compensation Discussion and Analysis describes the material compensation arrangements we have with our named executive officers as required under the rules of the SEC. The SEC rules require disclosure for our principal executive officer, or PEO (our current and former Chief Executive Officer), and our principal financial officer, or PFO (our current and former Chief Financial Officer), regardless of compensation level, and our three most highly compensated executive officers in our last completed fiscal year, other than the PEO and PFO. All of these executive officers are referred to in this Compensation Discussion and Analysis as our named executive officers.

We operate on a fiscal calendar which in a given fiscal year consists of a 52- or 53-week period ending on the Saturday closest to January 31st. We refer to the period from January 29, 2012 to February 2, 2013, our previous fiscal year, as fiscal year 2012. For fiscal year 2012, our named executive officers were:

Table 554px Font 10pt	Cell 269pxNameTitleNeill DavisChief Executive Officer (PEO) (Mr. Davis was appointed as our PEO effective January 1, 2013.)John De MerittFormer President, Chief Executive Officer (PEO) (Mr. De Meritt served as our PEO until his retirement on December 31, 2012.)Cynthia ThomasseeFormer Interim Chief Financial Officer (PFO), Vice President of Accounting and Controller (Ms. Thomassee served as our Interim PFO from May 13, 2012 until March 4, 2013 and continues to serve as our Vice President of Accounting and Controller.)Gene MorphisFormer Executive Vice President, Chief Financial Officer (PFO) (Mr. Morphis served as our PFO until his employment terminated on May 13, 2012.)Theresa BackesPresident, Chief Operating OfficerKal MalikExecutive Vice President, Chief Administrative Officer and General CounselSei Jin AltChief Merchandising Officer
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Our executive compensation programs are determined and approved by our Compensation Committee. During fiscal year 2012, the Compensation Committee was responsible for the oversight, implementation and administration of all of our executive compensation plans and programs. None of the named executive officers are members of the Compensation Committee or otherwise had any role in determining the compensation of the other named executive officers, although the Compensation Committee does consider the recommendations of our Chief Executive Officer in setting compensation levels for our executive officers other than our Chief Executive Officer. The Compensation Committee determined all of the components of compensation of our Chief Executive Officer. Our Board of Directors reviewed the Compensation Committee's recommendations for the compensation of our Chief Executive Officer and approved his final compensation.

Executive Compensation Program Objectives and Overview

The Compensation Committee conducts an annual review of our executive compensation program to help ensure that:

the program is designed to align the interests of our named executive officers with our stockholders' interests by rewarding performance that is tied to creating stockholder value; and

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the program provides a total compensation package for each of our named executive officers that we believe is competitive.

We seek to accomplish these objectives by providing a total compensation package which includes three main components: base salary, annual performance-based cash awards and long-term equity-based awards. Of these components, base salary and annual performance-based cash awards have been historically, and we currently expect will continue to be, at or below-market when compared to the specialty retail industry generally, based on our experience and knowledge of general industry practices. However, our long-term equity-based awards, which have been in the form of stock options that have value only if our stock price appreciates after the date of grant of the award, have been significantly above-market when compared to the specialty retail industry generally, based on our experience and knowledge of general industry practices. As a result, the total compensation package for each of our named executive officers is generally above the median when compared to the specialty retail industry generally, with the majority of the total compensation package in the form of stock options that have value only if our stock price appreciates after the date of grant of the award. In addition to the aforementioned components of our total compensation package, we provide our named executive officers with certain additional executive benefits and perquisites.

In structuring executive compensation packages, the Compensation Committee considers how each component promotes retention and motivates performance. Base salaries and severance and other termination benefits are primarily intended to attract and retain highly qualified executives. These are the elements of our executive compensation program where the value of the benefit in any given year is not dependent on performance (although base salary amounts and benefits determined by reference to base salary may change from year to year depending on performance, among other things). We believe that in order to attract and retain top executives, we need to provide them with compensation levels that reward their continued service. Some of the elements, such as base salaries, are paid out on a short-term or current basis. Other elements, such as benefits provided upon certain terminations of employment and the equity awards that are subject to multi-year vesting schedules, are paid out on a longer-term basis. We believe this mix of short- and long-term elements allows us to achieve our goals of attracting, retaining and motivating our top executives.

We believe that by providing a substantial portion of our named executive officers' total compensation package in the form of equity-based awards through stock option grants that vest over a period of three to five years, we are able to create an incentive to build stockholder value over the long-term and closely align the interests of our named executive officers to those of our stockholders by incentivizing our named executive officers to produce stockholder value. Additionally, our annual performance-based cash awards, while a less significant portion of our total compensation package, are also contingent upon the achievement of financial performance metrics and the amount of compensation ultimately received for these awards vary with our annual financial performance, thereby providing an additional incentive to maximize stockholder value. We have adhered to this philosophy historically and currently intend to continue to do so going forward. We believe that this philosophy has been successful by motivating, retaining and incentivizing our named executive officers and providing value to our stockholders.

We currently intend to continue to follow the compensation objectives and philosophy we have maintained historically. We currently intend to continue to provide at- or below-market fixed compensation in the form of base salary and annual performance-based cash award opportunities, while providing the majority of our total compensation package in the form of long-term equity-based incentives. For example, during fiscal year 2012, we granted to each of Messrs. Davis and Malik and Ms. Backes and Alt an award of stock options, each of which is subject to a multi-year vesting period, to provide a long-term incentive for them to continue to grow the Company. Following these grants, all of our named executive officers currently hold outstanding equity-based awards with multi-year vesting periods. Additionally, none of the outstanding unvested stock options provide for automatic accelerated vesting in connection with a change in control of the Company, thereby helping us to ensure that our

executives have continued incentive to drive stockholder value. This is in line with our compensation objective of aligning our executive officers' interests with the long-term interests of our stockholders. For additional information regarding stock option awards granted to our named executive officers during fiscal 2012, see Current Executive Compensation Program Elements Equity-Based Awards, below.

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Compensation Consultant; Review of Relevant Compensation Data

Our Compensation Committee has not historically benchmarked our compensation levels and their decisions with regard to compensation levels have been subjective. In fiscal 2012, our Compensation Committee conducted a review of our compensation program, which included the engagement of Pearl Meyer to compile a report of compensation data which made reference to broad-based retail surveys, compensation information for a select group of companies in the retail and apparel industry, and equity ownership information at a wide range of companies.

The purpose of the review conducted by our Compensation Committee was to inform the Compensation Committee of competitive compensation practices and a variety of other factors, and to confirm that the past structure of our cash compensation and equity-based awards was consistent with our compensation philosophy. The Compensation Committee reviewed compensation data provided by Pearl Meyer and also considered our position in its life cycle for determining the mix between cash compensation and equity-based awards, the appropriate size of equity-based awards and the need to retain the key leadership team. Although the Compensation Committee reviewed and discussed the compensation data provided by Pearl Meyer to help inform its decision making process, the Compensation Committee does not set compensation levels at any specific level or percentile against any peer group data. As described above, the data supplied by the Pearl Meyer report is only one point of information taken into account by the Compensation Committee in making compensation decisions.

Consistent with our historical practices, we currently do not expect that our Compensation Committee will utilize formal benchmarking in determining the total compensation amounts, or individual elements of compensation, for our named executive officers. We also expect that the Compensation Committee will continue to subjectively review compensation elements and amounts for our named executive officers on an annual basis, at the time of a promotion or other material change in level of responsibilities, as well as when competitive circumstances or business needs may require, and that any such review will be based on our expertise and subjective knowledge of general industry practices.

Role of the Compensation Committee and our Executive Officers

Historically, our compensation has been highly individualized, the result of arm's-length negotiations and based on a variety of informal factors including, in addition to the factors listed above, our financial condition and available resources, our need for a particular position to be filled and the compensation levels of our other executive officers. As discussed above, we informally considered the competitive market for corresponding positions within the specialty retail apparel industry generally based on the experience and general knowledge possessed by members of our Compensation Committee and our Chief Executive Officer regarding the compensation given to some of the executive officers of other companies in our industry generally.

The Role of Stockholder Say-on-Pay Votes

At the annual meeting of our stockholders held in July 2012, our stockholders were provided with an opportunity to cast an advisory vote on our executive compensation program through a say-on-pay proposal, as well as an opportunity to cast an advisory vote regarding the frequency of the say-on-pay proposal. At the annual meeting, a substantial majority of the votes cast supported our say-on-pay proposal and expressed a preference that the vote be held every three years. Our Compensation Committee believes these strong results affirm stockholders' support of the Company's approach to our executive compensation program. Our Compensation Committee did not change its approach and believes the program in place, as in prior years, includes a number of features that further the goals of our executive compensation program and reflect best practices in the market. After considering the vote results on the

frequency of the say-on-pay proposal, our Board of Directors decided that it will include an advisory vote on the compensation paid to our executive officers in our proxy materials every three years until the next required vote on the frequency of future advisory votes on executive compensation, which will occur no later than the annual meeting of our stockholders in 2015. Our Compensation Committee will continue to consider the outcome of the Company's say-on-pay proposals when making future compensation decisions for our named executive officers.

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Current Executive Compensation Program Elements

As discussed throughout this Compensation Discussion and Analysis, the compensation policies and programs applicable to our named executive officers are reflective of our objective of aligning the interests of our executive officers with our stockholders' interests in enhancing stockholder value over the long term. Applying this philosophy, a significant portion of overall compensation opportunities offered to our named executive officers is in the form of (i) equity-based compensation linked to enhanced stockholder value and (ii) annual performance-based cash awards contingent upon achievement of measurable financial objectives.

The current elements of our executive compensation program are:

base salaries;
annual performance-based cash awards;
equity-based incentive awards; and
certain additional executive benefits and perquisites.

We strive to achieve an appropriate mix between the various elements of our compensation program to meet our compensation objectives and philosophy; however, we do not apply any rigid allocation formula in setting our named executive officers' compensation, and we may make adjustments to this approach for various positions after giving due consideration to prevailing circumstances.

Base Salary

We provide an annual base salary to our named executive officers to induce talented executives to join or remain with the Company, to compensate them for their services during the fiscal year and to provide them with a stable source of income. For fiscal year 2012, each of our named executive officers, other than Ms. Thomassee, had an employment agreement or letter agreement which set his or her minimum level of annual base salary. While our base salary amounts are generally below-market when compared to the specialty retail industry generally based on our expertise and knowledge of general industry practices, we believe that the total compensation package provided to our named executive officers, including equity-based awards, is generally commensurate with the industry in general. For more information regarding the current terms and conditions of our named executive officers' employment, please see the narrative following the Grants of Plan-Based Awards During Fiscal Year 2012 table under the heading, Employment Agreements, below.

The base salary levels of continuing named executive officers are reviewed annually by our Compensation Committee to determine whether an adjustment is warranted. The Compensation Committee may take into account numerous factors in making its determination, none of which are dispositive or individually weighted, including our financial performance, the state of our industry and local economies in which we operate, the executive officer's relative importance and responsibilities, the executive officer's performance and periodic reference to comparable salaries paid to other executives of similar experience in our industry in general, based on our expertise and knowledge of general industry practices.

During fiscal 2012, our Compensation Committee determined that the base salary levels for Messrs. Davis and Malik and Meses. Backes and Alt should be increased to \$550,000, \$350,000, \$400,000 and \$350,000, respectively, with such increases to be effective as of January 1, 2013 and, pursuant to the terms of the executive's amended and restated employment letter agreement (or employment letter agreement, in the case of Ms. Alt) entered into with the Company in December 2012, the terms of which are described in further detail in the narrative following the Summary Compensation Table under the heading, Employment Agreements, below. In the case of Messrs. Davis and Malik and

Ms. Backes, such increases were commensurate with the executive's assumption of a new role with the Company at such time. The Compensation Committee reached these decisions, including the decision to increase Ms. Alt's base salary, in its judgment taking into account an informal review of base salaries of similarly situated officers in the specialty retail industry based on our experience within the industry, the importance of the executive officer's services to us, and based on the general knowledge and expertise possessed by the members of our Compensation Committee.

The base salaries paid to our named executive officers during fiscal year 2012 are reported in the Summary Compensation Table below. The annual base salary levels in effect as of February 2, 2013, the last day of fiscal year 2012, for each of our named executive officers who were employed by us as of that date are as follows:

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Name	Annual Base Salary
Neill Davis	\$ 550,000
Cynthia Thomassee	\$ 175,100
Theresa Backes	\$ 400,000
Kal Malik	\$ 350,000
Sei Jin Alt	\$ 350,000

Annual Performance-Based Cash Awards

While a large portion of the total compensation package provided to our named executive officers is in the form of long-term equity-based awards, we also provide our named executive officers with annual performance-based cash award opportunities linked to our annual financial performance and the qualitative assessment of each executive's individual performance.

We maintain the Francesca's Holdings Corporation Executive Bonus Plan (the "Executive Bonus Plan") for eligible employees of the Company and our subsidiaries. Performance goals and objectives for our named executive officers, other than our Chief Executive Officer, will be determined by our Chief Executive Officer, approved by our Compensation Committee and reviewed by our Board of Directors. Performance goals and objectives for our Chief Executive Officer will be determined by our Compensation Committee and approved by our Board of Directors. The Executive Bonus Plan was adopted under our 2011 Plan, which has been approved by our stockholders and includes provisions for a cash bonus feature that is designed to qualify annual bonuses as deductible performance-based compensation under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code").

The purposes of the Executive Bonus Plan are to promote the interests of the Company and its stockholders by providing compensation opportunities that are competitive with other companies, and to provide performance-based cash awards to those individuals who contribute to the long-term performance and growth of the Company. Generally, our Compensation Committee will establish target bonuses for employees based on position and level of responsibility and grant awards based on the achievement of pre-established company and/or individual goals. Additionally, our Compensation Committee retains the ability to reduce, but not increase, the amount of any bonus otherwise payable to our executive officers subject to Section 162(m) of the Code. Participants receive distributions, if any, in cash following written certification by our Compensation Committee to the extent to which the applicable performance targets have been achieved, and in no event more than two and one-half months following the end of the performance period to which such certification relates.

The target annual performance-based cash award opportunity for each eligible executive is set at a percentage of the executive's base salary. Pursuant to their employment agreements or letter agreements, as applicable, our named executive officers (other than Ms. Thomassee) were eligible to receive a target annual performance-based cash award with respect to fiscal 2012 equal to 100% of base salary for Messrs. Davis and De Meritt, 60% for Mr. Morphis, 30% for Ms. Alt, and 40% for Ms. Backes and Mr. Malik. Ms. Thomassee was eligible to receive a target annual performance-based cash award with respect to fiscal 2012 equal to 25% of her base salary. The target annual performance-based cash award amounts were determined by our Compensation Committee with recommendations by our Chief Executive Officer (other than with respect to his own target amount), and such target amounts generally reflect the executive's position and market conditions based on the Compensation Committee's expertise and knowledge of general industry practices.

During fiscal year 2012, our Compensation Committee determined that the target annual performance-based cash

award opportunities (which are expressed as a percentage of the executive's annual base salary) for Mses. Backes and Alt and Mr. Malik should be increased from 40% to 75%, from 30% to 50%, and from 40% to 50%, respectively, with such increases to be effective as of January 1, 2013 and pursuant to the terms of the executive's amended and restated employment letter agreement (or employment letter agreement, in the case of Ms. Alt) entered into with the Company in December 2012, the terms of which are described in further detail in the narrative following the Summary Compensation Table. These increases to the executives' target award opportunities were commensurate with the executive's assumption of a new role with the Company at such time.

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The awards payable for fiscal year 2012 were based 75% on the achievement of a Company goal and 25% based on a qualitative assessment of each executive's individual performance during the year. The weighting of the assessment of individual performance versus the Company goal, as well as the qualitative assessment of each executive's individual performance, were based on the recommendations of our Chief Executive Officer and were approved by our Compensation Committee. For fiscal year 2012, the Company goal was based on the achievement of a level of net income equal to \$36.5 million. The fiscal year 2012 bonus pool would be increased or decreased above or below the targeted amount by 2% for every 1% achievement above or below the net income goal for the fiscal year, provided that, in the event the Company did not achieve at least 75% of its net income goal for fiscal year 2012, no portion of the fiscal year 2012 bonus pool would be funded and no eligible executives would be eligible for a bonus payment under the Executive Bonus Plan for that year, and provided further that the maximum level to which the fiscal year 2012 bonus pool would be increased would in all events be equal to 150% of the bonus pool. The Compensation Committee chose the net income goal because this metric represents objectively determinable financial targets indicating our growth and overall success. For fiscal year 2012, the qualitative assessment of each named executive officer's individual performance metric was intended to measure the executive's performance of the duties, tasks and activities the executive was asked to perform in his or her respective role with the Company during the year. The target annual performance-based cash award opportunities of our named executive officers for fiscal year 2012 are set forth in the Grants of Plan-Based Awards During Fiscal Year 2012 table, below.

The Compensation Committee determined in January 2013 that, for fiscal year 2012, we achieved net income of approximately \$47.1 million, which represents approximately 129% of our net income goal, resulting in 150% funding of the fiscal year 2012 bonus pool. Based on the recommendation of Mr. Davis, our Chief Executive Officer (other than with respect to his own bonus), the Compensation Committee's assessment of our 2012 performance with respect to the net income goal identified above and its qualitative assessment of each named executive officer's performance during fiscal 2012, the Compensation Committee determined that it was appropriate to award each named executive officer (other than Messrs. De Meritt and Morphis) the maximum amount of the executive's annual performance-based cash award opportunity for fiscal year 2012, equal to 150% of each executive's target bonus amount for fiscal year 2012.

During fiscal year 2012, Mr. De Meritt retired from his position as our Chief Executive Officer and as a member of our Board of Directors in December 2012. Mr. Morphis was terminated from his position as our Executive Vice President, Chief Financial Officer in May 2012. Because neither executive was employed by us at the time the Compensation Committee determined fiscal year 2012 bonuses as described above, Messrs. De Meritt and Morphis were not eligible to receive bonuses with respect to fiscal 2012.

The table below indicates the total award payment for fiscal year 2012 for our named executive officers, as well as the weighted components used to determine award payments.

Name	Annual Salary ⁽¹⁾	Target Award as a Percentage of Base Salary ⁽¹⁾	Target Award Expressed as a Dollar Amount	Weighting of Company Goal ⁽²⁾	Weighting of Individual Performance ⁽³⁾	Actual Award Payment ⁽⁴⁾
Neill Davis	\$232,692	100 %	\$ 232,692	75 %	25 %	\$ 349,038
John De Meritt	\$375,000	100 %	\$ 375,000	75 %	25 %	
Cynthia Thomassee	\$175,100	25 %	\$ 43,775	75 %	25 %	\$ 65,663
Gene Morphis	\$334,750	60 %	\$ 200,850	75 %	25 %	

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Theresa Backes	\$267,914	44	%	\$ 118,154	75	%	25	%	\$ 177,231
Kal Malik	\$240,391	41	%	\$ 99,031	75	%	25	%	\$ 148,546
Sei Jin Alt	\$288,128	32	%	\$ 91,900	75	%	25	%	\$ 137,850

For Messrs. Davis and Malik and Ms. Backes and Alt, each executive's annual performance-based cash award for fiscal year 2012 was calculated based on the actual amount of base salary paid to the executive during fiscal year (1) 2012 and, for executives whose target bonus amount for fiscal year 2012 was adjusted during fiscal year 2012, the weighted-average target bonus amount the executive for the year (with such weighted-average target bonus percentages rounded to the nearest whole percentage).

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- (2) As we exceeded the net income goal for fiscal year 2012, each of our named executive officers received an amount in excess of the full amount of this component.
- Each of our named executive officers either met or exceeded their individual performance metrics for fiscal year (3) 2012, based on the subjective determination of our Compensation Committee with recommendations by Mr. Davis, our Chief Executive Officer (other than with respect to his own bonus).
- (4) The annual performance-based cash awards paid to our named executive officers during fiscal year 2012 are reported in the Summary Compensation Table below.

Discretionary Cash Bonuses

During fiscal year 2012, the Compensation Committee awarded a discretionary cash bonus to each of Mses. Thomassee and Backes to recognize their extraordinary contributions to the Company during fiscal year 2012 following Mr. Morphis' termination of employment as our Executive Vice President, Chief Financial Officer in May 2012. In determining the discretionary bonus amounts for Mses. Thomassee and Backes, the Compensation Committee considered each executive's assumption of additional responsibilities and duties to the Company during fiscal year 2012 following Mr. Morphis' termination of employment. These discretionary cash bonuses, \$50,213 for Ms. Thomassee and \$40,308 for Ms. Backes, are reported in the Summary Compensation Table below.

Equity-Based Awards

As discussed throughout this Compensation Discussion and Analysis, in order to align the interests of our named executive officers with those of the Company and its stockholders, the Compensation Committee has determined that a significant portion of each named executive officer's compensation opportunities should be in the form of equity-based awards. Prior to February 2010, equity-based awards were granted under the Francesca's Holdings Corporation 2007 Stock Incentive Plan (the 2007 Plan). In March 2011, the Company adopted the Francesca's Holdings Corporation Stock Incentive Plan (the 2010 Plan). In July 2011, we adopted the 2011 Plan, and awards following its adoption have been granted under the 2011 Plan, as we no longer have authority to grant new awards under the 2007 Plan or the 2010 Plan.

In general, all stock option grants under the 2011 Plan to our named executive officers are determined at the discretion of our Compensation Committee and are based on the committee's expertise and knowledge of general industry practices. Our Compensation Committee has chosen to make equity-based awards in the form of stock options as opposed to other forms of equity-based awards because stock options have value only when we have created additional stockholder value following the date of grant of the option (because the exercise price of the option is generally equal to the closing price of a share of our common stock on the date of grant). In addition, our Compensation Committee also considers a named executive officer's current position with the Company, the size of his or her total compensation package and the amount of existing vested and unvested stock options, if any, then held by the executive officer. Our current expectation is that equity awards to our named executive officers will not necessarily be made on an annual basis as part of an annual grant program, and that any equity award grants to our named executive officers will be determined at the discretion of our Compensation Committee as described above.

On August 6, 2012, in connection with his appointment to the position of the Company's President, the Compensation Committee made a grant to Mr. Davis of stock options under the 2011 Plan to purchase a number of shares of our common stock equal to 375,000 shares. On November 21, 2012, the Compensation Committee made a grant to each of Mses. Backes and Alt and Mr. Malik under the 2011 Plan to purchase 100,000 shares of our common stock. In determining the size of these stock option grants to our named executive officers, our Compensation Committee subjectively considered the named executive officer's position with the Company. The stock option grant to Mr. Davis during fiscal year 2012 is subject to a three-year vesting period and the stock option grants to Mr. Malik and Mses.

Backes and Alt during fiscal year 2012 are subject to a five-year vesting period, which the Compensation Committee believes will provide a long-term incentive for them to continue to grow the Company and to have a continued incentive to drive stockholder value. The Compensation Committee's decision to subject Mr. Davis' stock option grant to a three-year vesting schedule, as opposed to the five-year vesting schedule applicable to the stock option grants to Mr. Malik and Ms. Backes and Alt, was the result of arm's-length negotiations with Mr. Davis in connection with his appointment to the position of the Company's President.

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Additional information regarding the material terms of the equity awards granted to our named executive officers for fiscal year 2012 under the 2011 Plan is set forth in the Grants of Plan-Based Awards During Fiscal Year 2012 table under the heading, Equity Incentive Plan Awards, below.

Additional Executive Benefits and Perquisites

We provide our named executive officers with certain executive benefits that the Compensation Committee believes are reasonable and in the best interests of the Company and our stockholders. Consistent with our compensation philosophy, and subject to any revisions discussed below, we currently intend to continue to maintain our current benefits for our named executive officers, including retirement plans, housing relocation benefits, paid vacation and other benefits described below. The Compensation Committee, in its discretion, may revise, amend or add to an officer's executive benefits if it deems it advisable. We believe these benefits are generally equivalent to benefits provided by comparable companies based on our expertise and knowledge of general industry practices.

Retirement Plan Benefits

We do not sponsor a defined benefit retirement plan as we do not believe that such a plan best serves the needs of our employees or the business at this time. However, we do sponsor a defined contribution (401(k)) retirement plan. The qualified plan is available to all eligible employees, including our named executive officers, and allows them to elect to make contributions up to the maximum limits allowable under the Code. We currently provide a 100% matching contribution on the first 3% of employee contributions and an additional 50% matching contribution on the next 2% of employee contributions. We currently expect to continue making such matching contributions going forward. Employees' contributions and Company matching contributions vest immediately. Additional Company contributions and the related investment earnings are subject to vesting based on years of service.

Health and Welfare Benefits

Our named executive officers have the option to participate in various employee welfare benefit programs, including medical, dental and life insurance benefits. These benefit programs are generally available to all employees.

Relocation Assistance

The Company's business needs require it on occasion to relocate certain employees. To meet this need, we may, on a case by case basis, cover certain expenses, including temporary housing, relocation, living and travel expenses.

Perquisites

We provide each of our named executive officers with an annual fixed dollar amount to apply towards the purchase of additional benefits of their choosing. For Messrs. Davis and De Meritt, this annual amount is equal to \$50,000 and, for each of our named executive officers other than Messrs. Davis and De Meritt, the annual amount is \$20,000. The Compensation Committee believes that providing a benefit such as these annual fixed dollar amounts is an important recruiting tool for retaining key executives in the specialty retail industry generally.

Employment Agreements; Severance and Change in Control Benefits

Employment Agreements

The employment agreements and letter agreements we have entered into with our named executive officers provide for severance and other benefits which are designed to provide economic protection so that an executive can remain focused on our business without undue personal concern in the event that his or her position is eliminated or, in some cases, significantly altered by the Company, which we believe is particularly important in light of the executives leadership roles at the Company. The Compensation Committee believes that providing severance or similar benefits is common among similarly situated executives in the specialty retail industry generally and remains important in recruiting and retaining key executives. The employment agreements and letter agreements we have entered into with our named executive officers are described in

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further detail in the narrative following the Summary Compensation Table . For more information regarding the potential payments and benefits that would be provided to our named executive officers in connection with certain terminations of their employment or a change in control on February 2, 2013, please see Potential Payments upon Termination or Change in Control, below.

Change in Control Provisions

The prospect of a change in control of the Company can cause significant distraction and uncertainty for executive officers and, accordingly, the Compensation Committee believes that appropriate change in control provisions in employment agreements and/or equity award agreements are important tools for aligning executives' interests in change in control transactions with those of our stockholders by allowing our executive officers to focus on strategic transactions that may be in the best interest of our stockholders without undue concern regarding the effect of such transactions on their continued employment.

Accordingly, as described in Potential Payments upon Termination or Change in Control, below, upon a change in control (as defined in the plan or the applicable award agreement), awards granted pursuant to the 2007 Plan, the 2010 Plan and the 2011 Plan may, at the discretion of the plan administrator, have their vesting accelerated in connection with such a transaction. We do not provide our executives with tax gross-up payments in connection with a termination of their employment, a change in control of the Company or otherwise.

For more information regarding the potential payments and benefits that would be provided to our continuing named executive officers in connection with a change in control on February 2, 2013, please see Potential Payments upon Termination or Change in Control, below.

Letter Agreement with Mr. De Meritt in Connection with his Retirement

In December 2012, the Company entered into a letter agreement with Mr. De Meritt in connection with his retirement from the Company effective as of December 31, 2012. The letter agreement provides that, subject to certain limited exceptions set forth therein, Mr. De Meritt will not sell or otherwise dispose of his shares of our common stock until December 31, 2013 and that the period during which Mr. De Meritt may exercise his stock options with respect to shares of our common stock that were vested and outstanding as of December 31, 2012 was extended from March 31, 2013 to December 31, 2013. Mr. De Meritt was not entitled to any severance benefits or acceleration of his outstanding and unvested equity awards in connection with his retirement. This agreement was negotiated with Mr. De Meritt, and the Compensation Committee determined that these benefits were appropriate in light of Mr. De Meritt's service to the Company and to secure Mr. De Meritt's agreement to not sell or otherwise dispose of his shares of our common stock for the stated period following his retirement.

Actions Taken Subsequent to Fiscal Year 2012

On February 7, 2013, our Board of Directors appointed Mark J. Vendetti to serve as our Chief Financial Officer effective March 4, 2013. The terms of Mr. Vendetti's employment with the Company are set forth in an employment letter agreement entered into with the Company on February 6, 2013, the material terms of which are described in the Form 8-K filed with the SEC on February 12, 2013.

Ms. Thomassee, who had served as our Interim Chief Financial Officer, Vice President of Accounting and Controller since May 13, 2012, no longer serves as our Interim Chief Financial Officer effective as of Mr. Vendetti's appointment to the position of our Chief Financial Officer and continues to serve as our Vice President of Accounting and

Controller.

Accounting and Tax Considerations

In determining which elements of compensation are to be paid, and how they are weighted, on a going forward basis, we will take into account whether a particular form of compensation will be deductible under Section 162(m) of the Code (Section 162(m)). Section 162(m) generally limits the deductibility of compensation paid to our named executive officers to \$1 million during any fiscal year unless such compensation is performance-based under Section 162(m). However, under a Section 162(m) transition rule for compensation plans or agreements of corporations which are privately held and which become publicly

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held in an initial public offering, compensation paid under a plan or agreement that existed prior to the initial public offering will not be subject to Section 162(m) until the earliest of (1) the expiration of the plan or agreement, (2) a material modification of the plan or agreement, (3) the issuance of all employer stock and other compensation that has been allocated under the plan, or (4) the first meeting of stockholders at which directors are to be elected that occurs after the close of the third calendar year following the year of the IPO (the Transition Date). After the Transition Date, rights or awards granted under the plan, other than options and stock appreciation rights, will not qualify as performance-based compensation for purposes of Section 162(m) unless such rights or awards are granted or vest upon pre-established objective performance goals.

Going forward, our intent generally is to design and administer executive compensation programs in a manner that will preserve the deductibility of compensation paid to our executive officers, and we believe that a substantial portion of our current executive program (including the stock options and annual bonuses granted under the Executive Bonus Plan granted to our named executive officers as described above) will satisfy the requirements for exemption from the \$1 million deduction limitation. However, we reserve the right to design programs that recognize a full range of performance criteria important to our success, even where the compensation paid under such programs may not be deductible. The Compensation Committee will continue to monitor the tax and other consequences of our executive compensation program as part of its primary objective of ensuring that compensation paid to our executive officers is reasonable, performance-based and consistent with the goals of the Company and its stockholders.

Stock Ownership Guidelines

In March 2012, our Compensation Committee adopted share ownership guidelines in an effort to further align the interests of our management with those of its stockholders. Under the share ownership guidelines, the amount of our eligible securities each executive officer and certain of our employees will be targeted to own, which is stated as a multiple of the executive's base salary, reflects each executive's role and level of responsibility at the Company. The multiples to be applied to our executive officers are as follows: (1) five times for our Chief Executive Officer and President; (2) three times for our Chief Financial Officer, Chief Operating Officer, General Counsel and other executive officers with the title of Executive Vice President and above (other than our Chief Executive Officer); and (3) one times for any additional employees who hold stock option awards. For purposes of the share ownership guidelines, eligible securities include the individual's common stock and unvested stock awards. The equity ownership of our named executive officers is set forth in the beneficial ownership table in Security Ownership of Principal Stockholder and Management.

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Compensation Committee Report

The Compensation Committee has certain duties and powers as described in its charter. The Compensation Committee currently consists of Mr. Brenneman (Chair), Mr. Zannino, and Mr. Emmett, each of whom our Board of Directors has determined is independent under the applicable NASDAQ rules.

The Compensation Committee has reviewed and discussed with management the disclosures contained in the Compensation Discussion and Analysis section of this Proxy Statement. Based upon this review and discussion, the Compensation Committee recommended to our Board of Directors that the Compensation Discussion and Analysis section be included in this Proxy Statement.

Compensation Committee of the Board of Directors
Greg Brenneman (Chair)
Richard Emmett
Richard Zannino

The foregoing report of the Compensation Committee does not constitute soliciting material and shall not be deemed filed, incorporated by reference into or a part of any other filing by the Company (including any future filings) under the Securities Act or the Exchange Act, except to the extent the Company specifically incorporates such report by reference therein.

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Compensation of Named Executive Officers

The Summary Compensation Table below quantifies the value of the different forms of compensation earned by or awarded to our named executive officers for fiscal year 2012. The primary elements of each named executive officer's total compensation reported in the table are base salary, an annual bonus, and long-term equity incentives consisting of nonqualified stock options. Our named executive officers also received the other benefits listed in the All Other Compensation column of the Summary Compensation Table, as further described in the footnotes to the table.

The Summary Compensation Table should be read in conjunction with the tables and narrative descriptions that follow. A description of the material terms of each named executive officer's base salary and annual bonus is provided immediately following the Summary Compensation Table. The Grants of Plan-Based Awards During Fiscal Year 2012 table, and the accompanying description of the material terms of the stock options granted in fiscal year 2012, provides information regarding the long-term equity incentives awarded to our named executive officers in fiscal year 2012. The Outstanding Equity Awards at Fiscal Year-End and Option Exercises and Stock Vested During Fiscal Year 2012 tables provide further information on our named executive officers' potential realizable value and actual value realized with respect to their equity awards.

Summary Compensation Table

The following table presents information regarding compensation earned by each individual who served as our principal executive officer and our principal financial officer, regardless of compensation level, and our three other most highly compensated executive officers for services rendered during fiscal years 2012, 2011 and 2010. These individuals are referred to as our named executive officers in this Proxy Statement.

- (1) Mr. Davis was appointed as our President effective August 6, 2012 and was not employed by us prior to such date.
Mr. Davis was appointed as our Chief Executive Officer effective January 1, 2013.

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- (2) Mr. De Meritt resigned as our President effective August 6, 2012 and retired as our Chief Executive Officer effective December 31, 2012.
- Ms. Thomassee was appointed as our Interim Chief Financial Officer effective May 13, 2012 and continued in (3) such position until March 4, 2013. Ms. Thomassee has served as our Vice President of Accounting since May 2010 and our Controller since December 2007.
- Mr. Morphis was appointed as our Chief Financial Officer effective October 18, 2010 and was not employed by us (4) prior to such appointment. Mr. Morphis was terminated from his position as our Executive Vice President, Chief Financial Officer on May 13, 2012.
- (5) Ms. Backes was appointed as our President and Chief Operating Officer effective January 1, 2013. Prior to this date, Ms. Backes served as our Chief Operating Officer.
- Mr. Malik was appointed as our Executive Vice President, Chief Administrative Officer and General Counsel (6) effective December 4, 2012. Prior to this date, Mr. Malik served as our Executive Vice President, General Counsel and Corporate Secretary.
- (7) Ms. Alt was appointed as our Vice President of Merchandising in June 2010 and was not employed by us prior to such appointment. Ms. Alt was appointed as our Chief Merchandising Officer effective January 2012.
- For Mr. Davis, the amount reported in this column for fiscal year 2012 includes a one-time signing bonus in connection with his appointment to the position of our President in August 2012. For Ms. Thomassee and (8) Backes, the amount reported in this column for fiscal year 2012 includes the executive's discretionary bonus for fiscal year 2012. See Compensation Discussion and Analysis Current Executive Compensation Program Elements Discretionary Cash Bonuses for more details.
- The amounts reported in this column for each fiscal year reflect the fair value on the grant date of the stock awards granted to our named executive officers for the fiscal year. For Mr. De Meritt, the amount reported in this column for fiscal year 2012 reflects the incremental fair value on the date Mr. De Meritt's stock options were modified pursuant to the terms of the letter agreement the Company entered into with Mr. De Meritt in connection with his retirement effective December 31, 2012, as described in more detail on page 34 of this Proxy Statement. These (9) values have been computed in accordance with the FASB ASC Topic 718. For a discussion of the assumptions and methodologies used to calculate the amounts referred to above, please see the discussion of stock awards and option awards contained in Note 6 Stock-Based Compensation to the consolidated financial statements included as part of our Annual Report on Form 10-K for the fiscal year ended February 2, 2013, filed with the SEC. As discussed above under Compensation Discussion and Analysis Current Executive Compensation Program Elements Equity-Based Awards, we do not currently expect to grant equity awards to our named executive officers on an annual basis.
- Represents the amount paid under our performance-based cash award plan. See Compensation Discussion and (10) Analysis Current Executive Compensation Program Elements Annual Performance-Based Cash Awards above, for more details.
- (11) The following table provides detail on the amounts reported in the All Other Compensation column of the table above for each named executive officer for fiscal 2012:

All Other Compensation During Fiscal Year 2012

Name	Annual Benefits Allowance (\$)	401(k) Matching Contributions (\$)	Other ^(a) (\$)	Total (\$)
Neill Davis	25,000		20,000	45,000
John De Meritt	37,500	8,760		46,260
Cynthia Thomassee	20,000	10,020		30,020

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Gene Morphis	5,000	9,000	14,000
Theresa Backes	20,000	10,517	30,517
Kal Malik	20,000	10,398	30,398
Sei Jin Alt	20,000		20,000

The amount reported in the All Other Compensation column of the table above for Mr. Davis includes a retainer (a) fee of \$20,000 he received as compensation for his service on our Board of Directors prior to his appointment as our President effective August 6, 2012.

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Grants of Plan-Based Awards During Fiscal Year 2012

The following table presents information regarding the non-equity incentive awards and equity-based awards granted to each of our named executive officers during fiscal year 2012.

Represents the target and maximum award opportunities for performance-based cash awards payable for fiscal year (1) 2012 under our annual performance-based cash award program. The actual amounts earned are reported in the

Non-Equity Incentive Plan Compensation column of the Summary Compensation Table, above.

Represents stock options granted in fiscal year 2012 under our 2011 Plan. See the narrative following this Grants (2) of Plan-Based Awards During Fiscal Year 2012 table under the heading, Equity Incentive Plan Awards, below, for more details.

The amounts reported in this column reflect the fair value of these awards on the grant date as determined under the principles used to calculate the value of equity awards for purposes of our consolidated financial statements.

For Mr. De Meritt, the amount reported in this column reflects the incremental fair value on the date Mr. De (3) Meritt's stock options were modified pursuant to the terms of the letter agreement the Company entered into with Mr. De Meritt in connection with his retirement effective December 31, 2012, as described in more detail on page 34 of this Proxy Statement. For the assumptions and methodologies used to value the awards reported in this column of the table above, see footnote (9) to the Summary Compensation Table above.

**Narrative Disclosure to Summary Compensation Table and
Grants of Plan-Based Awards Table**

Employment Agreements

Amounts paid to our named executive officers in fiscal year 2012 were based, in part, on an employment agreement in place with Mr. De Meritt and employment letter agreements in place with Messrs. Davis, Morphis and Malik and Ms. Backes and Alt. As discussed below, we entered into amended and restated employment letter agreements with Messrs. Davis and Malik and Ms. Backes and an employment letter agreement with Ms. Alt in December 2012.

Below is a general description of the material terms of these agreements related to the compensation and benefits provided to our named executive officers. During fiscal 2012, we did not have an employment agreement with Ms. Thomassee. Provisions of these agreements relating to post-termination of employment benefits are discussed below under Potential Payments Upon Termination or Change in Control.

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Mr. Davis

On December 28, 2012, Mr. Davis entered into an amended and restated employment letter agreement with the Company providing for his employment as our Chief Executive Officer, the terms of which became effective January 1, 2013.

The letter agreement has an initial term of three years, subject to earlier termination under the terms of the agreement. Pursuant to the terms of the letter agreement, Mr. Davis will receive an annual base salary of \$550,000 and is eligible to receive an annual incentive bonus pursuant to our annual bonus plan as in effect from time to time, with his target annual incentive bonus to be set at 100% of his base salary. The letter agreement also provides for Mr. Davis to participate in our employee savings and welfare benefit plans made available to our employees generally, and an annual allowance equal to \$50,000 that he may apply towards the purchase of additional benefits of his choosing.

The letter agreement also provides, subject to certain exceptions, that, during the period of Mr. Davis' employment and for a period of 12 months following a termination of his employment for any reason, Mr. Davis will not (i) compete with the Company or its affiliates, (ii) solicit any Company employees or consultants or (iii) solicit any customer of the Company.

Mr. De Meritt

On July 14, 2011, Mr. De Meritt entered into an amended and restated employment agreement with the Company providing for his employment as of such date as our President and Chief Executive Officer. Effective December 31, 2012, Mr. De Meritt retired from his position as our Chief Executive Officer and as a member of our Board of Directors and is no longer employed by us. Although Mr. De Meritt is no longer entitled to the benefits pursuant to his employment agreement due to his termination of employment due to his retirement, a description of the benefits under his agreement that he was eligible to receive prior to his termination is included below.

The employment agreement had an initial term of three years, which commenced on February 26, 2010 and renewed automatically for successive one-year periods thereafter, unless either party provided 90 days' written notice of nonrenewal prior to the expiration of the initial term or each successive renewal term. The employment agreement provided for a minimum base salary of \$375,000 and that our Board of Directors would review Mr. De Meritt's base salary no less frequently than annually and had discretion to increase (but not reduce) his base salary level. The employment agreement also provided for Mr. De Meritt's eligibility to receive an annual incentive bonus pursuant to our annual bonus plan as in effect from time to time, with his target annual incentive bonus to be set at 100% of his base salary. The agreement also provided for Mr. De Meritt to participate in our employee pension and welfare benefit plans made available to our employees generally, reimbursement of business expenses, eligibility for equity awards, and an annual allowance equal to \$50,000 that he was able to apply towards the purchase of additional benefits of his choosing.

The employment agreement also provided, subject to certain exceptions, that, during the period of Mr. De Meritt's employment and (i) in the event we terminate his employment without cause or if he resigns for good reason, a period of 24 months following termination, or (ii) in the event his employment with us terminates for any other reason, a period of 12 months following his termination of employment, Mr. De Meritt will not (x) compete with the Company or its affiliates, (y) solicit any Company employees or consultants or (z) solicit any customer of the Company.

Mr. Morphis

The terms and conditions of Mr. Morphis' employment as our Chief Financial Officer were set forth in an employment letter agreement dated September 9, 2010, which was subsequently amended on July 14, 2011. On May 13, 2012, Mr.

Morphis' employment as our Chief Financial Officer was terminated. Although Mr. Morphis is no longer entitled to the benefits pursuant to his letter agreement due to his termination of employment, a description of the benefits under his agreement that he was eligible to receive prior to his termination is included below.

The letter agreement provided for an at-will employment relationship, terminable by the Company or Mr. Morphis at any time. The letter agreement provided that, prior to his termination of employment,

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Mr. Morphis was entitled to receive an annual base salary of \$325,000 and was eligible to receive a discretionary annual cash incentive bonus of up to 60% of his annual base salary, based upon the achievement of goals and objectives determined by our Chief Executive Officer. Additionally, Mr. Morphis was eligible for reimbursement of certain relocation and temporary housing expenses in connection with Mr. Morphis' relocation to Texas, and an annual allowance equal to \$20,000 that he could have applied towards the purchase of additional benefits of his choosing.

The letter agreement also provided, subject to certain exceptions, that, during the period of Mr. Morphis' employment and for a period of 12 months following a termination of his employment for any reason, Mr. Morphis will not solicit any Company employees or consultants.

Ms. Backes

On December 28, 2012, Ms. Backes entered into an amended and restated employment letter agreement with the Company providing for her employment as our President and Chief Operating Officer, the terms of which became effective January 1, 2013.

The letter agreement has an initial term of three years, subject to earlier termination under the terms of the agreement.

Pursuant to the terms of the letter agreement, Ms. Backes will receive an annual base salary of \$400,000 and is eligible to receive an annual incentive bonus pursuant to our annual bonus plan as in effect from time to time, with her target annual incentive bonus to be set at 75% of her base salary. The letter agreement also provides for Ms. Backes to participate in our employee savings and welfare benefit plans made available to our employees generally, and an annual allowance equal to \$20,000 that she may apply towards the purchase of additional benefits of her choosing.

The letter agreement also provides, subject to certain exceptions, that, during the period of Ms. Backes' employment and for a period of 12 months following a termination of her employment for any reason, Ms. Backes will not (i) compete with the Company or its affiliates, (ii) solicit any Company employees or consultants or (iii) solicit any customer of the Company.

Mr. Malik

On December 28, 2012, Mr. Malik entered into an amended and restated employment letter agreement with the Company providing for his employment as our Executive Vice President, Chief Administrative Officer and General Counsel, the terms of which became effective January 1, 2013.

The letter agreement has an initial term of three years, subject to earlier termination under the terms of the agreement.

Pursuant to the terms of the letter agreement, Mr. Malik will receive an annual base salary of \$350,000 and is eligible to receive an annual incentive bonus pursuant to our annual bonus plan as in effect from time to time, with his target annual incentive bonus to be set at 50% of his base salary. The letter agreement also provides for Mr. Malik to participate in our employee savings and welfare benefit plans made available to our employees generally, and an annual allowance equal to \$20,000 that he may apply towards the purchase of additional benefits of his choosing.

The letter agreement also provides that certain restrictive covenants contained in his prior employment letter agreement entered into with the Company in 2009 will remain effective, whereby, subject to certain exceptions, during the period of Mr. Malik's employment and for a period of 12 months following a termination of his employment for any reason, Mr. Malik will not (i) compete with the Company or its affiliates or (ii) solicit any Company employees or consultants.

Ms. Alt

On December 28, 2012, Ms. Alt entered into an employment letter agreement with the Company providing for her employment as our Chief Merchandising Officer, the terms of which became effective January 1, 2013.

The letter agreement has a term of three years, subject to earlier termination under the terms of the agreement. Pursuant to the terms of the letter agreement Ms. Alt will receive an annual base salary of \$350,000 and is eligible to receive an annual incentive bonus pursuant to our annual bonus plan as in effect from time to time, with her target annual incentive bonus to be set at 50% of her base salary. The letter agreement also provides for Ms. Alt to participate in our employee savings and welfare benefit plans made

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available to our employees generally, and an annual allowance equal to \$20,000 that she may apply towards the purchase of additional benefits of her choosing.

The letter agreement also provides, subject to certain exceptions, that, during the period of Ms. Alt's employment and for a period of 12 months following a termination of her employment for any reason, Ms. Alt will not (i) compete with the Company or its affiliates, (ii) solicit any Company employees or consultants or (iii) solicit any customer of the Company.

Non-Equity Incentive Plan Awards

For a description of the material terms of the non-equity incentive plan awards reported in the table above, see Compensation Discussion and Analysis – Current Executive Compensation Program Elements – Annual Performance-Based Cash Awards, above.

Equity Incentive Plan Awards

Each of the equity incentive awards reported in the Grants of Plan-Based Awards During Fiscal Year 2012 table above was granted under, and is subject to, the terms of the 2011 Plan. The 2011 Plan is administered by the Compensation Committee. The Compensation Committee has authority to interpret the plan provisions and make all required determinations under the plan. Awards granted under the plan are generally not transferable other than by will or the laws of descent and distribution, except that the plan administrator may authorize certain transfers.

Generally, and subject to limited exceptions set forth in the 2011 Plan, if we dissolve or undergo certain corporate transactions such as a merger, business combination, or other reorganization, or a sale of substantially all of our assets, all awards then-outstanding under the 2011 Plan may, at the administrator's discretion, become fully vested and, in the case of options, exercisable, and will terminate or be terminated in such circumstances, unless the plan administrator provides for the assumption, substitution or other continuation of the award. The plan administrator also has the discretion to establish other change in control provisions with respect to awards granted under the 2011 Plan.

Each option reported in the Grants of Plan-Based Awards During Fiscal Year 2012 table above was granted with a per-share exercise price equal to the fair market value of a share of our common stock on the grant date. For these purposes, and in accordance with our 2011 Plan and our option grant practices, the fair market value is equal to the closing price of a share of our common stock on the applicable grant date.

The stock options granted to Mr. Davis in fiscal 2012 are subject to a three-year vesting schedule, with one-third of the option vesting on each of the first three anniversaries of the grant date. The stock options granted to Ms. Backes and Mr. Malik in fiscal 2012 are subject to a five-year vesting schedule, with one-fifth of the option vesting on each of the first five anniversaries of the grant date. Once vested, each option will generally remain exercisable until its normal expiration date. Each of the options granted to our named executive officers in fiscal 2012 has a term of ten years. However, vested options may terminate earlier in connection with a change in control transaction or a termination of the named executive officer's employment. Subject to any accelerated vesting that may apply in the circumstances, the unvested portion of the option will immediately terminate upon a termination of the named executive officer's employment, including upon a termination of his or her employment by us for cause. In the event the named executive officer's termination of employment was the result of his or her death or total and permanent disability, the named executive officer will generally have 12 months to exercise the vested portion of the option. In the event the named executive officer's employment is terminated by us for cause, the option, whether vested or unvested, will immediately terminate. The named executive officer will generally have three months to exercise the

vested portion of the option for all other terminations of employment.

In connection with Mr. De Meritt's retirement effective as of December 31, 2012, we entered into a letter agreement with Mr. De Meritt pursuant to which, among other things, effective as of December 14, 2012 and subject to certain limited exceptions set forth therein, the period during which Mr. De Meritt may exercise his stock options with respect to shares of our common stock that were vested and outstanding as of December 31, 2012 was extended from March 31, 2013 to December 31, 2013. See Compensation Discussion and Analysis Letter Agreement with Mr. De Meritt in Connection with his Retirement for more details.

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Outstanding Equity Awards at Fiscal Year-End

The following table presents information regarding the outstanding equity awards held by our named executive officers as of February 2, 2013, including the vesting schedule for each of these awards that had not vested as of that date.

- In connection with Mr. De Meritt's retirement on December 31, 2012, Mr. De Meritt entered into a letter agreement with us pursuant to which the period during which Mr. De Meritt may exercise his stock options with respect to
- (1) shares of our common stock that are outstanding as of December 31, 2012 was extended from March 31, 2013 to December 31, 2013. See Compensation Discussion and Analysis Letter Agreement with Mr. De Meritt in Connection with his Retirement for more details.
 - (2) These options were granted on August 6, 2012 and will vest in equal annual installments on each anniversary of the award date over the three-year period commencing with the first anniversary of the award date.
 - (3) This option was granted on May 1, 2010 and will vest in equal annual installments on each anniversary of the award date over the five-year period commencing with the first anniversary of the award date.
 - (4) This option was granted on July 22, 2011 and will vest in equal annual installments on each anniversary of the award date over the five-year period commencing with the first anniversary of the award date.
 - (5) These options were granted on November 21, 2012 and will vest in equal annual installments on each anniversary of the award date over the five-year period commencing with the first anniversary of the award date.
 - (6) This option was granted on July 1, 2010 and will vest in equal annual installments on each anniversary of the award date over the five-year period commencing with the first anniversary of the award date.
 - (7) This option was granted on March 26, 2010 and will vest in equal monthly installments on the last day of each month following February 26, 2010 over a four-year period.

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The following table presents information regarding the exercise of stock options by our named executive officers during fiscal year 2012.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$) ⁽¹⁾	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
Neill Davis	100,000	2,917,000		
John De Meritt				
Cynthia Thomassee	12,000	268,080		
Gene Morphis				
Theresa Backes				
Kal Malik	55,359	1,145,757		
Sei Jin Alt	16,000	410,720		

The value realized upon the exercise of a stock option is calculated by multiplying (i) the number of shares of our (1) common stock to which the exercise of the option related, by (ii) the difference between the per-share closing price of our common stock on the date the stock option was exercised and the per-share exercise price of the options.

Pension Benefits

Our named executive officers did not participate in or have account balances in any qualified or nonqualified defined benefit plans sponsored by us during fiscal 2012. Our Board of Directors or Compensation Committee may elect to adopt qualified or nonqualified benefit plans in the future if it determines that doing so is in our best interest.

Nonqualified Defined Contribution and Other Nonqualified Deferred Compensation Plans

Our named executive officers did not participate in or have account balances in any nonqualified deferred compensation plans sponsored by us during fiscal 2012. Our Board of Directors or Compensation Committee may elect to adopt nonqualified deferred compensation plans in the future if it determines that doing so is in our best interest.

Potential Payments Upon Termination or Change in Control

The following section describes the benefits that may become payable to our named executive officers in connection with a termination of their employment with us and/or a change in control of the Company. In addition to such benefits, outstanding equity-based awards held by our named executive officers may also be subject to accelerated vesting in connection with a change in control of the Company under the terms of our 2007 Plan, 2010 Plan and 2011 Plan on a discretionary basis. Our named executive officers are not entitled to any enhanced severance benefits in

connection with a termination of their employment with us due to their death or disability or in connection with a change in control of the Company. Due to the number of factors that affect the nature and amount of any benefits provided upon the events discussed below, any actual amounts paid or distributed may be different from what is presented herein. Factors that could affect these amounts include the timing during the year of any such event.

Employment Agreements

The employment agreements and letter agreements we have entered into with our named executive officers provide for certain payments to be made in connection with certain terminations of the named executive officer's employment with us. Below is a description of the severance payments that would have become payable under the employment agreements and letter agreements with our named executive officers in connection with certain terminations of their employment as of February 2, 2013. As of February 2, 2013, we did not have an employment agreement or letter agreement with Ms. Thomassee that provides for payments to be made in connection with a termination of her employment with us.

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Mr. Davis

Mr. Davis' amended and restated employment letter agreement provides that, in the event we terminate his employment without cause, he will be entitled to severance pay in an amount equal to one and one-half times the sum of (1) his annual base salary (at the annualized rate in effect on the date of termination) and (2) his target annual incentive bonus for the year of termination, subject to the execution of a general release of claims in favor of the Company. In addition, Mr. Davis will be entitled to receive any accrued but unused vacation and any benefits under our 401(k) plan. In the event Mr. Davis' benefits are subject to the excise tax imposed under Sections 280G and 4999 of the Code, his benefits will be reduced (but not below zero) so that the maximum amount of the benefits (after reduction) will be an amount that is \$1.00 less than the amount that would cause the benefits to be subject to such excise tax. For purposes of Mr. Davis' letter agreement, cause generally means that Mr. Davis has (i) committed a felony, (ii) engaged in acts of fraud, dishonesty or other acts of material willful misconduct in the course of his duties, (iii) engaged in abuse of narcotics or alcohol that has or may reasonably harm the Company, (iv) violated the Company's written policies, (v) failed to perform or uphold his duties or failed to comply with reasonable directives of our Board of Directors, or (vi) breached any of the protective covenants of the letter agreement or has otherwise materially breached any agreement he has entered into with us.

Ms. Backes

Ms. Backes' amended and restated employment letter agreement provides that, in the event we terminate her employment without cause, she will be entitled to severance pay in an amount equal to one times her annual base salary (at the annualized rate in effect on the date of termination), subject to the execution of a general release of claims in favor of the Company. In addition, Ms. Backes will be entitled to receive any accrued but unused vacation and any benefits under our 401(k) plan. In the event Ms. Backes' benefits are subject to the excise tax imposed under Sections 280G and 4999 of the Code, her benefits will be reduced (but not below zero) so that the maximum amount of the benefits (after reduction) will be an amount that is \$1.00 less than the amount that would cause the benefits to be subject to such excise tax. For purposes of Ms. Backes' letter agreement, cause generally has the same meaning as set forth in Mr. Davis' amended and restated employment letter agreement in all material respects, except that cause also includes a failure by Ms. Backes to comply with reasonable directives of our Chief Executive Officer.

Mr. Malik

Mr. Malik's amended and restated employment letter agreement provides that, in the event we terminate his employment without cause, he will be entitled to severance pay in an amount equal to one times his annual base salary (at the annualized rate in effect on the date of termination), subject to the execution of a general release of claims in favor of the Company. In addition, Mr. Malik will be entitled to receive any accrued but unused vacation and any benefits under our 401(k) plan. In the event Mr. Malik's benefits are subject to the excise tax imposed under Sections 280G and 4999 of the Code, his benefits will be reduced (but not below zero) so that the maximum amount of the benefits (after reduction) will be an amount that is \$1.00 less than the amount that would cause the benefits to be subject to such excise tax. For purposes of Mr. Malik's letter agreement, cause has the same meaning set forth in Ms. Backes' amended and restated employment letter agreement described above.

Ms. Alt

Ms. Alt's employment letter agreement provides that, in the event we terminate her employment without cause, she will be entitled to severance pay in an amount equal to one times her annual base salary (at the annualized rate in effect on the date of termination), subject to the execution of a general release of claims in favor of the Company. In addition, Ms. Alt will be entitled to receive any accrued but unused vacation and any benefits under our 401(k) plan.

In the event Ms. Alt's benefits are subject to the excise tax imposed under Sections 280G and 4999 of the Code, her benefits will be reduced (but not below zero) so that the maximum amount of the benefits (after reduction) will be an amount that is \$1.00 less than the amount that would cause the benefits to be subject to such excise tax. For purposes of Ms. Alt's letter agreement, cause has the same meaning set forth in Ms. Backes' amended and restated employment letter agreement described above.

TABLE OF CONTENTS**Estimated Potential Termination Payments and Benefits**

The following table presents our estimated value of the payments and benefits that each of our named executive officers would have been entitled to had his or her employment terminated during the employment term by us without cause on February 2, 2013. The actual amounts that would be paid upon a named executive officer's termination of employment can only be determined at the time of such event.

Executive	Cash Severance (\$) ⁽¹⁾	Equity Vesting (\$)	Total (\$)
Neill Davis	1,650,000		1,650,000
Cynthia Thomassee			
Theresa Backes	400,000		400,000
Kal Malik	350,000		350,000
Sei Jin Alt	350,000		350,000

The severance amounts reported for Mr. Davis represent one and one-half times the sum of Mr. Davis' base salary (1) and target annual incentive bonus for fiscal 2012. The severance amounts reported for Ms. Backes and Alt and Mr. Malik represent one times the executive's base salary.

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CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Certain Relationships

Stockholders Agreement

We are party to a stockholders agreement with certain stockholders that have been or are currently part of our executive management team, CCMP and certain other stockholders (referred to herein as the specified stockholders). The stockholders agreement provides these stockholders with, among other things, certain demand and piggyback registration rights and other registration rights, subject to lock-up arrangements. Following the completion of an offering of our common stock in April of 2013, CCMP no longer holds any shares of our common stock and no longer has registration rights under the stockholders agreement.

Demand and Piggyback Registration Rights

Pursuant to the stockholders agreement, certain specified stockholders have the right on a single occasion, upon the request of the holders representing a majority of the shares held by such specified stockholders, to require us to use our best efforts to register any or all of the shares held thereby at any time. Following a demand, all other stockholders that are party to the stockholders agreement may request the inclusion of any or all of their shares in the registration statement. Under certain circumstances, we may delay the filing or effectiveness of a registration statement one time in any 12-month period with respect to a demand made by the specified stockholders.

The stockholders agreement also grants the specified stockholders certain piggyback registration rights. If we register any of our securities, the holders of these shares are entitled to include their shares in the registration. All demand and piggyback registration rights are subject to limitations that may be imposed by the managing underwriter on the number of shares to be included in any underwritten offering.

Short-Form Registration Rights

The specified stockholders are entitled to short-form registration rights. Each stockholder party to the stockholders agreement may request registration of their shares if the anticipated aggregate offering amount of the shares is at least \$10 million. There is no limit to the number of requests for registrations on Form S-3.

Indemnification

In connection with all registrations pursuant to the registration rights provisions of the stockholders agreement, we have agreed to indemnify all holders of registrable securities against specified liabilities, including liabilities under the Securities Act of 1933, as amended (the Securities Act). All stockholders requesting or joining in a registration may be required to agree to indemnify us against certain liabilities, but in no event will any single stockholder's liabilities exceed the net proceeds to that stockholder from the sale of the registrable securities.

In addition, we have agreed, among other provisions, to reimburse and indemnify the stockholders party to the stockholders agreement for any losses incurred in connection with any action by any third party or governmental

authority by reason of such stockholder's status as a stockholder of the Company or a controlling person of the Company.

Termination

The rights under the stockholders' agreement will terminate upon the earlier of the date on which the stockholders party thereto no longer own any of our equity securities, the voluntary liquidation of the Company, or the sale of all or substantially all of our assets or outstanding common stock.

Indemnification of Officers and Directors

We entered into indemnification agreements with each of our executive officers and directors upon the completion of our IPO or upon the effective date of their employment with the Company or their appointment to the Board of Directors, as applicable. The indemnification agreements provide the executive officers and directors with contractual rights to indemnification, expense advancement and reimbursement, to the fullest extent permitted under Delaware law. Additionally, we may enter into indemnification agreements with any new directors or executive officers that may be broader in scope than the specific indemnification provisions contained in Delaware law.

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There is no pending litigation or proceeding naming any of our directors or executive officers to which indemnification is being sought, and we are not aware of any pending or threatened litigation that may result in claims for indemnification by any director or officer.

Related Party Transactions

In addition to the director and executive officer compensation arrangements discussed above under **Executive Compensation**, the following is a description of transactions during our last three fiscal years to which we have been a party in which the amount involved exceeded or will exceed \$120,000 and in which any of our directors, executive officers, beneficial holders of more than 5% of our common stock, or persons or entities affiliated with them, had or will have a direct or indirect material interest.

Stony Trading Relationship

Stony Leather, Inc. (**Stony**) is one of our inventory vendors. We purchase inventory from Stony on a purchase order basis. Stony sources, wholesales and distributes jewelry, accessories, handbags and gift items. Stony's customers include retailers, wholesalers, individuals, television shopping networks, and internet-based merchants. We are only one of Stony's several customers.

Stony is owned and operated by certain family members of Ms. Kyong Gill, our former Executive Vice Chairperson and former member of our Board of Directors. Ms. Gill retired from the Company and the Board of Directors on July 10, 2012 and at such time Stony ceased to be a related party.

Since our founding, Stony has been a supplier of a variety of our inventory items. Stony accounted for approximately 10% of our total inventory purchases on an annual basis in fiscal year 2012. The rates for the merchandise and services provided to us by Stony are set through arms-length negotiations at the time each such transaction is entered into. We often request and receive from Stony merchandise on special order or modify previously ordered merchandise. Generally, Stony provides us a 3% damage allowance to cover the costs of damaged merchandise. Purchases from Stony were approximately \$10.3 million in fiscal year 2012.

KJK Trading Relationship

KJK Trading Corporation (**KJK**) is one of our inventory vendors. We purchase inventory from KJK on a purchase order basis. Although KJK assists us in the design of several items of apparel we sell in our boutiques, KJK does not act as our broker or agent in the sourcing of our merchandise. KJK Trading employs several employees to conduct its business. We are the sole customer of KJK Trading.

KJK is owned and operated by certain family members of Ms. Kyong Gill, our former Executive Vice Chairperson and former member of our Board of Directors. Ms. Gill retired from the Company and the Board on July 10, 2012 and at such time Stony ceased to be a related party.

KJK has been one of our inventory vendors since 2008. KJK has accounted for approximately 13% of our total inventory purchases on an annual basis in fiscal year 2012. We negotiate and set the rates for the merchandise and services provided to us by KJK at market rates for such merchandise and services at the time each such transaction is entered into. We often request and receive from KJK merchandise on special order or modify previously ordered merchandise. Generally, KJK provides us a 1% damage allowance to cover the costs of damaged merchandise.

Purchases from KJK were approximately \$13.0 in fiscal year 2012.

Policies and Procedures for Related Person Transactions

Our Board of Directors has adopted a written policy for the review of any transaction, arrangement or relationship in which we are a participant, the amount involved exceeds \$20,000 and one of our executive officers, directors, director nominees or beneficial holders of more than 5% of our capital stock (or their immediate family members), each of whom we refer to as a related person, has a direct or indirect material interest.

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If a related person proposes to enter into such a transaction, arrangement or relationship, which we refer to as a related person transaction, the related person must report the proposed related person transaction to our Audit Committee. Additionally, in the case of beneficial holders of more than 5% of our capital stock, we will solicit this information via an annual questionnaire. The policy calls for the proposed related person transaction to be reviewed and, if deemed appropriate, approved by the Audit Committee. In approving or rejecting such proposed transactions, the Audit Committee will be required to consider the relevant facts and circumstances available and deemed relevant to the Audit Committee, including the material terms of the transactions, risks, benefits, costs, availability of other comparable services or products and, if applicable, the impact on a director's independence. The Audit Committee in some circumstances may engage a third party to assist the Audit Committee in its review of such relationships, as was the case with the Audit Committee's review of our relationship with Stony and KJK. Our Audit Committee will approve only those transactions that, in light of known circumstances, are in, or are not inconsistent with, our best interests, as our Audit Committee determines in the good faith exercise of its discretion. In the event that any member of our Audit Committee is not a disinterested person with respect to the related person transaction under review, that member will be excluded from the review and approval or rejection of such related person transaction and another director may be designated to join the committee for purposes of such review. Whenever practicable, the reporting, review and approval will occur prior to entering into the transaction. If advance review and approval is not practicable, the Audit Committee will review and may, in its discretion, ratify the related person transaction. Any related person transactions that are ongoing in nature will be reviewed annually and the Audit Committee may establish guidelines for our management to follow in the course of its ongoing dealings with the related person.

Our Board of Directors has also adopted a written policy under which no immediate family member of a director or executive officer shall be hired until the employment arrangement is approved by our Audit Committee or ratified by the Audit Committee if it is not practicable for us to wait until the next Audit Committee meeting. A copy of our related person transaction policy and Audit Committee charter is available on our website at www.francescas.com.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our directors and executive officers, and persons who own more than 10% of a registered class of our equity securities, to file with the SEC reports of ownership and reports of changes in ownership of our equity securities. These persons are required by SEC regulations to furnish us with copies of all of these reports that they file. To our knowledge, based solely on our review of the copies of such reports, including any amendments thereto, furnished to us and written responses to annual directors' and officers' questionnaires that no other reports were required, all Section 16(a) reports required to be filed during fiscal 2012 were timely filed, with the exception of a Form 4 filed by Mr. Davis (which was filed five days after the due date) to report an award of stock options granted under the 2011 Plan in connection with his appointment as our President in August 2012.

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AUDIT COMMITTEE REPORT

The Audit Committee of the Board of Directors assists the Board of Directors in performing its oversight responsibilities for our financial reporting process and audit process as more fully described in the Audit Committee's charter. Management has the primary responsibility for the financial statements and the reporting process. Our independent registered public accounting firm is responsible for performing an independent audit of our consolidated financial statements in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States) and to issue a report thereon.

In the performance of its oversight function, the Audit Committee reviewed and discussed our audited consolidated financial statements for the fiscal year ended February 2, 2013 with management and with our independent registered public accounting firm. In addition, the Audit Committee discussed with our independent registered public accounting firm the matters required to be discussed by the Statement on Auditing Standards No. 61, as amended, (AICPA, *Professional Standards*, Vol. 1. AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T, which includes, among other items, matters related to the conduct of the audit of our financial statements.

The Audit Committee has also received and reviewed the written disclosures and the letter from our independent registered public accounting firm required by the applicable requirements of the Public Company Accounting Oversight Board regarding the accounting firm's communications with the Audit Committee concerning independence and has discussed with our independent registered public accounting firm that firm's independence and considered whether the non-audit services provided by the independent registered public accounting firm are compatible with maintaining its independence.

Based on the review and discussions with management and our independent registered public accounting firm described above, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in our Annual Report on Form 10-K for the year ended February 2, 2013 filed with the SEC.

Audit Committee of the Board of Directors

Marie Toulantis (Chair)
Richard Emmett
Patricia Bender

The foregoing report of the Audit Committee does not constitute soliciting material and shall not be deemed filed, incorporated by reference into or a part of any other filing by the Company (including any future filings) under the Securities Act or the Exchange Act, except to the extent the Company specifically incorporates such report by reference therein.

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The Audit Committee appointed E&Y as our independent registered public accounting firm for the fiscal years ended February 2, 2013 and January 28, 2012. The table below shows the aggregate fees for services rendered by E&Y for each of these periods.

	Fiscal year ended	
	February 2, 2013	January 28, 2012
Audit Fees ⁽¹⁾	\$ 763,454	\$ 795,702
Audit-Related Fees ⁽²⁾	\$ 21,000	\$ 20,597
Tax Fees	\$	\$
All Other Fees	\$	\$
Total	\$ 784,454	\$ 816,299

(1) Audit fees represent fees billed for professional services rendered for the audit of our consolidated financial statements and review of the interim condensed consolidated financial statements included in quarterly filings, services rendered in connection with our Form S-1 related to our follow-on public offering and services that are normally provided by E&Y in connection with statutory and regulatory filings or engagements.

(2) Audit-related fees represent fees billed for services rendered during the fiscal year for assurance and related services that are reasonably related to the performance of the audit or review of the Company's consolidated financial statements and are not reported under Audit Fees, including the audit of our 401(k) plan and performance of agreed-upon procedures on related party transactions.

Audit Committee Pre-Approval Policies and Procedures

Under its charter, the Audit Committee must pre-approve all audit, audit-related, tax and other permissible non-audit services proposed to be performed by the Company's independent registered public accounting firm. The Audit Committee is not authorized to delegate the pre-approval of permitted non-audit services. The Audit Committee approved all of the non-audit services provided by our independent registered public accounting firm during the fiscal years ended February 2, 2013 and January 28, 2012.

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ELECTION OF DIRECTORS (Proposal No. 1)

Nominees for Election

Our Board of Directors is currently comprised of nine members. Upon the recommendation of the Nominating and Corporate Governance Committee, our Board of Directors has nominated each of Mr. Richard Kunes, Mr. Richard Emmett and Mr. Richard Zannino for election to our Board of Directors as Class II directors. Each of Mr. Emmett, Mr. Kunes and Mr. Zannino are currently directors of the Company.

In recommending director nominees for selection by our Board of Directors, the Nominating and Corporate Governance Committee considers a number of factors, which are described in more detail above under Board of Directors and Corporate Governance Director Nomination Process. In considering these factors, the Nominating and Corporate Governance Committee and our Board of Directors consider the fit of each individual's skills with those of other directors to build a Board of Directors that is effective, collegial and responsive to the needs of our Company.

The nominees for election have each consented to be named in this Proxy Statement and to serve as directors if elected. If any of the nominees becomes unavailable for any reason (which is not anticipated) there will be a vacancy on our Board of Directors unless our Board of Directors chooses to reduce the number of directors serving on the Board of Directors. Mr. Emmett, Mr. Kunes and Mr. Zannino, if elected, will serve until the 2016 Annual Meeting of Stockholders and until their successors are elected and qualified.

Plurality Voting Standard

Our Bylaws provide for a plurality voting standard for the election of directors. Under this voting standard, once a quorum has been established, the three nominees receiving the highest number of affirmative votes of the shares entitled to be voted for them will be elected as directors to serve until the 2016 annual meeting of stockholders and until their successors are duly elected and qualified. Votes withheld shall have no legal effect. At the Annual Meeting, proxies cannot be voted for a greater number of individuals than the three nominees named in this Proxy Statement.

Recommendation of the Board of Directors

Our Board of Directors recommends that you vote FOR each of the three nominees for director.

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RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM (Proposal No. 2)

The Audit Committee has appointed E&Y to serve as our independent registered public accounting firm for the fiscal year ending February 1, 2014. The Company is not required by its Bylaws or applicable law to submit the appointment of E&Y for stockholder approval. However, as a matter of good corporate governance, the Board of Directors has determined to submit the Audit Committee's appointment of E&Y as our independent registered public accounting firm to stockholders for ratification. If stockholders do not ratify the appointment of E&Y, the Audit Committee may consider the appointment of another independent registered public accounting firm. In addition, even if stockholders ratify the Audit Committee's selection, the Audit Committee, in its discretion, may appoint a different independent registered public accounting firm if it believes that such a change would be in the best interests of the Company and our stockholders.

A representative of E&Y is expected to attend the Annual Meeting. The representative will have the opportunity to make a statement if he or she desires to do so, and is expected to be available to answer appropriate questions.

Recommendation of the Board of Directors

Our Board of Directors recommends that you vote FOR ratification of the appointment of E&Y as the Company's independent registered public accounting firm for the fiscal year ending February 1, 2014.

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OTHER MATTERS

As of the date of this Proxy Statement, the Board of Directors knows of no matters that will be presented for consideration at the Annual Meeting other than as described in this Proxy Statement. If any other matter properly comes before the Annual Meeting or any postponement or adjournment thereof and is voted upon, the proxyholders named in the proxies solicited by the Board of Directors will have the authority to vote all proxies received with respect to such matters in their discretion, and it is their intention to vote such proxies in accordance with the recommendation of the Board of Directors.

STOCKHOLDER PROPOSALS AND DIRECTOR NOMINATIONS FOR THE 2014 ANNUAL MEETING OF STOCKHOLDERS

Requirements for Proposals to be Considered for Inclusion in Proxy Materials. Stockholders interested in submitting a proposal for inclusion in the proxy materials for our 2014 annual meeting of stockholders may do so by following the procedures prescribed in Rule 14a-8 under the Exchange Act. To be eligible for inclusion in the Company's proxy statement, stockholder proposals must be received no later than January 24, 2014 and must comply with Rule 14a-8 under the Exchange Act regarding the inclusion of stockholder proposals in the Company's proxy materials. If we change the date of the 2014 annual meeting of stockholders by more than 30 days from the anniversary of this year's meeting, stockholder proposals must be received a reasonable time before we begin to print and mail our proxy materials for the 2014 annual meeting of stockholders. Proposals should be sent to the attention of the Corporate Secretary at 8760 Clay Road, Houston, Texas 77080 or by facsimile at 713-426-0422.

Requirements for Proposals Not Intended for Inclusion in Proxy Materials and for Nomination of Director Candidates. Stockholders who wish to nominate persons for election to the Board of Directors at the 2014 annual meeting of stockholders or who wish to present a proposal at the 2014 annual meeting of stockholders, but whose stockholder proposal will not be included in the proxy materials the Company distributes for such meeting, must deliver written notice of the nomination or proposal to the Company's Corporate Secretary no earlier than February 8, 2014 and no later than 5:00 p.m., Central time, on March 14, 2014 (provided, however, that if the 2014 annual meeting of stockholders is advanced by more than 30 days or delayed by more than 60 days from the first anniversary of this year's meeting, nominations and proposals must be received no earlier than the 150th day prior to the date of the 2014 annual meeting of stockholders and no later than 5:00 p.m., Central time, on the 120th day prior to the date of the 2014 annual meeting of stockholders or, if the first public announcement of the date of the 2014 annual meeting is less than 100 days prior to the date of the 2014 annual meeting, the 10th day following the day on which public announcement of the date of the 2014 annual meeting of stockholders is first made). The stockholder's written notice must include certain information concerning the stockholder and each nominee as specified in Section 1.12 of our Bylaws. If a stockholder's written notice is not received between the dates specified above and does not satisfy these additional informational requirements, the notice will not be considered properly submitted and will not be acted upon at the 2014 annual meeting of stockholders. A stockholder's written notice should be sent to the attention of the Corporate Secretary at 8760 Clay Road, Houston, Texas 77008.

ANNUAL REPORT TO STOCKHOLDERS

Our 2012 Annual Report has been posted, and is available without charge, on our corporate website at www.francescas.com. For stockholders receiving a Notice of Internet Availability, such Notice will contain instructions on how to request a printed copy of our 2012 Annual Report. For stockholders receiving a printed copy of this Proxy Statement, a copy of our 2012 Annual Report has also been provided to you. **In addition, we will provide, without charge, a copy of our 2012 Annual Report (including the financial statements and the financial statement schedules but excluding the exhibits thereto) to any stockholder of record or beneficial owner of our common stock. Requests can be made by writing to Investor Relations: Corporate Secretary at 8760 Clay Road, Houston, Texas 77080.**

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DELIVERY OF DOCUMENTS TO STOCKHOLDERS SHARING AN ADDRESS

We have adopted a procedure, approved by the SEC, called householding. Under this procedure, stockholders of record who have the same address and last name and did not receive a Notice of Internet Availability or otherwise receive their proxy materials electronically will receive only one copy of this Proxy Statement and the 2012 Annual Report, unless we are notified that one or more of these stockholders wishes to continue receiving individual copies.

This procedure will reduce our printing costs and postage fees.

If you are eligible for householding, but you and other stockholders of record with whom you share an address currently receive multiple copies of this Proxy Statement and the 2012 Annual Report, or if you hold our stock in more than one account, and in either case you wish to receive only a single copy of each of these documents for your household, please contact Broadridge Financial Services, Inc. either by calling toll free at (800) 542-1061 or by writing to Broadridge Householding Department, 51 Mercedes Way, Edgewood, New York 11717. If you participate in householding and wish to receive a separate copy of this Proxy Statement and the 2012 Annual Report, or if you do not wish to continue to participate in householding and prefer to receive separate copies of these documents in the future, please contact Broadridge as indicated above.

If your shares are held in street name through a broker, bank or other nominee, please contact your broker, bank or nominee directly if you have questions, require additional copies of this Proxy Statement or the 2012 Annual Report or wish to receive a single copy of such materials in the future for all beneficial owners of shares of the Company's common stock sharing an address.

**ALL STOCKHOLDERS ARE URGED TO VOTE IN PERSON OR TO SUBMIT YOUR PROXY AS SOON
AS POSSIBLE.**

By Order of the Board of Directors,

Houston, Texas
May 24, 2013

Kal Malik
Secretary

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