

FOSSIL INC  
Form DEF 14A  
April 15, 2010

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

**SCHEDULE 14A**

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

**FOSSIL, INC.**

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(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1) Title of each class of securities to which transaction applies:
  - (2) Aggregate number of securities to which transaction applies:
  - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
  - (4) Proposed maximum aggregate value of transaction:
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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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**FOSSIL, INC.**

2280 N. Greenville Avenue  
Richardson, Texas 75082

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**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**TO BE HELD MAY 19, 2010**

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To the Stockholders of Fossil, Inc.:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders (the "Annual Meeting") of Fossil, Inc., a Delaware corporation (the "Company"), will be held at the offices of the Company, 2280 N. Greenville Avenue, Richardson, Texas 75082, on the 19<sup>th</sup> day of May 2010, at 9:00 a.m. (local time) for the following purposes:

1. To vote on a proposal to amend and restate the Company's Second Amended and Restated Certificate of Incorporation, as amended, to provide for the annual election of directors.
2. If Proposal 1 is approved, to elect ten (10) directors to the Company's Board of Directors to serve for a term of one year or until their respective successors are elected and qualified.
3. If Proposal 1 is not approved, to elect three (3) directors to the Company's Board of Directors to serve for a term of three years or until their respective successors are elected and qualified.
4. To vote on a proposal to approve the Fossil, Inc. 2010 Cash Incentive Plan.
5. To ratify the appointment of Deloitte and Touche LLP as the Company's independent registered public accounting firm for the fiscal year ending January 1, 2011.
6. To transact any and all other business that may properly come before the meeting or any adjournment(s) or postponement(s) thereof.

The Board of Directors has fixed the close of business on March 31, 2010 as the record date (the "Record Date") for the determination of stockholders entitled to notice of and to vote at the Annual Meeting or any adjournment(s) or postponement(s) thereof. Only stockholders of record at the close of business on the Record Date are entitled to notice of and to vote at the Annual Meeting. The stock transfer books will not be closed. A list of stockholders entitled to vote at the Annual Meeting will be available for examination at the offices of the Company for 10 days prior to the meeting.

You are cordially invited to attend the meeting; whether or not you expect to attend the meeting in person, however, you are urged to vote your shares as soon as possible so that your shares of stock may be represented and voted in accordance with your wishes and in order that the presence of a quorum may be assured at the meeting. Your proxy will be returned to you if you are present at the

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meeting and request its return in the manner provided for revocation of proxies on the initial page of the enclosed proxy statement.

**BY ORDER OF THE BOARD OF DIRECTORS**

Randy S. Hyne

*Vice President,*

*General Counsel and Secretary*

April 15, 2010  
Richardson, Texas

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**Important notice regarding the availability of proxy materials for the annual meeting to be held on May 19, 2010: Our official Notice of Annual Meeting of Stockholders, Proxy Statement and Annual Report to Stockholders covering the Company's fiscal year ended January 2, 2010 are also available at [www.proxyvote.com](http://www.proxyvote.com).**

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**FOSSIL, INC.**

2280 N. Greenville Avenue  
Richardson, Texas 75082

**PROXY STATEMENT  
FOR  
ANNUAL MEETING OF STOCKHOLDERS**

**TO BE HELD MAY 19, 2010**

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**SOLICITATION AND REVOCABILITY  
OF PROXIES**

The accompanying proxy is solicited by the Board of Directors on behalf of Fossil, Inc., a Delaware corporation (the "Company"), to be voted at the 2010 Annual Meeting of Stockholders of the Company (the "Annual Meeting") to be held on May 19, 2010, at the time and place and for the purpose of voting on the matters set forth in the Notice of Annual Meeting of Stockholders (the "Annual Meeting Notice") and at any adjournment(s) or postponement(s) thereof. These matters include:

1. A proposal to amend and restate the Company's Second Amended and Restated Certificate of Incorporation, as amended (the "Current Charter"), to provide for the annual election of directors ("Proposal 1").
2. If Proposal 1 is approved, the election of ten (10) directors to the Company's Board of Directors to serve for a term of one year or until their respective successors are elected and qualified ("Proposal 2").
3. If Proposal 1 is not approved, the election of three (3) directors to the Company's Board of Directors to serve for a term of three years or until their respective successors are elected and qualified ("Proposal 3").
4. A proposal to approve the Fossil, Inc. 2010 Cash Incentive Plan ("Proposal 4").
5. Ratification of the appointment of Deloitte and Touche LLP as the Company's independent registered public accounting firm for the fiscal year ending January 1, 2011 ("Proposal 5").
6. Transaction of any and all other business that may properly come before the meeting or any adjournment(s) or postponement(s) thereof.

Proposal 2 will only be presented to the meeting if Proposal 1 is approved. Proposal 3 will only be presented to the meeting if Proposal 1 is not approved.

When proxies in the accompanying form are properly executed and received, the shares represented thereby will be voted at the Annual Meeting in accordance with the directions noted thereon. If no direction is indicated, the shares will be voted: **FOR** Proposal 1; if Proposal 1 is approved, **FOR** Proposal 2; if Proposal 1 is not approved, **FOR** Proposal 3; **FOR** Proposal 4; and **FOR** Proposal 5.

**INTERNET AVAILABILITY AND ELECTRONIC DELIVERY OF PROXY DOCUMENTS**

**Important notice regarding the availability of proxy materials for the annual meeting to be held on May 19, 2010: Our official Notice of Annual Meeting of Stockholders, Proxy Statement and Annual Report to Stockholders covering the Company's fiscal year ended January 2, 2010 are also available at [www.proxyvote.com](http://www.proxyvote.com).**

The executive offices of the Company are located at, and the mailing address of the Company is, 2280 N. Greenville Avenue, Richardson, Texas 75082.

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This proxy statement (the "Proxy Statement") and accompanying form of proxy are being mailed on or about April 15, 2010. The accompanying Annual Report to Stockholders (the "Annual Report") covering the Company's fiscal year ended January 2, 2010 does not form any part of the materials for solicitation of proxies.

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Management does not intend to present any business at the Annual Meeting for a vote other than the matters set forth in the Annual Meeting notice and has no information that others will do so. If other matters requiring a vote of the stockholders properly come before the Annual Meeting, it is the intention of the persons named in the accompanying form of proxy to vote the shares represented by the proxies held by them in accordance with applicable law and their judgment on such matters.

Any stockholder of the Company giving a proxy may revoke the proxy at any time before its exercise by voting in person at the Annual Meeting, by delivering a duly executed proxy bearing a later date or by giving written notice of revocation to the Company addressed to Randy S. Hyne, Vice President, General Counsel and Secretary, Fossil, Inc., 2280 N. Greenville Avenue, Richardson, Texas 75082. No such revocation shall be effective, however, unless the notice of revocation has been received by the Company at or prior to the Annual Meeting.

In addition to the solicitation of proxies by use of the mail, officers and employees of the Company may solicit proxies, either by mail, telephone, telegraph, or through personal contact. These officers and employees will not receive additional compensation for soliciting proxies, but will be reimbursed for out-of-pocket expenses. Brokerage houses and other custodians, nominees, and fiduciaries, with shares of the Company's common stock, par value \$0.01 per share (the "Common Stock"), registered in their names, will be requested to forward solicitation material to the beneficial owners of such shares of Common Stock.

The cost of preparing, printing, assembling, and mailing the Annual Report, this Proxy Statement, and the form of proxy, as well as the reasonable costs of forwarding solicitation materials to the beneficial owners of shares of Common Stock, and other costs of solicitation, will be borne by the Company.

With respect to eligible shareholders who share a single address, we are sending only one proxy statement to that address unless we received instructions to the contrary from any shareholder at that address. This practice, known as "householding," is designed to reduce our printing and postage costs. However, if a shareholder of record residing at such address wishes to receive a separate proxy statement in the future, he or she may contact Investor Relations, Fossil, Inc., 2280 N. Greenville Avenue, Richardson, Texas 75082 or call (972) 234-2525 and ask for Investor Relations. Eligible shareholders of record receiving multiple copies of our proxy statement can request householding by contacting us in the same manner. Shareholders who own shares through a bank, broker or other nominee can request householding by contacting the nominee.

We hereby undertake to deliver promptly, upon written or oral request, a copy of the proxy statement to a shareholder at a shared address to which a single copy of the document was delivered. Requests should be directed to the address or phone number set forth above.

### QUORUM AND VOTING

The record date for the determination of stockholders entitled to notice of and to vote at the Annual Meeting is the close of business on March 31, 2010 (the "Record Date"). On the Record Date, 67,381,981 shares of Common Stock were issued and outstanding.

Each holder of Common Stock is entitled to one vote per share on all matters to be acted upon at the meeting and neither the Company's Current Charter nor its Amended and Restated Bylaws, as amended (the "**Bylaws**"), allow for cumulative voting rights. The presence, in person or by proxy, of the holders of a majority of the issued and outstanding shares of Common Stock entitled to vote at the Annual Meeting is necessary to constitute a quorum to transact business. If a quorum is not present or represented at the Annual Meeting, the stockholders entitled to vote thereat, present in person or by proxy, may adjourn the Annual Meeting from time to time without notice or other announcement until a quorum is present or represented.

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Assuming the presence of a quorum, the affirmative vote of the holders of a majority of the shares of Common Stock outstanding and entitled to vote on Proposal 1 is required to approve the amendment and restatement of the Current Charter to provide for the annual election of directors.

Assuming the presence of a quorum, the affirmative vote of the holders of a plurality of the shares of Common Stock voting at the Annual Meeting is required for the election of directors (Proposal 2 or Proposal 3). However, pursuant to the Company's Corporate Governance Guidelines, in an uncontested election of directors, any nominee for director who has a greater number of votes "withheld" from his or her election than votes "for" such election (a "Majority Withheld Vote") is required to promptly tender his or her resignation following certification of the stockholder vote. The Nominating and Corporate Governance Committee will recommend to the Board of Directors whether to accept such resignation; however, if each member of the Nominating and Corporate Governance committee received a Majority Withheld Vote at the same election, then the independent directors who did not receive a Majority Withheld Vote shall appoint a committee among themselves and recommend to the Board of Directors whether to accept such resignations. The Board of Directors will act upon such recommendation(s) within 90 days following certification of the stockholder vote.

Assuming the presence of a quorum, the affirmative vote of the holders of a majority of the shares of Common Stock present, in person or by proxy, and entitled to vote on Proposals 4 and 5 is required to approve the Fossil, Inc. 2010 Cash Incentive Plan and ratify the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm.

An automated system administered by Broadridge Financial Solutions, Inc. tabulates the votes. Abstentions and broker non-votes are each included in the determination of the number of shares present for determining a quorum. Each proposal is tabulated separately. Abstentions will have the effect of a vote against Proposals 1, 4 and 5. Abstentions will have no effect with respect to Proposals 2 and 3. Broker non-votes will have the effect of a vote against Proposal 1. Broker non-votes will have no effect with respect to Proposals 2, 3, 4 and 5.



## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The Company's only outstanding class of equity securities is its Common Stock. The following table sets forth information regarding the beneficial ownership of Common Stock as of March 31, 2010 by (i) each Named Executive Officer (as defined in "Compensation Discussion and Analysis"); (ii) each director nominee of the Company; (iii) all present executive officers and directors of the Company as a group; and (iv) each other person known to the Company to own beneficially more than five percent (5%) of the Common Stock as of March 31, 2010. The address of each officer and director is c/o Fossil, Inc., 2280 N. Greenville Avenue, Richardson, Texas 75082.

Name of Beneficial Owner	Shares Beneficially Owned(1)(2)	
	Number	Percent
Michael W. Barnes	209,832(3)	*
Kosta N. Kartsotis	8,622,877(4)	12.8%
Tom Kartsotis	4,469,562(5)	6.6%
Mike Kovar	62,196(6)	*
Jennifer Pritchard	34,070(7)	*
Mark D. Quick	154,334(8)	*
Jal S. Shroff	934,600(9)	1.4%
Elaine Agather	5,500(10)	*
Kenneth W. Anderson	51,494(11)	*
Jeffrey N. Boyer	9,750(12)	*
Alan J. Gold	36,500(13)	*
Elysia Holt Ragusa	9,750(14)	*
James E. Skinner	17,450(15)	*
Michael Steinberg	33,500(16)	*
Donald J. Stone	76,312(17)	*
James M. Zimmerman	13,750(18)	*
All executive officers and directors as a group (17 persons)	14,800,678(19)	21.8%
FMR LLC	7,402,111(20)	11.0%
Lord, Abbett & Co. LLC	3,099,085(21)	4.6%
Royce & Associates, LLC	5,472,643(22)	8.1%

\*

Less than 1%

(1)

Beneficial ownership as reported in the above table has been determined in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Beneficial ownership information is based on the most recent Form 3, 4 and 5 and Schedule 13D and 13G filings with the SEC and reports made directly to the Company. The number of shares shown as beneficially owned includes shares of Common Stock subject to stock options and stock appreciation rights exercisable within 60 days after March 31, 2010. Except as indicated by footnote, and subject to community property laws where applicable, the persons named in the table above have sole voting and investment power with respect to all shares of Common Stock shown as beneficially owned by them.

(2)

The percentages indicated are based on 67,381,981 shares of Common Stock outstanding on March 31, 2010. Shares of Common Stock subject to stock options and stock appreciation rights exercisable within 60 days after March 31, 2010 are deemed outstanding for computing the percentage of the person or entity holding such securities but are not outstanding for computing the percentage of any other person or entity.

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- (3) Includes 83,200 shares of Common Stock subject to stock appreciation rights, of which 4,800 shares have a grant price of \$18.41, 24,000 shares have a grant price of \$22.63, 14,400 shares have a grant price of \$31.24, 30,000 shares have a grant price of \$30.71 and 10,000 shares have a grant price of \$13.65, all exercisable within 60 days. Also includes 2,009 shares held indirectly through a 401(k) plan account, 25,278 shares of restricted stock and 83,479 restricted stock units subject to a vesting schedule.
- (4) Includes 3,343,558 shares of Common Stock pledged as collateral to secure a margin loan with Citi Smith Barney and 1,897,338 shares held by The Kartsotis Family Irrevocable Family Trust for the benefit of the family of Mr. Tom Kartsotis.
- (5) Includes 63,521 shares of Common Stock owned by Mr. Tom Kartsotis as custodian for Annie Kartsotis and Jack Kartsotis, both minors, 3,450 shares owned by Lynne Stafford Kartsotis, wife of Mr. Kartsotis, as to which Mr. Kartsotis disclaims beneficial ownership and 500,000 shares which are pledged as collateral to secure a revolving line of credit extended by SunTrust Bank.
- (6) Includes 24,999 shares of Common Stock subject to stock options and 14,800 shares of Common Stock subject to stock appreciation rights, of which 3,200 shares have a grant price of \$18.41, 3,200 shares have a grant price of \$31.24, 7,200 shares have a grant price of \$30.71 and 1,200 shares have a grant price of \$13.65, all exercisable within 60 days. Also includes 1,179 shares held indirectly through a 401(k) plan account, 762 shares held in a personal IRA account, 665 shares of restricted stock and 17,457 restricted stock units subject to a vesting schedule.
- (7) Restricted stock units subject to a vesting schedule.
- (8) Includes 48,000 shares of Common Stock subject to stock options and 42,000 shares of Common Stock subject to stock appreciation rights, of which 12,000 shares have a grant price of \$22.63, 12,000 shares have a grant price of \$31.24, 12,000 shares have a grant price of \$30.71 and 6,000 shares have a grant price of \$13.65, all exercisable within 60 days. Also includes 2,059 shares held indirectly through a 401(k) plan account, 2,000 shares of restricted stock and 55,701 restricted stock units subject to a vesting schedule.
- (9) Includes 86,749 shares of Common Stock subject to stock options exercisable within 60 days. Also includes indirect ownership of 847,851 shares of Common Stock owned of record by Healing Light Limited, an entity controlled by Mr. Shroff. Mr. Shroff and his wife, Mrs. Pervin Shroff, share voting and investment power with respect to 847,851 shares of Common Stock.
- (10) Shares of Common Stock subject to stock options exercisable within 60 days.
- (11) Mr. Anderson serves as an Advisory Director. Includes 29,182 shares of Common Stock subject to stock options exercisable within 60 days.
- (12) Shares of Common Stock subject to stock options exercisable within 60 days.
- (13) Mr. Gold serves as an Advisory Director. Includes 24,000 shares of Common Stock subject to stock options exercisable within 60 days.
- (14) Shares of Common Stock subject to stock options exercisable within 60 days.
- (15) Includes 9,750 shares of Common Stock subject to stock options exercisable within 60 days.
- (16) Includes 28,500 shares of Common Stock subject to stock options exercisable within 60 days.
- (17)

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Includes 35,250 shares of Common Stock subject to stock options exercisable within 60 days.

(18)

Includes 9,750 shares of Common Stock subject to stock options exercisable within 60 days.

(19)

Reflects the information in footnotes (3) through (18) above and includes 22,500 shares of Common Stock subject to stock options and 16,450 shares of Common Stock subject to stock

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appreciation rights, of which 3,000 shares have a grant price of \$18.41, 2,250 shares have a grant price of \$25.93, 4,000 shares have a grant price of \$35.05, 4,800 shares have a grant price of \$30.71 and 2,400 shares have a grant price of \$13.65, all exercisable within 60 days, 735 shares of restricted stock and 17,580 restricted stock units subject to a vesting schedule.

(20)

Based on Amendment No. 14 to Schedule 13G filed on February 16, 2010 by FMR LLC ("FMR"), 82 Devonshire Street, Boston, Massachusetts 02109. Amendment No. 14 discloses that FMR has the sole power to vote or direct the vote of 227,540 of the 7,402,111 shares of Common Stock it beneficially owns, and sole power to dispose or to direct the disposition of 7,402,111 shares. Amendment No. 14 additionally discloses that Edward C. Johnson, 3d has sole dispositive power over 7,402,111 shares.

(21)

Based on Amendment No. 1 to Schedule 13G filed on January 8, 2010 by Lord, Abnett & Co. LLC ("Lord Abnett"), 90 Hudson Street, Jersey City, New Jersey 07302. Amendment No. 1 discloses that Lord Abnett has the sole power to vote or direct the vote of 2,864,020 of the 3,099,085 shares of Common Stock it beneficially owns, and sole power to dispose or to direct the disposition of 3,099,085 shares.

(22)

Based on Amendment No. 6 to Schedule 13G filed on January 25, 2010 by Royce & Associates, LLC ("Royce"), 745 Fifth Avenue, New York, New York 10151. Amendment No. 6 discloses that Royce beneficially owns, has the sole power to vote or direct the vote of, and has the sole power to dispose or direct the disposition of 5,472,643 shares of Common Stock.

### **AMENDMENT AND RESTATEMENT OF THE CURRENT CHARTER TO PROVIDE FOR THE ANNUAL ELECTION OF DIRECTORS (Proposal 1)**

On March 24, 2010, the Board of Directors voted to approve, and to recommend to our stockholders that they approve, a proposal to amend and restate the Company's Current Charter to eliminate the classification of the Board of Directors and to provide instead for the annual election of directors. If approved by the Company's stockholders, the certificate of incorporation, as amended and restated (the "Amended Charter"), would provide for the annual election of directors beginning at the Annual Meeting. Under the current classified system, the terms of four directors will expire at the Annual Meeting. As of April 14, 2010, each of our directors whose term does not expire at the Annual Meeting has tendered his or her resignation, contingent and effective upon stockholder approval of Proposal 1.

The fourth paragraph of Article V of the Current Charter currently provides that the Board of Directors be divided into three classes of approximately equal size, composed of directors each serving terms of office of three years, and reads as follows:

The directors to be elected at the 1998 Annual Meeting of Stockholders shall be divided into three classes as nearly equal in number as possible, and designated as Class I, Class II and Class III. Class I directors shall be elected initially for a term expiring at the 1999 Annual Meeting of Stockholders, Class II directors shall be elected initially for a term expiring at the 2000 Annual Meeting of Stockholders, and Class III directors shall be elected initially for a term expiring at the 2001 Annual Meeting of Stockholders. Members of each class shall hold office until their successors are elected and qualified. At the 1999 Annual Meeting of Stockholders and at each subsequent annual meeting of the stockholders of the Corporation, the successors of the class of directors whose term expires at that meeting shall be elected by a plurality vote of all votes cast at such meeting, to hold office for a term expiring at the Annual Meeting of Stockholders held in the third year following the year of their election, and until their successors are elected and qualified.

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If the proposed measure is approved by our stockholders, the fourth paragraph of Article V will be replaced with the following:

Commencing with the 2010 Annual Meeting of Stockholders, the directors shall be elected annually for terms expiring at the next succeeding annual meeting. A director shall hold office until his or her successor shall be elected and shall qualify, subject, however, to prior death, resignation, retirement or removal from office.

Under Section 141 of the Delaware General Corporation Law (the "DGCL"), the proposed amendment also would have the effect of changing the ability of stockholders to remove directors other than for cause. Currently, under the Company's Bylaws, directors may be removed only with cause, as defined in the Bylaws. As required by Section 141, the Board of Directors has approved changes to the Bylaws, contingent and effective upon approval of Proposal 1, to provide that directors may be removed with or without cause.

Classified boards provide protection against unwanted takeovers and proxy contests because they make it difficult for a substantial stockholder to gain control of the Board of Directors without the cooperation or approval of incumbent directors. Classified boards also foster continuity and stability, not only on the board but also in the overall business of a company, since a majority of directors will always have prior experience as directors of the company.

However, classified boards may also reduce the accountability of directors to stockholders as they may limit the ability of stockholders to evaluate and elect each director each year. Moreover, many institutional investors believe that the election of directors is the primary means for stockholders to influence corporate governance policies and to hold management accountable for implementing those policies.

In deciding to recommend declassification of the Board of Directors, the Board of Directors considered the arguments in favor of and against continuation of a classified Board of Directors structure and determined that it is in the Company's best interests to eliminate its classified Board of Directors as proposed.

The affirmative vote of the holders of a majority of the shares of Common Stock outstanding and entitled to vote on the proposal is required for the approval of Proposal 1.

**THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE "FOR" APPROVAL OF PROPOSAL 1.**

### **ELECTION OF DIRECTORS IF PROPOSAL 1 IS APPROVED (Proposal 2)**

The Board of Directors currently consists of eleven members and, as described above, is currently classified into three classes. The term of one class of directors expires each year. The terms of four directors will expire at the Annual Meeting. One of these directors, Mr. Tom Kartotis, our Chairman, is not seeking re-election. As of April 14, 2010, each of our directors whose term does not expire at the Annual Meeting has tendered his or her resignation, contingent and effective upon stockholder approval of Proposal 1. Therefore, contingent upon approval of Proposal 1, ten persons have been nominated for election as directors by the Board of Directors to serve for a term of office to expire at the Annual Meeting of Stockholders in 2011, with each to hold office until his or her successor has been duly elected and qualified.

To be elected as a director, each director nominee must receive a plurality of the votes cast at the Annual Meeting for the election of directors. A description of our policy regarding nominees who receive a Majority Withheld Vote in an uncontested election is set forth under "Quorum and Voting." Should any director nominee become unable or unwilling to accept nomination or election, the proxy

holders may vote the proxies for the election, in his or her stead, of any other person the Board of Directors may nominate or designate. Each director nominee has expressed his or her intention to serve the entire term.

### Directors and Nominees

The following table and text set forth the name, age and positions of each director nominee:

Name	Age	Position
Elaine Agather	54	Director
Michael W. Barnes	49	Director and President and Chief Operating Officer
Jeffrey N. Boyer	52	Director
Kosta N. Kartsotis	57	Director and Chief Executive Officer
Elysia Holt Ragusa	59	Director
Jal S. Shroff	73	Director
James E. Skinner	56	Director
Michael Steinberg	81	Director
Donald J. Stone	81	Director and Lead Independent Director
James M. Zimmerman	66	Director

The following sets forth biographical information and the qualifications and skills for each director nominee:

Elaine Agather was appointed to the Board of Directors on February 8, 2007, effective February 12, 2007. Ms. Agather is currently a member of the Company's Audit Committee and Chairperson of the Compensation Committee. Since 1999, Ms. Agather has served as Chairperson of JP Morgan Chase, Dallas Region. She also has served as South Region Head and Managing Director of JPMorgan Private Bank since 2001. From 1992 until 1999, she served as Chairperson of Texas Commerce Bank in Fort Worth, Texas. Ms. Agather has extensive leadership experience as CEO and Chairperson of large organizations, substantial banking experience and financial acumen developed through her CEO and Chairperson experience.

Michael W. Barnes has served as President and Chief Operating Officer of the Company since January 1, 2007. Mr. Barnes served as President, International and Special Markets Division from October 2000 to December 2006. Mr. Barnes served as Executive Vice President from 1995 until October 2000 and has been a director of the Company since February 1993. Mr. Barnes has extensive leadership experience in managing major divisions within our Company and currently as President and COO. He has substantial knowledge of the Company and our global operations having served in various management roles since joining the Company in 1985 and on our Board since 1993.

Jeffrey N. Boyer was appointed to the Board of Directors effective December 20, 2007. Mr. Boyer is currently a member of the Company's Audit Committee and Chairman of the Finance Committee. He has served as Executive Vice President and Chief Financial Officer of 24 Hour Fitness Worldwide, the world's largest privately owned and operated fitness center chain, since April 2008. Mr. Boyer previously served as President and Chief Financial Officer of Michaels Stores, Inc. from March 2006 until March 2008. Mr. Boyer also held the positions of Executive Vice President and Co-President of Michaels Stores, Inc. from January 2003 to March 2006. Prior to joining Michaels, he served as the Executive Vice President and Chief Financial Officer of the Kmart Corporation. From 1996 until 2001, he held multiple positions with Sears, Roebuck & Company, advancing to the post of Senior Vice President and Chief Financial Officer. Mr. Boyer has extensive leadership experience as CFO of large organizations and experience in accounting, finance, capital markets, strategic planning and risk management developed through his CFO and public accounting experience and has been determined

by the Board of Directors to meet the qualifications of an "audit committee financial expert" in accordance with SEC rules.

Kosta N. Kartsotis has served as Chief Executive Officer since October 2000. Mr. Kartsotis also served as President of the Company from December 1991 to December 2006 and as Chief Operating Officer from December 1991 until October 2000. Mr. Kosta Kartsotis joined the Company in 1988. He has been a director of the Company since 1990. Mr. Kartsotis has extensive senior level experience as our CEO, substantial experience in the fashion retailing industry and substantial sales, marketing and merchandising experience. He has deep knowledge of the Company and its businesses, having served on our Board since 1990.

Elysia Holt Ragusa was appointed to the Board of Directors effective December 20, 2007. Ms. Ragusa is currently a member of the Compensation Committee and Nominating and Corporate Governance Committee. Ms. Ragusa currently serves on the Board of Directors of Texas Capital Bancshares Inc. She has served as Senior Managing Director and International Director for Jones Lang Lasalle since July 2008. Jones Lang Lasalle provides integrated real estate and investment management services to owner, occupier and investor clients worldwide. She previously served as President, Corporate Services-East Staubach Holdings, Inc., and was a member of both the Executive Committee and The Staubach Company's Board of Directors. Ms. Ragusa served as President and Chief Operating Officer of The Staubach Company from July 2001 until June 2007. Jones Lang Lasalle and The Staubach Company merged in 2008. Ms. Ragusa has extensive experience in leading large organization with special skills in operations, marketing, sales and developing people. She also has experience in commercial real estate acquisition and disposition.

Jal S. Shroff served as Managing Director of Fossil (East) Limited from January 1991 until July 2009 and has been a director of the Company since April 1993. Mr. Shroff has extensive experience in manufacturing and sourcing operations and has a broad knowledge of the Asia-Pacific markets for our products having been based in Hong Kong since 1959. He has deep knowledge of the Company and its businesses, having served on our Board since 1993.

James E. Skinner was appointed to the Board of Directors effective December 20, 2007. Mr. Skinner is currently the Chairman of the Company's Audit Committee and a member of the Finance Committee. He serves as Executive Vice President and Chief Financial Officer of The Neiman Marcus Group, Inc. From 2001 until October 2007, he held the position of Senior Vice President and Chief Financial Officer of The Neiman Marcus Group, Inc. Mr. Skinner served as Senior Vice President and Chief Financial Officer of CapRock Communications Corp. in 2000. Mr. Skinner has extensive leadership experience as CFO of large organizations and experience in accounting, finance, capital markets, strategic planning and risk management developed through his CFO and public accounting experience and has been determined by the Board of Directors to meet the qualifications of an "audit committee financial expert" in accordance with SEC rules.

Michael Steinberg has been a director of the Company since March 2000. Mr. Steinberg is currently a member of the Company's Compensation Committee and Nominating and Corporate Governance Committee. Mr. Steinberg served as Chairman and Chief Executive Officer of Macy's West, a Division of Federated Department Stores, Inc., from which he retired in January 2000. Mr. Steinberg has extensive experience in leading a large retail company, and substantial experience in retailing, merchandising and strategic planning. He has deep knowledge of the Company and its businesses, having served on our Board since 2000.

Donald J. Stone has been a director of the Company since April 1993. Mr. Stone is currently the Chairman of the Company's Nominating and Corporate Governance Committee. Mr. Stone is also currently the Lead Independent Director, having served in that role since May 2007. Mr. Stone served as Vice Chairman of Federated Department Stores until February 1988, at which time he retired. Mr. Stone has extensive experience in leading a large retail company and substantial experience in

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retailing and strategic planning. He has deep knowledge of the Company and its businesses, having served on our Board since 2000.

James M. Zimmerman was appointed to the Board of Directors effective September 5, 2007. Mr. Zimmerman is currently a member of the Company's Finance Committee and Nominating and Corporate Governance Committee. Mr. Zimmerman currently serves as a member of the Board of Directors of The Chubb Corporation. Mr. Zimmerman retired from Federated Department Stores in February 2004 after serving for the previous six years as Chairman and Chief Executive Officer, and prior to that as President and Chief Operating Officer beginning in May 1988. He is a former member of the Board of Directors of The Convergys Corporation, The Goodyear Tire and Rubber Company, and the H.J. Heinz Company. Mr. Zimmerman has extensive executive experience in leading a large retail company and strong skills in retail operations, strategic planning and public company executive compensation. He also brings insights to our board from his service on other public company boards.

Unless otherwise directed in the proxy, if Proposal 1 is approved, it is the intention of the persons named in the proxy to vote the shares represented by such proxy for the election of the director nominees. Each of the director nominees is presently a director of the Company.

The Board of Directors does not contemplate that any of the above-named director nominees will refuse or be unable to accept election as a director of the Company, or be unable to serve as a director of the Company. Should any of them become unavailable for election or refuse to accept election as a director of the Company, then the persons named in the form of proxy intend to vote the shares represented in such proxy for the election of such other person or persons as may be designated by the Board of Directors.

The following director with a term expiring at the Annual Meeting is not standing for re-election:

Tom Kartsotis has served as Chairman of the Board since December 1991. Mr. Tom Kartsotis founded the Company in 1984 and served as its President until December 1991 and as Chief Executive Officer until October 2000. He has been a director of the Company since 1984.

Mr. Tom Kartsotis and Mr. Kosta N. Kartsotis are brothers. There are no other family relationships among any of the director nominees or executive officers of the Company.

**THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE "FOR" THE ELECTION OF EACH DIRECTOR NOMINEE ABOVE FOR THE BOARD OF DIRECTORS IF PROPOSAL 1 IS APPROVED.**

### **ELECTION OF DIRECTORS IF PROPOSAL 1 IS NOT APPROVED (Proposal 3)**

If Proposal 1 is not approved, as described above, the Board will remain classified into three classes with the term of one class of directors expiring each year. The terms of four directors, Ms. Agather and Messrs. Tom Kartsotis, Shroff and Stone, will expire at the Annual Meeting. As described above, Mr. Tom Kartsotis is not seeking re-election. Therefore, if Proposal 1 is not approved, Ms. Agather and Messrs. Shroff and Stone have been nominated for election as directors by the Board of Directors to serve for a term of office to expire at the Annual Meeting of Stockholders in 2013, with each to hold office until his or her successor has been duly elected and qualified. Stockholders will be unable to vote for more than three persons. To be elected as a director, each director nominee must receive a plurality of the votes cast at the Annual Meeting for the election of directors. A description of our policy regarding nominees who receive a Majority Withheld Vote in an uncontested election is set forth under "Quorum and Voting." Information about Ms. Agather and Messrs. Shroff and Stone is set forth under "Election of Directors if Proposal 1 is Approved (Proposal 2)."



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If Proposal 1 is not approved, the terms of Messrs. Barnes, Boyer and Zimmerman and Ms. Ragusa will expire at the 2011 Annual Meeting of Stockholders and the terms of Messrs. Kosta Kartsotis, Skinner, and Steinberg will expire at the 2012 Annual Meeting of Stockholders.

Unless otherwise directed in the proxy, if Proposal 1 is not approved, it is the intention of the persons named in the proxy to vote the shares represented by such proxy for the election of the director nominees above. Each of the director nominees is presently a director of the Company.

The Board of Directors does not contemplate that any of the above-named director nominees will refuse or be unable to accept election as a director of the Company, or be unable to serve as a director of the Company. Should any of them become unavailable for election or refuse to accept election as a director of the Company, then the persons named in the form of proxy intend to vote the shares represented in such proxy for the election of such other person or persons as may be designated by the Board of Directors.

**THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE "FOR" THE ELECTION OF EACH DIRECTOR NOMINEE ABOVE FOR THE BOARD OF DIRECTORS IF PROPOSAL 1 IS NOT APPROVED.**

### Board Committees and Meetings

The Board of Directors held four meetings during the fiscal year ended January 2, 2010. During 2009, each director attended 75% or more of the aggregate of the meetings of the Board of Directors and the meetings held by all committees of the Board on which such director served. The Board of Directors strongly encourages that directors make a reasonable effort to attend the Company's Annual Meeting of Stockholders. All of the then current members of the Board of Directors attended the Company's 2009 Annual Meeting of Stockholders.

The Board of Directors has established four standing committees: the Audit Committee, the Compensation Committee, the Finance Committee and the Nominating and Corporate Governance Committee. Ms. Agather and Messrs. Boyer and Skinner (Chairman) serve on the Audit Committee; Ms. Agather (Chairperson) and Ms. Ragusa and Mr. Steinberg serve on the Compensation Committee; Messrs. Boyer (Chairman), Skinner and Zimmerman serve on the Finance Committee and Ms. Ragusa and Messrs. Steinberg, Stone (Chairman) and Zimmerman serve on the Nominating and Corporate Governance Committee.

*Audit Committee.* The functions of the Audit Committee are to:

appoint the Company's independent registered public accounting firm;

review the plan and scope of any audit of the Company's consolidated financial statements; and

review the Company's significant accounting policies and other related matters.

Deloitte & Touche LLP, the Company's principal independent registered public accounting firm, reports directly to the Audit Committee. The Audit Committee, consistent with the Sarbanes-Oxley Act of 2002 and the rules adopted thereunder, meets with management and the Company's independent registered public accounting firm prior to the filing of officers' certifications with the SEC to receive information concerning, among other things, significant deficiencies in the design or operation of internal controls over financial reporting. The Audit Committee has adopted a procedure that enables confidential and anonymous reporting to the Audit Committee of concerns regarding questionable accounting or auditing matters. The Company's internal audit group reports directly to the Audit Committee on a quarterly basis. The Audit Committee held a total of twelve meetings during the fiscal year ended January 2, 2010.

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All members of the Audit Committee have been determined to be financially literate and to meet the appropriate Nasdaq and SEC standards for independence. See "Director Independence." The Audit Committee includes two independent directors, Messrs. Boyer and Skinner, who have been determined by the Board of Directors to meet the qualifications of an "audit committee financial expert" in accordance with SEC rules. The Audit Committee operates under a formal charter adopted by the Board of Directors that governs its duties and conduct. Copies of the charter can be obtained free of charge from the Company's web site, [www.fossil.com](http://www.fossil.com), by contacting the Company at the address appearing on the first page of this proxy statement to the attention of Investor Relations, or by telephone at (972) 234-2525.

*Compensation Committee.* The functions of the Compensation Committee are to:

make recommendations to the Board of Directors regarding the compensation of Company executives;

produce annual reports on executive compensation for inclusion in the Company's proxy statement; and

oversee and advise the Board of Directors on the adoption of policies that govern the Company's compensation programs, including stock and benefit plans and to administer the 2004 Long-Term Incentive Plan (the "2004 Incentive Plan"), which terminated on May 21, 2008, the 2008 Long-Term Incentive Plan (the "2008 Incentive Plan") and the 2002 Restricted Stock Plan (the "Restricted Stock Plan"), which was terminated on August 29, 2007.

The Compensation Committee held five meetings during the fiscal year ended January 2, 2010. All members of the Compensation Committee have been determined to meet the appropriate Nasdaq standards for independence. See "Director Independence." Further, each member of the Compensation Committee is a "Non-Employee Director" as defined in Rule 16b-3 under the Exchange Act and an "outside director" as defined for purposes of 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"). The Compensation Committee operates under a formal charter adopted by the Board of Directors that governs its duties and conduct. Copies of the Compensation Committee Charter can be obtained free of charge from the Company's web site, [www.fossil.com](http://www.fossil.com), by contacting the Company at the address appearing on the first page of this proxy statement to the attention of Investor Relations, or by telephone at (972) 234-2525.

*Finance Committee.* In April 2009, the Board of Directors established the Finance Committee. The functions of the Finance Committee are to oversee all areas of corporate finance for the Company, including capital structure, equity and debt financings, capital expenditures, cash management, banking activities and relationships, investments, foreign exchange activities, and share repurchase activities.

The specific responsibilities and functions of the Finance Committee are set forth in the Finance Committee Charter. Copies of the charter can be obtained free of charge from the Company's web site, [www.fossil.com](http://www.fossil.com), by contacting the Company at the address appearing on the first page of this proxy statement to the attention of Investor Relations, or by telephone at (972) 234-2525.

The Finance Committee held three meetings during the fiscal year ended January 2, 2010. All members of the Finance Committee have been determined to meet the appropriate Nasdaq standards for independence. See "Director Independence."

*Nominating and Corporate Governance Committee.* The functions of the Nominating and Corporate Governance Committee are to:

identify qualified individuals for membership on the Board of Directors;

recommend to the Board of Directors the director nominees for the next annual meeting of stockholders;

review the Company's corporate governance guidelines on an annual basis and recommend to the Board any changes deemed necessary or desirable; and

oversee the corporate governance affairs of the Board of Directors and the Company.

The Nominating and Corporate Governance Committee's role includes periodically reviewing the compensation paid to non-employee directors, and making recommendations to the Board for any adjustments. In addition, the Nominating and Corporate Governance Committee conducts an annual review of the Company's succession plans relating to the Chairman and Chief Executive Officer positions. The Nominating and Corporate Governance Committee regularly reviews the purposes of the Board committees, recommends to the Board of Directors any necessary or desired changes to the purposes of such committees and whether any committees should be created or discontinued.

The specific responsibilities and functions of the Nominating and Corporate Governance Committee are set forth in the Nominating and Corporate Governance Committee Charter. Copies of the charter can be obtained free of charge from the Company's web site, [www.fossil.com](http://www.fossil.com), by contacting the Company at the address appearing on the first page of this proxy statement to the attention of Investor Relations, or by telephone at (972) 234-2525.

The Nominating and Corporate Governance Committee held four meetings during the fiscal year ended January 2, 2010. All members of the Nominating and Corporate Governance Committee have been determined to meet the appropriate Nasdaq standards for independence. See "Director Independence."

#### **Risk Oversight**

The Board of Directors takes an active role in overseeing management of the Company's risks through its review of risks associated with our operations and strategic initiatives and through each of the Board committees. Our Audit, Compensation, Finance and Nominating and Corporate Governance Committees are comprised solely of independent directors and have responsibility for the review of certain risks as defined in their governing documents. The Audit Committee reviews and discusses with management our major financial risks, including any risk assessment or risk management policies. The Audit Committee receives regular reports regarding enterprise risk from our Internal Audit Department and independent accountants and informs the Board of Directors of such matters through regular committee reports. In addition to receiving regular reports from the Audit Committee concerning our enterprise risk, the Board of Directors also reviews information concerning other risks through regular reports of its other committees, including information regarding financial risk management from the Finance Committee, compensation-related risk from the Compensation Committee and governance-related risk from the Nominating and Corporate Governance Committee.

#### **Report of the Audit Committee**

The following is the report of the Audit Committee with respect to the Company's audited consolidated financial statements for the fiscal year ended January 2, 2010, which includes the consolidated balance sheets of the Company as of January 2, 2010 and January 3, 2009, and the related consolidated statements of income and comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended January 2, 2010, and the notes thereto. The information contained in this report shall not be deemed to be "soliciting material" or to be "filed with the SEC" or subject to the liabilities of Section 18 of the Exchange Act nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the

Exchange Act, except to the extent that the Company specifically incorporates it by reference in such filing.

Review and Discussions with Management

The Audit Committee has reviewed and discussed the Company's audited consolidated financial statements with management.

Review and Discussions with Independent Registered Public Accounting Firm

The Audit Committee has discussed with Deloitte & Touche LLP the matters required to be discussed by Statement on Auditing Standards No. 61, as amended (Codification of Statements on Auditing Standards, AU 380), "Communication with Audit Committees" that includes, among other items, matters related to the conduct and the results of the audit of the Company's consolidated financial statements.

The Audit Committee has also received the written disclosures and the letter from Deloitte & Touche LLP required by applicable requirements of the Public Company Accounting Oversight Board regarding Deloitte & Touche LLP's communications with the Audit Committee concerning independence, and has discussed with Deloitte & Touche LLP its independence from the Company.

Based on the review and discussions referred to above, the Audit Committee recommended to the Company's Board of Directors that the Company's audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended January 2, 2010.

AUDIT COMMITTEE

Jeffrey N. Boyer

Elaine Agather

James E. Skinner, Chairman

**Corporate Governance**

The Company, with the oversight of the Board of Directors and its committees, operates within a comprehensive plan of corporate governance for the purpose of defining independence, assigning responsibilities, setting high standards of professional and personal conduct and assuring compliance with such responsibilities and standards. The Company regularly monitors developments in the area of corporate governance. Copies of the Company's Corporate Governance Guidelines can be obtained free of charge from the Company's web site, [www.fossil.com](http://www.fossil.com), by contacting the Company at the address appearing on the first page of this proxy statement to the attention of Investor Relations, or by telephone at (972) 234-2525.

*Director Independence*

The standards relied upon by the Board of Directors in affirmatively determining whether a director is "independent" in compliance with the rules of Nasdaq are comprised, in part, of those objective standards set forth in the Nasdaq Marketplace Rules, which include the following bright line rules: (a) a director who is or was an employee, or whose immediate family member (defined as a spouse, parent, child, sibling, whether by blood, marriage or adoption, and anyone sharing the director's home) is or was an executive officer of the Company, would not be independent for a period of three years after termination of such relationship; (b) a director who receives, or whose immediate family member receives, from the Company compensation of more than \$120,000 within the three years preceding the determination of independence, except for certain permitted payments, would not be independent; (c) a director who is or who has an immediate family member who is, a current partner of the Company's outside auditor or who was, or who has an immediate family member who was, a

partner or employee of the Company's outside auditor who worked on the Company's audit at any time during any of the past three years would not be independent; (d) a director who is, or whose immediate family member is, employed as an executive officer of another entity where at any time during the past three years any of the Company's executive officers served on the compensation committee would not be independent; and (e) a director who is, or who has an immediate family member who is, a partner in, or a controlling shareholder or an executive officer of any organization that, in the current or any of the past three fiscal years, has made payments to, or received payments from, the Company for property or services in an amount that, in any single fiscal year, exceeds the greater of \$200,000, or 5% of such recipient's consolidated gross revenues, would not be independent.

The Board of Directors, in applying the above-referenced standards, has affirmatively determined that our current directors Elaine Agather, Jeffrey N. Boyer, Elysia Holt Ragusa, James E. Skinner, Michael Steinberg, Donald J. Stone and James M. Zimmerman are "independent." As part of the Board's process in making such determination, each such director provided written assurances that all of the above-cited objective criteria for independence are satisfied and such director has no other "material relationship" with the Company that could interfere with such director's ability to exercise independent judgment.

#### *Board Leadership Structure*

Currently, Mr. Kosta N. Kartsotis serves as our Chief Executive Officer and a director and Mr. Tom Kartsotis serves as our Chairman of the Board. Separating the positions of Chief Executive Officer and Chairman of the Board allows our Chief Executive Officer to focus on the day-to-day leadership and performance of the Company, while allowing the Chairman of the Board to lead the Board in its fundamental role of providing advice to and oversight of management.

The Board does not have a policy as to whether the Chairman of the Board should be a non-management director or a member of management. Instead, the Company's Corporate Governance Guidelines allow the Board the flexibility to select the best director to serve as Chairman of the Board at any given time, regardless of whether that director is an independent director or the Chief Executive Officer.

The Board determined that Mr. Tom Kartsotis' role as a non-management Chairman of the Board was appropriate given his longstanding leadership of the Company as its founder and former President and Chief Executive Officer, while Mr. Kosta N. Kartsotis' role as Chief Executive Officer was appropriate for day-to-day operations of the Company. The Board believes that consistency between day-to-day operations of the Company and the overall management is reached through Mr. Kosta N. Kartsotis' service as the Chief Executive Officer and a director.

However, no single leadership model is right for all companies. The Board recognizes that depending upon the circumstances other leadership structures, such as combining the positions of Chairman of the Board and Chief Executive Officer, might be appropriate.

In order to give a significant voice to our non-management directors, our Corporate Governance Guidelines provide that the non-management directors of the Company meet regularly in executive session. In addition, the Company's independent directors held four formal meetings without management during fiscal 2009. Mr. Donald J. Stone acted as Chairman at the meetings of the independent directors.

The independent members of our Board selected Mr. Stone to serve as Lead Independent Director for a term to expire in May 2010. The Lead Independent Director presides over all executive sessions of the non-management directors and other meetings of the Board in the absence of the Chairman of the Board, serves as the principal liaison to the non-management directors and consults

with the Chairman of the Board regarding information to be sent to the Board, meeting agendas and establishing meeting schedules.

The Board believes the current leadership structure is effective and appropriate, allows for a separation of the executive powers, provides an experienced person with whom the Chief Executive Officer can discuss issues facing the Company, and gives a significant voice to non-management directors. However, the Board will review its leadership structure in light of Mr. Tom Kartsotis' decision to step down from the Board at the Annual Meeting and will determine whether changes to the leadership structure will be in the best interests of the Company and its stockholders going forward.

#### *Director Nomination Policy*

The Company has a standing Nominating and Corporate Governance Committee consisting entirely of independent directors. Each director nominee was recommended to the Board by the Nominating and Corporate Governance Committee for selection.

The Nominating and Corporate Governance Committee will consider all proposed nominees for the Board of Directors, including those put forward by stockholders. Stockholder nominations should be addressed to the Nominating and Corporate Governance Committee in care of Randy S. Hyne, Vice President, General Counsel and Secretary, at the address appearing on the first page of this proxy statement, in accordance with the provisions of the Company's Bylaws. The Nominating and Corporate Governance Committee annually reviews with the Board the applicable skills and characteristics required of Board nominees in the context of current Board composition and Company circumstances. In making its recommendations to the Board, the Nominating and Corporate Governance Committee considers all factors it considers appropriate, which may include experience, accomplishments, education, understanding of the business and the industry in which the Company operates, specific skills, general business acumen and the highest personal and professional integrity. Generally, the Nominating and Corporate Governance Committee will first consider current Board members because they meet the criteria listed above and possess an in depth knowledge of the Company, its history, strengths, weaknesses, goals and objectives. This level of knowledge has proven very valuable to the Company. In determining whether to recommend a director for re-election, the Nominating and Corporate Governance Committee also considers the director's past attendance at meetings and participation in and contributions to the activities of the Board.

The Board and the Nominating and Corporate Governance committee aim to assemble a diverse group of Board members and believe that no single criterion such as gender or minority status is determinative in obtaining diversity on the Board. The Board defines diversity as differences of viewpoint, professional experience, education and skills such as a candidate's range of experience serving on other public company boards, the balance of the business interest and experience of the candidate as compared to the incumbent or other nominated directors, and the need for any particular expertise on the Board or one of its committees.

#### *Codes of Business Conduct and Ethics*

The Company has adopted a Code of Conduct and Ethics that applies to directors, officers and other employees of the Company and its subsidiaries. In addition, the Company has adopted a Code of Ethics for Senior Financial Officers, which includes the Company's principal executive officer, principal financial officer, and principal accounting officer. Violations of these codes may be reported to the Audit Committee. Copies of the codes can be obtained free of charge from the Company's web site, [www.fossil.com](http://www.fossil.com), by contacting the Company at the address appearing on the first page of this proxy statement to the attention of Investor Relations, or by telephone at (972) 234-2525. The Company intends to post any amendments to, or waivers from, its Code of Conduct and Ethics that apply to its Senior Financial Officers on its web site at [www.fossil.com](http://www.fossil.com).

*Communication with the Board of Directors*

A stockholder who wishes to communicate with the Board of Directors, or specific individual directors, including the non-management directors as a group, may do so by writing to such director or directors in care of Randy S. Hyne, Vice President, General Counsel and Secretary, at the address appearing on the first page of this proxy statement. Communication(s) directed to members of the Board who are employees will be relayed to the intended Board member(s) except to the extent that it is deemed unnecessary or inappropriate to do so pursuant to the procedures established by a majority of the independent directors. Communications directed to non-management directors will be relayed to the intended Board member(s) except to the extent that doing so would be contrary to the instructions of the non-management directors. Any communication so withheld will nevertheless be made available to any non-management director who wishes to review it.

**Executive Officers**

The name, age, current position with the Company, and principal occupation during the last five years of executive officers Messrs. Kosta N. Kartsois and Michael W. Barnes and the year each first became an executive officer of the Company is set forth above under the caption "Election of Directors if Proposal 1 is Approved Directors and Nominees," and with respect to each remaining executive officer is set forth in the following table and text:

<b>Name</b>	<b>Age</b>	<b>Position</b>
Livio Galanti	42	Executive Vice President
Mike L. Kovar	48	Executive Vice President, Chief Financial Officer and Treasurer
Jennifer Pritchard	51	President, Retail Division
Mark D. Quick	61	Vice Chairman

Livio Galanti has served as Executive Vice President since August 2007. Mr. Galanti served as Senior Vice President of Luxury Brands from December 2006 until July 2007. From November 2004 to November 2006, Mr. Galanti served as Senior Vice President of the Sports Division. Prior to joining the Company, Mr. Galanti served for three years as General Manager and joint venture partner in Timex Group Italia, a watch distribution, design and development company.

Mike L. Kovar has served as Executive Vice President, Chief Financial Officer and Treasurer since March 2008 and served as Senior Vice President, Chief Financial Officer and Treasurer since October 2000. Mr. Kovar served as Senior Vice President, Finance from March 2000 until October 2000. From November 1997 until March 2000, Mr. Kovar served as Vice President and Chief Financial Officer for BearCom Group, Inc., a wholesaler of two-way radios, and as Controller from July 1996 to November 1997.

Jennifer Pritchard has served as President, Retail Division since September 2006. From January 2004 until March 2006 she served as President of Arden B., a division of Wet Seal, Inc., a specialty retailer of apparel and accessory items. Prior to that, from October 2002 until January 2004, Ms. Pritchard served as President of Zutopia, another division of Wet Seal, and from April 2001 until October 2002, she served as Executive Vice President Product Development and Marketing of Tex 38, LLC, a Hong-Kong based design and production company.

Mark D. Quick has served as Vice Chairman of the Company since January 1, 2007. Mr. Quick served as President, Fashion Accessories from October 2000 until December 2006 and President, Stores Division from March 2003 until September 2006. Mr. Quick served as Executive Vice President from March 1997 until October 2000. From November 1995 until March 1997, he served as Senior Vice President Accessories.

**FISCAL 2009 DIRECTOR COMPENSATION TABLE**

The following table provides information regarding director compensation during fiscal year 2009.

Name(1)(2)(3)(4)	Fees Earned or Paid in Cash (\$)(5)(6)	Total (\$)
Elaine Agather	70,628	70,628
Kenneth W. Anderson	30,834	30,834
Jeffrey N. Boyer	64,392	64,392
Alan J. Gold	22,806	22,806
Elysia Holt Ragusa	50,764	50,764
James E. Skinner	71,558	71,558
Michael Steinberg	54,338	54,338
Donald J. Stone	57,816	57,816
James M. Zimmerman	53,802	53,802

- (1) Messrs. Kosta Kartsotis and Barnes were directors and Named Executive Officers during 2009. As such, information about their compensation is listed in the Fiscal 2009, 2008 and 2007 Summary Compensation Table below. Messrs. Kosta Kartsotis and Barnes did not receive any additional compensation for services as directors.
- (2) Messrs. Tom Kartsotis and Shroff were directors and officers during 2009. Messrs. Tom Kartsotis and Shroff did not receive any additional compensation for services as directors.
- (3) Our directors' outstanding option awards as of fiscal year end 2009 are as follows: Ms. Agather 12,500; Mr. Anderson 39,932; Mr. Boyer 15,000; Mr. Gold 28,000; Ms. Ragusa 15,000; Mr. Skinner 15,000; Mr. Steinberg 32,500; Mr. Stone 39,250; and Mr. Zimmerman 15,000.
- (4) Messrs. Anderson and Gold did not stand for re-election at the Company's Annual Stockholder Meeting held on May 20, 2009. On such date they became advisory directors of the Company, for which they received no compensation during fiscal year 2009.
- (5) Includes retainer fees and fees earned for attendance at Board meetings and committee meetings.
- (6) The following amounts included in the fees listed were earned in fiscal 2009, but not paid until fiscal 2010: Ms. Agather \$3,719; Mr. Boyer \$3,719; Ms. Ragusa \$3,719; Mr. Skinner \$3,719; Mr. Steinberg \$3,719; Mr. Stone \$2,557; and Mr. Zimmerman \$3,719.

**Director Compensation**

*Cash Compensation.* Prior to April 1, 2009, non-employee directors received the cash compensation set forth below. On April 1, 2009, the fees below were reduced by 7%. This affected the meeting fees but not the annual retainers, which had already been paid. For 2010, the annual retainers are being paid quarterly in arrears at the 7% reduced rate as well.

For service on the Board of Directors, each non-employee director received an annual retainer of \$40,000, a fee of \$1,500 for each in-person meeting, and a fee of \$1,000 for each telephonic meeting in excess of one hour.

For service on the Audit Committee, the chairman received an additional annual retainer of \$20,000 and each other member received an additional annual retainer of \$2,500. Each Audit



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Committee member also received a fee of \$1,250 for each in-person meeting, and a fee of \$1,000 for each telephonic meeting in excess of one hour.

For service on the Compensation Committee, the chairperson received an additional annual retainer of \$10,000, and each Compensation Committee member also received a fee of \$1,250 for each in-person meeting, and a fee of \$1,000 for each telephonic meeting in excess of one hour.

For service on the Nominating and Corporate Governance Committee, the chairman received an additional annual retainer of \$7,500, and each Nominating and Corporate Governance Committee member also received a fee of \$1,250 for each in person meeting, and a fee of \$1,000 for each telephonic meeting in excess of one hour.

The Finance Committee was formed on April 1, 2009. For service on the Finance Committee, the chairman receives an additional annual retainer of \$6,975, and each Finance Committee member also receives a fee of \$1,162 for each in person meeting, and a fee of \$930 for each telephonic meeting in excess of one hour.

The Company also reimbursed its directors for ordinary and necessary travel expenses incurred in attending such meetings. Payment is made for each committee meeting attended even if a non-employee director attends more than one committee meeting on the same day.

*Nonemployee Director Stock Option Plan.* The non-employee directors hold certain stock options awarded pursuant to the Company's 1993 Nonemployee Director Stock Option Plan (the "Nonemployee Director Plan").

Options granted pursuant to the Nonemployee Director Plan become exercisable (i) with respect to 50% of the total number of shares subject thereto, on the first anniversary of the date of grant and (ii) with respect to the remaining shares subject thereto, in installments of 25% of such shares on the second and third anniversaries of the date of grant. The exercise price of options granted pursuant to the Nonemployee Director Plan is the fair market value of the Common Stock on the date of grant. Such exercise price must be paid in full in cash at the time an option is exercised. Options granted under the Nonemployee Director Plan expire on the earliest of (i) ten years from the date of grant, (ii) one year after the optionee ceases to be a director by reason of death or (iii) three months after the optionee ceases to be a director for any reason other than death.

The Nonemployee Director Plan provides that the Board of Directors may make certain adjustments to the exercise price and number of shares subject to options granted thereunder in the event of a stock split, stock dividend, combination, reclassification or certain other corporate transactions. Subject to certain limitations, the Board of Directors is authorized to amend the Nonemployee Director Plan as it deems necessary, but no amendment may adversely affect the rights of an optionee with respect to an outstanding option without the optionee's consent. The Compensation Committee of the Board of Directors is not responsible for the administration of the Nonemployee Director Plan.

The Board of Directors and the stockholders of the Company approved the Nonemployee Director Plan. On May 21, 2008, upon stockholder approval of the 2008 Incentive Plan, the Non-Employee Director Plan was terminated. The terms of the Non-Employee Director Plan will continue to govern grants made under such plan prior to its termination.

*2008 Incentive Plan.* Pursuant to the 2008 Incentive Plan as initially adopted, each outside director of the Company who did not elect to decline to participate in the 2008 Incentive Plan was automatically granted non-qualified stock options as follows: (1) each individual who first became an outside director would have automatically been granted a one-time grant of non-qualified stock options to purchase 5,000 shares of Common Stock; and (2) on January 1st of each year (other than the

calendar year in which the individual first becomes an outside director), each outside director was automatically granted non-qualified stock options to purchase 6,000 shares of Common Stock, so long as such outside director had continuously served as a director of the Company at all times prior to such date of grant and after his or her appointment as an outside director. Notwithstanding the foregoing, any automatic outside director grants were permitted to be made only if the number of shares subject to future grants was sufficient to make all automatic grants required to be made on such date of grant.

Non-qualified stock options granted to outside directors vest and become exercisable as follows: (i) 50% of the total number of shares of Common Stock subject to a non-qualified stock option vest and become exercisable on the first anniversary of the date of grant, provided the outside director is providing services to the Company or a subsidiary on that date; (ii) an additional 25% of the total number of shares of Common Stock subject to a non-qualified stock option vest and become exercisable on the second anniversary of the date of grant, provided the outside director is providing services to the Company or a subsidiary on that date; and (iii) the remaining 25% of the total number of shares of Common Stock subject to a non-qualified stock option vest and become exercisable on the third anniversary of the date of grant, provided the outside director is providing services to the Company or a subsidiary on that date. Notwithstanding the foregoing, in the event of an outside director's termination of service due to his or her death, all unvested non-qualified stock options will immediately become 100% vested and exercisable.

Based upon the recommendation of Frederic W. Cooke & Co, Inc. (see "2010 Compensation" under Compensation Discussion and Analysis), effective January 1, 2010, the Board of Directors terminated grants of non-qualified stock options. Effective January 1, 2010, each outside director of the Company who does not elect to decline to participate in the 2008 Incentive Plan is automatically granted restricted stock units as follows: (1) on the date of the annual stockholders meeting, each outside director is automatically granted restricted stock units with a fair market value of \$100,000, which restricted stock units will vest 100% on the earlier of (i) the date of the next annual stockholders meeting or (ii) one year from the date of grant, provided the outside director is providing services to the Company or a subsidiary on that date; and (2) each individual who first becomes an outside director is automatically granted a one-time grant, effective as of the date of appointment, equal to the grant he or she would have received if he or she had been elected at the previous annual stockholders meeting, pro-rated based on the number of days such director will actually serve before the one-year anniversary of such previous annual stockholders meeting, which restricted stock units will vest 100% one year from the date of grant, provided the outside director is providing services to the Company or a subsidiary on that date. Notwithstanding the foregoing, in the event of an outside director's termination of service due to his or her death, all unvested restricted stock units will immediately become 100% vested.

No grants were made under the 2008 Incentive Plan during fiscal 2009 because no new outside directors were elected (so no one-time grants were made) and on January 1, 2010, the date on which awards would have been granted under the terms of the 2008 Incentive Plan as originally adopted, the changes described in the paragraph above became effective (so no annual grant will be made until the date of the Annual Meeting, which falls in fiscal 2010).

## COMPENSATION DISCUSSION AND ANALYSIS

This section contains a discussion of the material elements of compensation awarded to, earned by or paid to our Chief Executive Officer, our Chief Financial Officer and our three other most highly compensated executive officers who were serving as executive officers as of January 2, 2010. These individuals are referred to as the "Named Executive Officers" in this proxy statement.

### **Compensation Program**

#### *Compensation Program Objectives and Philosophy*

Our compensation objectives are to maintain competitive pay practices that will enable us to attract, retain and reward executives who are capable of leading us in achieving our strategic business objectives. To meet these goals, we use base salary, performance-based short-term incentive compensation and long-term equity-based incentive awards. We believe this mix of short-term and long-term compensation rewards and reinforces the value added contributions and attainment of performance objectives that aid us in our efforts to meet our profitability goals and create stockholder value. A significant portion of senior management's compensation is equity-based compensation to emphasize the link between executive compensation and the creation of stockholder value as measured by the equity markets.

We utilize external benchmarking data and comparable peer groups to establish competitive total compensation pay practices that are appropriate for our industry. We evaluate employees' compensation on an annual basis and make changes accordingly. We also take into consideration current economic conditions and our financial projections. We target overall compensation to be at the 50th percentile of the companies that we believe comprise our industry peer group and with whom we believe we principally compete for executive officer candidates.

Although portions of our compensation program are performance-based, we do not believe that our compensation policies and practices for our employees are reasonably likely to have a material adverse effect on the Company.

#### *Overview of Compensation Program Design*

Our compensation program is designed to achieve our objectives of attracting, retaining and motivating employees and rewarding them for achievements that we believe will bring us success and create stockholder value. These programs are designed to be competitive with the companies in the industry in which we must compete for talent. A significant portion of the compensation for our Named Executive Officers includes annual long-term equity awards that have extended vesting periods. The purpose of these awards is to serve as both a retention tool and incentive mechanism that will encourage recipients to remain with us and create value for both the award recipient and our stockholders.

In the first quarter of fiscal 2009, our Compensation Committee considered the following factors in establishing the compensation of our Named Executive Officers for fiscal 2009:

Our overall operating performance during 2008 and the achievements of the Named Executive Officers with respect to:  
(a) their contribution to our overall performance; (b) results of each division and whether such division achieved its sales and/or expense goals; and (c) results in relation to the budget for each division.

Individual performance appraisals of the Named Executive Officers and their contributions toward our performance goals and other objectives as established by the Chief Executive Officer ("CEO") and the Compensation Committee, including a subjective evaluation of each Named Executive Officer's: (a) vision and strategic direction with respect to his individual business responsibilities; (b) ability to inspire and influence others; (c) development of subordinates;

(d) execution of assigned tasks; and (e) ability to perform above and beyond the required scope and responsibilities of his enumerated role.

The compensation packages for executives who have similar positions and levels of responsibility at other companies in our industry peer group and relevant market benchmarking data.

## **Compensation Decision-Making**

### ***The Compensation Committee***

The Compensation Committee is appointed by the Board to exercise the Board's authority concerning compensation of the executive management team, and non-employee directors and the administration of the stock-based and incentive compensation plans of the Company. The Compensation Committee typically meets in separate sessions at least on a quarterly basis. In addition, the Compensation Committee sometimes schedules special meetings or non-meeting "work sessions," either by telephone or in person, as necessary to fulfill its duties. Meeting agendas are established by the chairperson after consultation with other members of the Compensation Committee and Mr. Kosta N. Kartsotis, our CEO. The current members of the Compensation Committee are Ms. Agather, who serves as chairperson, Ms. Ragusa and Mr. Steinberg. Each of these Compensation Committee members served on the Compensation Committee during all of fiscal 2009.

The Compensation Committee's full responsibilities with respect to our compensation practices are set forth in its charter and described in more detail above under "Board Committees and Meetings Compensation Committee."

### ***Role of Executives in Establishing Compensation***

Our CEO, our Chairman, Mr. Tom Kartsotis, other members of management (particularly the Vice President of Human Resources), and Compensation Committee members regularly discuss our compensation issues and the performance and retention of our Named Executive Officers. Messrs. Kosta N. Kartsotis and Tom Kartsotis, in connection with the Vice President of Human Resources, typically recommend to the Compensation Committee the annual base salary, bonus and equity awards (if any) for the other members of the executive management team, for the Compensation Committee's review, modification and approval.

The Compensation Committee would typically establish the base salary, bonus and equity incentive awards for the CEO, Mr. Kosta N. Kartsotis. However, Mr. Kosta N. Kartsotis again refused all forms of compensation for fiscal 2009. Mr. Kosta N. Kartsotis is one of the initial investors in our Company and expressed his belief that his primary compensation is met by continuing to drive stock price growth.

Certain members of the executive management team and other employees regularly attend portions of Compensation Committee meetings in order to provide information and recommendations to the Compensation Committee as requested, although the Compensation Committee meets in executive session with only Compensation Committee members present when it deems appropriate. The CEO attended a portion of all of the Compensation Committee's formal meetings during fiscal 2009. Our Chairman regularly attends Compensation Committee meetings as well.

### ***Use of Performance Rating***

Each Named Executive Officer's performance is evaluated annually in a performance review. The performance review leads to a performance rating, determined on the basis of both business metrics, which are quantitative measures of our performance and positioning, and position competencies, which are qualitative measures of individual performance and talent. Some of the business metrics include net sales, operating expense leverage, operating income, and gross margin. Some of the position competencies that are evaluated for each executive include setting direction and vision for the organization, cultivating corporate culture, managing resources, driving execution, decision making,

leading communications, inspiring creativity and change, resolving conflict and collaborating, identifying and maximizing talent, coaching and developing, scorekeeping, and teambuilding. The overall performance review rating is used in determining base salary increases, short-term incentive payouts and the size of any equity grants.

***Use of Industry Comparative Data***

We operate in a highly competitive sector in which retention of qualified personnel is critical to operating a successful business. As a result, we gather as much information as possible about the total compensation levels and practices at other companies in our industry peer group. Determining the relevant companies to use for such comparative purposes is a complex task. Some of our competitors are not public, and it is difficult to obtain relevant information about the specific executive positions comparable to those of our executives. With the help of the Human Resources Department, the Compensation Committee has developed a peer group of companies that it reviews. The Compensation Committee reviews the group and makes any necessary adjustments annually. The peer group is comprised such that the median revenue size of the peer group is at or close to our annual revenue. The peer group used in fiscal 2009 contained the following 18 companies:

Aeropostale, Inc.	Kenneth Cole	Quicksilver, Inc.
American Eagle	Liz Claiborne, Inc.	Timberland Co.
Chicos FAS Inc.	Macy's	Urban Outfitters Inc.
Coach Inc.	Movado Group	Warnaco
Guess, Inc.	New York & Company Inc.	Wolverine World Wide
J. Crew	Polo Ralph Lauren	Zales Corp.

The Human Resources Department obtains relevant data for each company from that company's most recent proxy statement and other SEC filings, or as otherwise available. In addition, the Human Resources Department participates and utilizes executive compensation surveys to benchmark comparable positions.

The data reviewed by the Compensation Committee in setting fiscal 2009 compensation included compensation information for each of the named executive officers identified by each company as well as each company's financial performance data. From this company-specific information as well as the surveys reviewed, our head of Human Resources presented the data by compensation element. This data provided visibility into how the compensation of each of our Named Executive Officers compared to his peer group counterpart with respect to each compensation component and total compensation. The Compensation Committee evaluated base salaries, target bonuses, actual bonuses, stock option awards, restricted stock awards, and any other equity or incentive programs for which we could obtain data.

***Other Compensation Policies***

Consistent with our compensation philosophies described above, our goal for fiscal 2009 was to provide each Named Executive Officer with an executive compensation program that was appropriate to our business, as well as competitive with the compensation paid to comparable executives in our industry peer group.

Historically, there has not been a pre-established policy or target for the allocation between either cash and non-cash or short and long-term incentive compensation. The CEO and Chairman review information, surveys and other information considered relevant, which may, but in fiscal 2009 did not, include information from consultants, to determine the appropriate level and mix of incentive compensation for each Named Executive Officer and make recommendations to the Compensation Committee, which also has access to the background material reviewed by the CEO and Chairman. The portion of an executive's total compensation that is contingent upon our performance tends to increase

commensurate with the executive's position within our Company. This approach is designed to provide more upside potential and downside risk for those senior positions.

We attempt to ensure that both cash and equity components of total compensation are tax deductible, to the maximum extent possible and applicable, by the use of stockholder-approved plans that are intended to comply, to the extent practicable, with Section 162(m) of the Code. Historically, our cash-based incentive plan has not been stockholder approved and therefore would not comply with Section 162(m). For 2010, upon recommendation of the Compensation Committee, the Board of Directors has adopted, subject to stockholder approval, the Fossil, Inc. 2010 Cash Incentive Plan. Information regarding the 2010 Cash Incentive Plan is set forth under "Approval of the Fossil, Inc. 2010 Cash Incentive Plan (Proposal 4)."

For fiscal 2009, our compensation program was structured to provide each Named Executive Officer with the opportunity to earn, through a combination of base salary and bonus target awards, total cash compensation close to the 50th percentile of our industry peer group. We also attempted to ensure that a substantial amount of each Named Executive Officer's total compensation was performance-based, was linked to our operating performance, and over the executive's tenure, derived its value from the market price of our Common Stock.

As discussed in more detail below under "Annual Cash Incentive Opportunities," our bonus target was a percentage of the Named Executive Officer's base salary, and each Named Executive Officer was eligible to earn a bonus if he or she satisfied certain bonus criteria. The higher the level of performance of the executive, the greater the percentage of base salary the executive could earn as potential total performance-based cash compensation. For fiscal 2009, each of our Named Executive Officers received an "exceeds expectations" performance rating. As a result, the performance-based cash compensation paid was 50% of base salary for each of the Named Executive Officers.

In 2009, the Compensation Committee again discussed stock ownership guidelines. However, several of our Named Executive Officers have been with us for a number of years and already have a significant portion of their financial net worth tied to the performance of our stock. Therefore, the Compensation Committee decided against instituting any stock ownership guidelines in 2009.

#### **Elements of Compensation**

During fiscal 2009, our Named Executive Officer compensation program included four components: (a) a base salary; (b) a performance-based short-term cash bonus program; (c) the grant of long-term equity incentives in the form of stock settled stock appreciation rights and restricted stock units; and (d) other compensation and employee benefits generally available to all of our employees, such as health insurance, group life and disability insurance and participation in our 401(k) plan.

#### ***Base Salaries***

Annually, the CEO reviews and recommends to the Compensation Committee individual salaries for the Named Executive Officers (other than the CEO). In reviewing the CEO's recommendations and determining individual salaries, the Compensation Committee considers the scope of job responsibilities, individual performance and contributions, as well as our overall performance and annual budget guidelines for merit increases. The Compensation Committee's objective is to deliver base compensation levels for each Named Executive Officer at or near the median for the comparable position within the peer group based upon market data. However, salaries may be set higher when considered necessary to attract or retain key executives. Base salaries are reviewed annually and adjustments are based on both financial and non-financial results. Typically, adjustments to salaries are made in the first quarter of each year during our performance review process. Due to the economic conditions in place in the first quarter of fiscal 2009, we suspended merit increases for all of our domestic employees and all of our executive officers, including our Named Executive Officers, who took a 7% pay cut, and our senior vice presidents who took a 5% pay cut, effective April 1, 2009.

*Annual Cash Incentive Opportunities*

We have a performance-based annual cash incentive plan to motivate key employees to focus on our operating income. The annual cash incentive plan links cash incentive awards to achievement of pre-established performance goals. For fiscal 2009, the award opportunities were determined based upon two performance-based measures: (i) the Named Executive Officer's overall performance rating, and (ii) achievement of our operating income targets. The same criteria were used for all other employees eligible to participate in the incentive plan.

Operating income targets are pre-approved by the Compensation Committee in our first fiscal quarter and include a threshold for initial payout, midpoint and maximum payment targets. The Compensation Committee reviews the performance rating of each Named Executive Officer. Based on the performance rating, for fiscal 2009 the eligibility of our Named Executive Officers for payout under the plan ranged from 0% of base salary for a "needs improvement" performance rating to 65% of base salary for an "outstanding" performance rating. Once the performance rating is determined, the actual cash incentive amounts are paid based on the extent to which the operating income targets are achieved. For example, if one of our Named Executive Officers received an "outstanding" performance rating, he or she would be eligible for a cash incentive award equal to 65% of base salary, but would only be paid 50% of the award if we achieved operating income levels at the 50% payout level. Cash incentive awards are paid only if our operating income threshold is achieved and the employee's performance rating is at least a "meets expectations." In fiscal 2008, our operating income was below the threshold plan target. Therefore, no bonuses were paid under the cash incentive plan in 2009. In fiscal 2009, we exceeded our maximum operating income target. Therefore, 100% of each Named Executive Officer's eligible bonus amount based on their performance rating was paid in 2010.

For fiscal 2009, the operating income target thresholds for a payout (10% award), midpoint (50% award) and maximum (100% award) were \$158 million, \$168 million and \$182 million, respectively. No award would have been paid unless, at a minimum, the 10% threshold was met. At the time it set the operating income target levels, the Compensation Committee also set a scale of percentage award amounts, so that if we had achieved operating income between the threshold and midpoint or the midpoint and maximum, the award percentage would have been proportionately adjusted.

Although we achieved the maximum payout target in 2009, we believe that the operating income targets set each year are challenging, reflect desired above-market performance and typically would not be achieved at the maximum level without exceptional performance. The Compensation Committee recognizes that the likelihood of achievement in any given year may be different, and believes that the payout should be appropriate for the performance, regardless of how often it may happen. As a result of the economic conditions during the first quarter of 2009, it was challenging for the Compensation Committee to set the operating income targets, and the targets were set based on the Compensation Committee's best prediction of where the economy would be for the year and, in light of the economic conditions, what performance level was likely for us. Ultimately, we exceeded the maximum payout threshold for fiscal 2009 in part due to our record net sales and earnings during our fiscal fourth quarter.

The Compensation Committee approves the specific payments to the Named Executive Officers under the annual cash incentive plan. Additionally, the Compensation Committee retains discretion to recommend additional discretionary bonuses during the year based on factors such as promotions and business segment, department or individual performance. No discretionary bonuses were paid to any of the Named Executive Officers in fiscal 2009.

The bonus structure is consistent with our philosophy that a substantial portion of compensation should be tied to Company and individual performance.

***Retention and Incentive Equity Awards***

We believe that substantial equity ownership and equity awards encourage management to take actions favorable to the medium and long-term interests of the Company and its stockholders and align their interests with the interests of the Company and its stockholders. We believe that including equity awards in the compensation program serves our longer term goals, including management retention, because the value of equity, whether in the form of stock options, stock appreciation rights, restricted stock, or restricted stock units, is realized over several years. Accordingly, equity-based compensation constitutes a significant portion of the overall compensation of the Named Executive Officers.

The CEO recommends to the Compensation Committee the equity incentive awards for the Named Executive Officers (other than the CEO). The CEO bases his award grant recommendations for Named Executive Officers each year on a number of factors, including each Named Executive Officer's role, responsibilities and contributions to our business. In recommending the size, frequency and type of long-term incentive grants, the CEO may also take into account tax implications to the individual and to the Company as well as the expected accounting impact and dilution effects. The Compensation Committee makes the ultimate determination regarding these grants.

For fiscal 2009, we granted to the Named Executive Officers (other than Mr. Kosta N. Kartsois) a combination of restricted stock units and stock appreciation rights both of which vest 20% each year over five years. Stock appreciation rights are made at a specified strike price set forth in the applicable award agreement, which is generally the mean of the highest and lowest sales price of our Common Stock on the date of grant of the award or on the last preceding trading date if no sales are made on the date of grant.

As described under "Post-Termination Compensation," awards under our 2008 Incentive Plan and 2004 Incentive Plan are subject to either optional vesting in the discretion of the Compensation Committee or immediate vesting following a "change in control." The events used to define "change in control" under these agreements were chosen because each reflects a circumstance in which, through a party's acquisition of a significant voting block, a shift in the control of the majority of the Board of Directors, or a corporate transaction, a person or group would be expected to obtain control or effective control over our policies and direction. In those circumstances, the Compensation Committee believes it may be appropriate to provide management the benefit of the awards that have been conveyed prior to such event and to waive the service and other conditions applicable to management's rights to such awards, because such change could reasonably be expected to materially alter our policies and objectives, and/or result in a material change in the composition of management.

***Employee Benefits***

Benefit programs are generally egalitarian. Our qualified defined contribution 401(k) plan is available to employees in the United States. Our Named Executive Officers may also participate in a deferred compensation plan. None of our Named Executive Officers contributed to this plan in fiscal 2009. Effective March 9, 2009, due to the economic conditions in place in the first quarter of fiscal 2009, we suspended all 401(k) matching. Effective January 3, 2010, we reinstated all 401(k) matching. Our Named Executive Officers do not receive perquisites. Named Executive Officers receive discounts on Fossil products, as do all employees.

***2010 Compensation***

In late 2009, the Compensation Committee engaged Frederic W. Cooke & Co, Inc. ("FWC") to assist the Compensation Committee and management in reviewing and determining appropriate, competitive compensation for our executive officers for 2010. FWC also reviewed the design and competitiveness of the Company's non-employee director compensation program. FWC did not provide any other services to the Company in 2009.



As described above, we aim to set compensation in such a manner as to provide each Named Executive Officer with the opportunity to earn, through a combination of base salary and bonus target awards, total cash compensation close to the 50th percentile of our industry peer group. Based on the data reviewed and presented to the Compensation Committee by FWC, the Compensation Committee determined that our Named Executive Officer compensation was below this level. FWC recommended to our Compensation Committee, based on an analysis of our peer group companies and comparative, competitive compensation packages, (i) base pay increases of approximately 5.9% to 10.6% for our Named Executive Officers, (ii) certain changes to our performance-based annual cash incentive plan for fiscal 2010, (iii) reducing the vesting period for grants from five years to three years and (iv) awarding value-based equity grants instead of share-denominated equity grants. The Compensation Committee implemented each of these changes for fiscal 2010. Our performance-based annual cash incentive plan for fiscal 2010 is the same as fiscal 2009, except the operating income targets have been revised upwards based on our financial projections for fiscal 2010. In addition, based upon FWC's recommendations, for fiscal 2010, the percentage of base pay that may be earned by our Named Executive Officers was also increased. For our President and COO, the maximum percentage of base pay that may be earned under our performance-based cash incentive plan in fiscal 2010 increased from 65% to 125%. For our other executive officers, the maximum percentage increased from 65% to 100%. The purpose of this increase was to increase overall potential compensation but to tie such increase to Company and individual performance, and make performance-based compensation a greater percentage of the potential compensation our executive officers may earn.

### COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with the members of management of the Company and, based on such review and discussions, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company's proxy statement.

#### COMPENSATION COMMITTEE

Elaine Agather, *Chairperson*  
Elysia Holt Ragusa  
Michael Steinberg

#### Compensation Committee Interlocks and Insider Participation

During 2009, the Compensation Committee was comprised of Ms. Agather (Chairperson) and Ragusa and Mr. Steinberg. Mr. Gold served on the Compensation Committee until his term as a director expired at the Annual Meeting of Stockholders in May 2009. During 2009, no member of the Compensation Committee was or had been an officer or employee of the Company or any of its subsidiaries or had any relationship requiring disclosure pursuant to Item 404 of Regulation S-K. No executive officer of the Company served as a member of the compensation committee (or other Board committee performing similar functions or, in the absence of any such committee, the entire board of directors) of another entity, one of whose executive officers served on the Compensation Committee. No executive officer of the Company served as a director of another entity, one of whose executive officers served on the Compensation Committee. No executive officer of the Company served as a member of the compensation committee (or other board committee performing equivalent functions or, in the absence of any such committee, the entire board of directors) of another entity, one of whose executive officers served as a director of the Company.

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FISCAL 2009, 2008 AND 2007 SUMMARY COMPENSATION TABLE

The following table sets forth the compensation earned by or paid to our Named Executive Officers during fiscal 2009, 2008 and 2007. The Named Executive Officers are our Chief Executive Officer, our Chief Financial Officer and our three other most highly compensated executive officers who were serving as executive officers at the end of fiscal year 2009.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)(1)	Stock Awards (\$)(2)	Option Awards (\$)(3)	Change in Pension Value and Non-Equity Nonqualified Incentive Plan Compensation		All Other Compensation (\$)	Total (\$)
						Compensation (\$)	Earnings- Deferred (\$)(4)		
Kosta N. Kartsotis Chief Executive Officer and Director	2009	-0-(5)	-0-	-0-	-0-	-0-	-0-	-0-	-0-
	2008	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
	2007	-0-	-0-	-0-	-0-	-0-	-0-	-0-	4,266
Mike L. Kovar Executive Vice President, Chief Financial Officer and Treasurer	2009	313,938	-0-	34,025	42,160	-0-	9,404	1,022	400,549
	2008	318,038	63,000	214,970	288,689	94,500	(20,435)	4,870	963,632
	2007	304,231	130,000	156,200	145,534	8,085	227	99,552(6)	843,829
Michael W. Barnes President and Chief Operating Officer and Director	2009	614,125	-0-	326,640	351,330	-0-	25,614	113,338(7)	1,431,046
	2008	629,808	-0-	921,300	1,202,873	300,000	(57,641)	4,639	3,000,979
	2007	597,019	-0-	913,580	1,178,321	48,950	9,395	360,008(8)	3,107,273
Jennifer L. Pritchard President, Retail Division	2009	415,037	-0-	122,490	168,638	-0-	-0-	414	706,579
	2008	425,154	-0-	230,325	240,575	115,000	-0-	414	1,011,468
	2007	441,154	112,000	156,200	109,151	-0-	-0-	7,924	826,429
Mark D. Quick Vice Chairman	2009	510,196	-0-	244,980	210,798	-0-	-0-	5,027	971,001
	2008	536,923	-0-	552,780	481,149	260,000	-0-	3,450	1,834,302
	2007	517,981	-0-	675,470	807,462	45,650	-0-	407,477(9)	2,454,040

(1) Discretionary bonuses not made pursuant to any bonus plan.

(2) Consists of awards of restricted stock units granted pursuant to the 2004 Incentive Plan and the 2008 Incentive Plan. All awards vest in equal 20% installments over 5 years. The amounts shown were not actually paid to the Named Executive Officers. Rather, as required by the rules of the SEC, the amounts represent the aggregate grant date fair value of the restricted stock units awarded to each of them in 2007, 2008 and 2009. These values were determined in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718 ("FASB ASC Topic 718"). See Note 13, Stockholders' Equity and Benefit Plans in the section entitled "Stock options and stock appreciation rights" in the "Notes to Consolidated Financial Statements" in the Annual Report on Form 10-K for 2009 for the assumptions made in determining the aggregate grant date fair value of these awards. The amounts reported do not include any reduction in the value of the awards for the possibility of forfeiture.

(3) Consists of awards of stock appreciation rights granted pursuant to the 2004 Incentive Plan and the 2008 Incentive Plan. The amounts shown were not actually paid to the Named Executive Officers. Rather, as required by the rules of the SEC, the amounts represent the aggregate grant date fair value of the options awarded to each of them in 2007, 2008 and 2009. These values were determined in accordance with FASB ASC Topic 718. See Note 13, Stockholders' Equity and Benefit Plans in the section entitled "Stock options and stock appreciation rights" in the "Notes to Consolidated Financial Statements" in the Annual Report on Form 10-K for 2009 for the assumptions made in determining the aggregate grant date fair value of these awards. The amounts reported do not include any reduction in the value of the awards for the possibility of forfeiture.

(4) Represents earnings or losses on balances under the Second Amended and Restated Fossil, Inc. and Affiliates Deferred Compensation Plan. For a description of the plan, see "Deferred Compensation Plan."

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(5)

Mr. Kartotis refused all forms of compensation for fiscal years 2007, 2008 and 2009. Mr. Kartotis is one of the initial investors in the Company and expressed his belief that his primary compensation is met by continuing to drive stock price growth.

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- (6) Includes \$89,602 paid pursuant to a letter agreement amending certain outstanding stock options between Mr. Kovar and the Company, dated December 2006, and \$9,950 paid in insurance and 401(k) matches.
- (7) Includes \$100,777 for federal taxes and \$11,291 for Medicare tax paid by the Company to the Internal Revenue Service as part of a Voluntary Correction Program pertaining to certain 2004 stock option exercises being reclassified from incentive stock options to non-qualified stock options and \$1,270 paid in insurance and 401(k) matches.
- (8) Includes \$348,285 paid pursuant to a letter agreement amending certain outstanding stock options between Mr. Barnes and the Company, dated December 2006, and \$11,723 paid in insurance and 401(k) matches.
- (9) Includes \$396,711 paid pursuant to a letter agreement amending certain outstanding stock options between Mr. Quick and the Company, dated December 2006, and \$10,766 paid in insurance and 401(k) matches.

### FISCAL 2009 GRANTS OF PLAN-BASED AWARDS TABLE

The following table provides information regarding plan-based awards granted during fiscal year 2009 to the Named Executive Officers.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/ Sh)	Grant Date Fair Value of Stock and Option Awards (\$)
		Threshold(2) (\$)	Target(3) (\$)	Maximum(4) (\$)				
Kosta N. Kartsois(5)	N/A	N/A	N/A	N/A	-0-	-0-	N/A	N/A
Mike L. Kovar	3/15/09	7,905	79,050	205,530	2,500(6)			34,025
	3/15/09					6,000(7)	13.65	42,160
Michael W. Barnes	3/15/09	15,113	151,125	392,925	24,000(6)			326,640
	3/15/09					50,000(7)	13.65	351,330
Jennifer L. Pritchard	3/15/09	10,928	109,275	284,115	9,000(6)			122,490
	3/15/09					24,000(7)	13.65	168,638
Mark D. Quick	3/15/09	12,555	125,550	326,430	18,000(5)			244,980
	3/15/09					30,000(6)	13.65	210,798

- (1) These amounts reflect potential payments under the annual cash incentive plan.
- (2) Threshold payments assume that the executive received a "meets expectations" performance rating and the Company achieved operating income levels at the first payout level. Cash incentive awards are paid if the operating income thresholds are at least at the first payout level and the executive's performance rating is a "meets expectations," "exceeds expectations" or "outstanding." We consider "meets expectations" to be the threshold performance rating.
- (3) Target payments assume that the executive received an "exceeds expectations" performance rating and the Company achieved operating income levels at the midpoint target level. We consider "exceeds expectations" to be the target performance rating.
- (4) Maximum payments assume that the executive received an "outstanding" performance rating and the Company achieved operating income levels at the total payout level. We consider "outstanding" to be the maximum performance rating.

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- (5) Mr. Kartsotis refused all forms of compensation for fiscal years 2007, 2008 and 2009. Mr. Kartsotis is one of the initial investors in the Company and expressed his belief that his primary compensation is met by continuing to drive stock price growth.
- (6) Consists of restricted stock units awarded pursuant to the 2008 Incentive Plan. All awards vest in equal 20% installments over 5 years.
- (7) Consists of stock appreciation rights awarded pursuant to the 2008 Incentive Plan. All awards vest in equal 20% installments over 5 years.

**Perquisites**

The Named Executive Officers do not receive any perquisites or personal benefits.

**Employment Agreements**

We are not a party to any currently effective employment agreement with any of our Named Executive Officers. We believe that employment agreements are not currently necessary in order to attract and retain talented personnel. However, due to the ever-changing marketplace in which we compete for talent, this practice is regularly reviewed by the Compensation Committee to help ensure that we remain competitive in our industry and the Compensation Committee may determine that such arrangements are in our best interest in the future.

## OUTSTANDING EQUITY AWARDS AT 2009 FISCAL YEAR-END TABLE

The following table provides information about the number of outstanding equity awards held by our Named Executive Officers at fiscal year end 2009. All awards vest in equal 20% installments over 5 years, except as otherwise noted.

Name	Grant Date	Option Awards				Stock Awards	
		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)
Kosta N. Kartsois(1)	N/A			N/A	N/A		
		2,399(2)		11.67	2/24/13		
Mike L. Kovar	2/24/03	9,601(2)		11.71	2/24/13		
	2/24/03	14,999(2)		22.17	2/23/14		
	2/23/04	10,000(2)		25.77	3/8/15	360(3)	12,082
	3/8/05	2,400(4)	1,600(4)	18.41	2/19/14	1,080(5)	36,245
	2/19/06	3,200(4)	4,800(4)	31.24	6/1/15	3,000(6)	100,680
	6/1/07	3,600(4)	14,400(4)	30.71	3/15/16	5,600(6)	187,936
	3/15/08 3/15/09		6,000(7)	13.65	3/15/17	2,500(8)	83,900
Michael W. Barnes	3/13/02					18,000(4)(9)	604,080
	2/24/03	21,000(2)		11.71	2/24/13		
	2/23/04	60,000(2)		22.17	2/23/14		
	3/8/05	40,000(2)		25.77	3/8/15	2,000(3)	67,120
	2/19/06	14,400(4)	9,600(4)	18.41	2/19/14	6,160(9)	206,730
	2/1/07	16,000(4)	24,000(4)	22.63	2/1/15	6,000(6)	201,360
	6/1/07	14,400(4)	21,600(4)	31.24	6/1/15	13,200(6)	442,992
	3/15/08	15,000(4)	60,000(4)	30.71	3/15/16	24,000(6)	805,440
	3/15/09		50,000(7)	13.65	3/15/17	24,000(8)	805,440
Jennifer L. Pritchard	9/5/06	24,000(4)	24,000(4)	19.15	9/5/14		
	10/1/06					8,000(6)	268,480
	6/1/07	2,400(4)	3,600(4)	31.24	6/1/15	3,000(6)	100,680
	3/15/08	3,000(4)	12,000(4)	30.71	3/15/16	6,000(6)	201,360
	3/15/09		24,000(7)	13.65	3/15/17	9,000(8)	302,040
Mark D. Quick	2/24/03	12,750(2)		11.71	2/24/13		
	2/23/04	24,000(2)		22.17	2/23/14		
	3/8/05	24,000(2)		25.77	3/8/15	2,000(3)	67,120
	2/19/06	9,600(4)	9,600(4)	18.41	2/19/14	6,160(10)	206,730
	2/1/07	8,000(4)	12,000(4)	22.63	2/1/15	3,000(6)	100,680
	6/1/07	12,000(4)	18,000(4)	31.24	6/1/15	10,800(6)	362,448
	3/15/08	6,000(4)	24,000(4)	30.71	3/15/16	14,400(6)	483,264
	3/15/09		30,000(7)	13.65	3/15/17	18,000(8)	604,080

(1)

Mr. Kartsois refused all forms of compensation for fiscal years 2007, 2008 and 2009. Mr. Kartsois is one of the initial investors in the Company and expressed his belief that his primary compensation is met by continuing to drive stock price growth.

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- (2) Consists of stock options issued pursuant to the 2004 Incentive Plan.
- (3) Consists of restricted stock issued pursuant to the Restricted Stock Plan.
- (4) Consists of stock appreciation rights issued pursuant to the 2004 Incentive Plan.
- (5) Consists of 600 restricted stock units issued pursuant to the 2004 Incentive Plan and 480 Shares of restricted stock issued pursuant to the Restricted Stock Plan.
- (6) Consists of restricted stock units issued pursuant to the 2004 Incentive Plan.
- (7) Consists of stock appreciation rights issued pursuant to the 2008 Incentive Plan.
- (8) Consists of restricted stock units issued pursuant to the 2008 Incentive Plan.
- (9) Vests in equal 20% installments on the fifth through ninth year anniversary of grant date.
- (10) Consists of 2,160 restricted stock units issued pursuant to the 2004 Incentive Plan and 4,000 Shares of restricted stock issued pursuant to the Restricted Stock Plan.

**FISCAL 2009 OPTION EXERCISES AND STOCK VESTED TABLE**

The following table provides information about the number of shares issued upon option exercises, and the value realized on exercise, by our Named Executive Officers during fiscal year 2009.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
Kosta N. Kartsothis	-0-	-0-	-0-	-0-
Mike L. Kovar	-0-	-0-	3,840	60,910
Michael W. Barnes	30,000	647,475	29,180	431,146
Jennifer L. Pritchard	-0-	-0-	6,500	154,560
Mark D. Quick	-0-	-0-	15,980	245,368

**FISCAL 2009 NONQUALIFIED DEFERRED COMPENSATION TABLE**

The following table provides information about contributions to, and account balances under, the Second Amended and Restated Fossil, Inc. and Affiliates Deferred Compensation Plan ("DCP") for and as of the end of fiscal year 2009.

Name	Executive Contributions in Last Fiscal Year (\$)	Registrant Contributions in Last Fiscal Year (\$)	Aggregate Earnings in Last Fiscal Year (\$)	Aggregate Withdrawals / Distributions (\$)	Aggregate Balance at Last Fiscal Year-End (\$)(1)
Kosta N. Kartsothis	-0-	-0-	-0-	-0-	-0-
Mike L. Kovar	-0-	-0-	9,404(2)	-0-	40,025
Michael W. Barnes	-0-	-0-	25,614(2)	-0-	79,222
Jennifer L. Pritchard	-0-	-0-	-0-	-0-	-0-



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Mark D. Quick	-0-	-0-	-0-	-0-	-0-
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- (1) No amounts reported are included in the Fiscal 2009, 2008 and 2007 Summary Compensation Table for prior years.
- (2) These amounts are included in the Fiscal 2009, 2008 and 2007 Summary Compensation Table under the heading "Change in Pension Value and Nonqualified Deferred Compensation Earnings."

### **Deferred Compensation Plan**

Named Executive Officers may participate in the DCP. The DCP is available in general to officer level employees and allows participants to make annual irrevocable elections to defer pre-tax amounts up to 50% of base salary and 100% of bonus payments. We may also make contributions to the DCP on behalf of a participant. In fiscal 2009, we did not make any contributions. Participants in the DCP may select investments from among 36 different investment alternatives for existing balances and future contributions, which include various mutual funds that invest in stocks, money market investments and bonds. Participants may change their investments on a quarterly basis by contacting the plan administrator. Applicable daily interest rates are determined by multiplying (i) the sum of the one year London Interbank Offered Rate on the first and last business day of the period, by (ii) fifty percent by (iii) 1 divided by 360. The DCP contains a change in control mechanism that immediately vests employer contributions in the case of a change in control. Upon termination of employment, participants in the DCP may receive a single distribution of the benefits accrued thereunder, in cash, within a reasonable period of time, not to exceed sixty days, after the last business day of the quarter in which such termination occurred. The Company has not made any recent employer contributions and any previous contributions have already met the required vesting criteria. We believe that providing the Named Executive Officers with deferred compensation opportunities is a cost-effective way for officers to receive the tax benefits associated with delaying the income tax event on the compensation deferred, although the related deduction for the Company is also deferred.

### **Post-Termination Compensation**

*Change in Control.* We have not entered into change in control or other post-termination agreements with any of our Named Executive Officers or other members of the executive management team. However, pursuant to the 2008 Incentive Plan, the Compensation Committee, in its sole discretion, may determine that an award will be immediately vested in whole or in part, subject to the terms of the 2008 Incentive Plan, in the event of the participant's death, total and permanent disability, retirement, or the occurrence of a "change in control." A "change in control" is generally defined as the occurrence of any of the following events: (i) the acquisition by any person of 30% or more of the combined voting power of our outstanding securities (or an additional 10% of such voting power by a 30% or greater holder of such voting power); (ii) individuals who on the effective date of the 2008 Incentive Plan constituted our Board of Directors and their successors or other nominees that are appointed or otherwise approved by a vote of at least a majority of the directors then still in office who either were directors on the effective date or whose appointment, election or nomination for election was previously so approved or recommended, cease for any reason to constitute a majority of the Board of Directors; (iii) there is a merger or consolidation of the Company or any direct or indirect subsidiary, other than (a) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such transaction continuing to represent at least 60% of the combined voting power of the surviving entity or (b) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no person is or becomes the beneficial owner of securities of the Company representing 30% or more of the combined voting power of the Company's then outstanding securities; (iv) stockholder approval of a plan of complete liquidation or dissolution of the Company, or consummation of an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, other than a sale or disposition by the Company of all or substantially all of the Company's assets to an entity, at least 60% of the combined voting power of the voting securities of which are owned by stockholders of the Company in substantially the same proportions as their ownership of the Company immediately prior to such sale; or (v) any tender or exchange offer is made to acquire 30% or more of the securities of the Company, other than an offer made by the Company, and shares are acquired pursuant to that offer.

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In addition, in the event of a change in control of the Company, all outstanding restricted stock, restricted stock units and stock appreciation rights under our 2004 Incentive Plan and all restricted stock granted under the Restricted Stock Plan will become fully exercisable or vested. Awards of stock options under the 2004 Incentive Plan do not provide for immediate vesting upon a change in control. However, the Compensation Committee has the full and exclusive power to interpret the 2004 Incentive Plan, including the power to accelerate the vesting of outstanding, unvested awards. A "change in control" under these plans is generally defined as (i) the acquisition by any person of 30% or more of the combined voting power of our outstanding securities, or (ii) the occurrence of a transaction requiring stockholder approval and involving the sale of all or substantially all of our assets or the merger of our Company with or into another corporation.

The DCP contains a change in control mechanism that immediately vests employer contributions in the case of a change in control and participants in the DCP may receive a single distribution of the benefits accrued thereunder upon termination of employment. A "change in control" under the DCP is generally defined as (i) the acquisition by any person of 50% or more of the combined voting power of the total fair market value or total voting power of the stock of the Company, (ii) the acquisition by any person during a 12-month period of ownership of stock of the Company possessing 35% or more of the total voting power of the stock of the Company, (iii) a majority of members of the Board is replaced during any twelve 12-month period by directors whose appointment or election is not endorsed by a majority of the Board before the date of the appointment or election, or (iv) the acquisition by any person of assets from the Company that have a total gross fair market value equal to or more than 40% of the total gross fair market value of all of the assets of the Company.

*Letter Agreement with Mr. Quick.* We entered into a letter agreement with Mr. Mark D. Quick on November 10, 2005, at which time he was serving as President, Fashion Accessories and Stores Division, regarding the terms of the stock options granted to Mr. Quick beginn