

Fossil Group, Inc.  
Form DEF 14A  
April 14, 2016

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

**SCHEDULE 14A**

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

**FOSSIL GROUP, 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)

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- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1) Title of each class of securities to which transaction applies:
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  - (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):
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    - (2) Form, Schedule or Registration Statement No.:
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    - (4) Date Filed:
-

**FOSSIL GROUP, INC.**

901 S. Central Expressway  
Richardson, Texas 75080

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD MAY 25, 2016**

To the Stockholders of Fossil Group, Inc.:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders (the "Annual Meeting") of Fossil Group, Inc., a Delaware corporation (the "Company"), will be held at the offices of the Company, 901 S. Central Expressway, Richardson, Texas 75080, on the 25<sup>th</sup> day of May 2016, at 9:00 a.m. (local time) for the following purposes:

1. To elect eleven (11) 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.
2. To hold an advisory vote on executive compensation as disclosed in these materials.
3. To vote on a proposal to approve the Fossil Group, Inc. 2016 Long-Term Incentive Plan.
4. To ratify the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2016.
5. 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 30, 2016 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. You may vote your shares via a toll-free telephone number or over the Internet. Alternatively, if you request or receive a paper copy of the proxy materials by mail, you may vote by signing, dating and mailing the proxy card in the envelope provided. Voting in one of these ways will ensure that your shares are represented at the meeting. Your proxy will be returned to you if you are present at the meeting and request its return in the manner provided for revocation of proxies in the enclosed proxy statement.

**BY ORDER OF THE BOARD OF DIRECTORS**

Randy S. Hyne  
*Vice President,  
General Counsel and Secretary*

April 14, 2016  
Richardson, Texas

**Important notice regarding the availability of proxy materials for the annual meeting to be held on May 25, 2016: Our official Notice of Annual Meeting of Stockholders, Proxy Statement and Annual Report to Stockholders covering the Company's fiscal year ended January 2, 2016 are also available at <http://viewproxy.com/fossil/2016/>.**

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**FOSSIL GROUP, INC.**

901 S. Central Expressway  
Richardson, Texas 75080

**PROXY STATEMENT  
FOR  
ANNUAL MEETING OF STOCKHOLDERS**

**TO BE HELD MAY 25, 2016**

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**SOLICITATION OF PROXIES**

This proxy statement is furnished in connection with the solicitation by the Board of Directors of Fossil Group, Inc., a Delaware corporation (the "Company"), of your proxy to be voted at the 2016 Annual Meeting of Stockholders of the Company (the "Annual Meeting") to be held on May 25, 2016, 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. To elect eleven (11) 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.
2. To hold an advisory vote on executive compensation as disclosed in these materials.
3. To vote on a proposal to approve the Fossil Group, Inc. 2016 Long-Term Incentive Plan.
4. To ratify the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2016.
5. To transact any and all other business that may properly come before the meeting or any adjournment(s) or postponement(s) thereof.

When proxies 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** each of the eleven nominees named in this proxy statement for election to the Board of Directors under Proposal 1; **FOR** approval of the compensation of the Company's named executive officers under Proposal 2; **FOR** the approval of the Fossil Group, Inc. 2016 Long-Term Incentive Plan under Proposal 3; and **FOR** the ratification of the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2016 under Proposal 4.

**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 25, 2016: Our official Notice of Annual Meeting of Stockholders, Proxy Statement and Annual Report to Stockholders covering the Company's fiscal year ended January 2, 2016 are also available at <http://viewproxy.com/fossil/2016/>.**

As permitted by Securities and Exchange Commission ("SEC") rules, we are making the Annual Meeting Notice, this proxy statement (the "Proxy Statement") and our Annual Report to Stockholders (the "Annual Report") available to our stockholders primarily via the Internet, rather than mailing printed copies of these materials to each stockholder. We believe that this process will expedite stockholders' receipt of proxy materials, lower the costs of the Annual Meeting and help to conserve natural resources. Each stockholder (other than those who previously requested electronic delivery of all materials or previously elected to receive delivery of a paper copy of the proxy materials) will

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receive a Notice of Internet Availability of Proxy Materials (the "Proxy Notice") containing instructions on how to access and review the proxy materials, including the Annual Meeting Notice, this Proxy Statement and our Annual Report, on the Internet and how to access an electronic proxy card to vote on the Internet. The Proxy Notice also contains instructions on how to receive a paper copy of the proxy materials. If you receive a Proxy Notice by mail, you will not receive a printed copy of the proxy materials unless you request one. If you receive a Proxy Notice by mail and would like to receive a printed copy of our proxy materials, please follow the instructions included in the Proxy Notice.

### GENERAL

The executive offices of the Company are located at, and the mailing address of the Company is, 901 S. Central Expressway, Richardson, Texas 75080.

This Proxy Statement and form of proxy are being mailed or made available to stockholders on or about April 14, 2016. The accompanying Annual Report covering the Company's fiscal year ended January 2, 2016 does not form any part of the materials for solicitation of proxies.

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.

The cost of preparing, assembling, posting on the Internet, printing and mailing the Proxy Notice, Annual Meeting Notice, 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 the Company's common stock, par value \$0.01 per share (the "Common Stock"), and other costs of solicitation, will be borne by the Company. Officers and employees of the Company may solicit proxies, either through personal contact or by mail, telephone or other electronic means. These officers and employees will not receive additional compensation for soliciting proxies, but will be reimbursed for out-of-pocket expenses. The Company may retain a third party proxy solicitor in connection with soliciting proxies and will pay all expenses related thereto if it hires a proxy solicitor. Brokerage houses and other custodians, nominees, and fiduciaries, with shares of Common Stock registered in their names, will be requested to forward solicitation materials to the beneficial owners of such shares of Common Stock.

With respect to eligible stockholders who share a single address, we are sending only one Proxy Statement, Annual Report or Proxy Notice to that address unless we received instructions to the contrary from any stockholder at that address. This practice, known as "householding," is designed to reduce our printing and postage costs. However, if a stockholder of record residing at such address wishes to receive a separate Proxy Statement, Annual Report or Proxy Notice in the future, he or she may contact Investor Relations, Fossil Group, Inc., 901 S. Central Expressway, Richardson, Texas 75080 or call (972) 234-2525 and ask for Investor Relations. Eligible stockholders of record receiving multiple copies of our Proxy Statement, Annual Report or Proxy Notice can request householding by contacting us in the same manner. Stockholders 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 or Proxy Notice to a stockholder 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 30, 2016 (the "Record Date"). On the Record Date, there were 48,135,192 shares of Common Stock 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 Third Amended and Restated Certificate of Incorporation, as amended (the "Charter"), nor its Fourth 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.

Assuming the presence of a quorum, in an uncontested election of directors, the affirmative vote of the holders of a majority of the votes cast at the Annual Meeting is required for the election of directors (Proposal 1). A "majority of the votes cast" means that the number of shares voted "for" a director must exceed the number of votes cast "against" that director. Votes cast shall exclude abstentions with respect to that director's election. 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 "against" his or her election than votes "for" such election (a "Majority Against 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 Against Vote at the same election, then the independent directors who did not receive a Majority Against 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 2, 3 and 4 is required to approve the compensation of the Company's named executive officers, to approve the Fossil Group, Inc. 2016 Long-Term Incentive Plan and to ratify the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm. An automated system administered by an independent third party tabulates the votes. Each proposal is tabulated separately. Abstentions and broker non-votes are each included in the determination of the number of shares present for determining a quorum. Abstentions will have the effect of a vote against Proposals 2, 3 and 4. Abstentions will have no effect with respect to Proposal 1. Broker non-votes will have no effect with respect to Proposals 1, 2 and 3 and are inapplicable to Proposal 4.

## HOW TO VOTE

You may vote by proxy or in person at the Annual Meeting. We suggest that you vote by proxy even if you plan to attend the meeting. If you are the stockholder of record, you can vote by proxy via a toll-free telephone number, over the Internet or by mail. Please refer to your Proxy Notice or the proxy card included with these proxy materials for instructions on how to access an electronic proxy card to vote on the Internet, vote by telephone, or to receive a paper copy of the proxy materials to vote by mail.

If you are not the record holder of your shares of Common Stock, please follow the instructions provided by your broker, bank or other nominee.

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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 submitting a duly executed proxy bearing a later date by telephone, via the Internet or by mail or by giving written notice of revocation to the Company addressed to Randy S. Hyne, Vice President, General Counsel and Secretary, Fossil Group, Inc., 901 S. Central Expressway, Richardson, Texas 75080. 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.

To obtain directions to attend the Annual Meeting and vote in person, please contact Investor Relations at (972) 234-2525.

### 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 30, 2016 by (i) each Named Executive Officer (as defined in "Compensation Discussion and Analysis"); (ii) each director and 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 30, 2016. The address of each officer and director is c/o Fossil Group, Inc., 901 S. Central Expressway, Richardson, Texas 75080.

Name of Beneficial Owner	Shares Beneficially Owned(1)(2)	
	Number	Percent
Darren E. Hart	7,324	*
Kosta N. Kartsotis	6,021,118(3)	12.5%
Greg A. McKelvey	3,804(4)	*
Dennis R. Secor	8,245	*
John A. White	5,577	*
Elaine B. Agather	4,853(5)	*
Jeffrey N. Boyer	11,237(6)	*
William B. Chiasson	3,680(7)	*
Mauria A. Finley	1,231(8)	*
Diane L. Neal	5,918(9)	*
Thomas M. Nealon	5,767(10)	*
Mark D. Quick	32,588(11)	*
Elysia Holt Ragusa	9,532(12)	*
Jal S. Shroff	458,722(13)	*
James E. Skinner	31,637(14)	*
James M. Zimmerman	19,987(15)	*
All executive officers and directors as a group (18 persons)	6,654,700(16)	13.8%
BlackRock, Inc.	2,529,331(17)	5.3%
Eminence Capital, LP	2,657,482(18)	5.5%
FMR, LLC	7,217,560(19)	15.0%
The Bank of New York Mellon Corporation	2,741,893(20)	5.7%
The Vanguard Group	3,418,749(21)	7.1%
Vulcan Value Partners, LLC	11,000,426(22)	22.9%

\*

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 Forms 3, 4 and 5 and Schedule 13D and 13G filings with the SEC and reports made directly to the

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Company. For purposes of this table, a person is deemed to have "beneficial ownership" of any shares when such person has the right to acquire them within 60 days after March 30, 2016. For restricted stock units, we report shares equal to the number of restricted stock units that will vest within 60 days of March 30, 2016. For stock appreciation rights ("SARs"), we report the shares that would be delivered upon exercise of SARs that are vested or that will vest within 60 days of March 30, 2016 (which is calculated by (i) multiplying the number of SARs by the difference between (x) the \$44.05 closing price of our Common Stock on the Nasdaq Global Select Market on March 30, 2016 and (y) the exercise price of the applicable SAR and (ii) dividing by \$44.05). For stock options, we report shares subject to options that are currently exercisable or exercisable within 60 days of March 30, 2016. 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 48,135,192 shares of Common Stock outstanding on March 30, 2016. Shares of Common Stock subject to stock options and SARs exercisable, and restricted stock units that will vest, within 60 days after March 30, 2016, 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.
- (3) Includes 820,000 shares of Common Stock in grantor retained annuity trusts.
- (4) Includes 347 shares of Common Stock issuable upon vesting of restricted stock units.
- (5) Includes 1,664 shares of Common Stock issuable upon vesting of restricted stock units.
- (6) Includes 1,664 shares of Common Stock issuable upon vesting of restricted stock units.
- (7) Includes 1,664 shares of Common Stock issuable upon vesting of restricted stock units.
- (8) Includes 1,231 shares of Common Stock issuable upon vesting of restricted stock units.
- (9) Includes 1,664 shares of Common Stock issuable upon vesting of restricted stock units.
- (10) Includes 1,664 shares of Common Stock issuable upon vesting of restricted stock units.
- (11) Includes 9,413 shares of Common Stock issuable upon exercise of SARs and 1,664 shares of Common Stock issuable upon vesting of restricted stock units.
- (12) Includes 1,664 shares of Common Stock issuable upon vesting of restricted stock units.
- (13) Includes indirect ownership of 457,058 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 457,058 shares of Common Stock. Includes 1,664 shares of Common Stock issuable upon vesting of restricted stock units.
- (14) Includes 15,000 shares of Common Stock issuable upon exercise of stock options and 1,664 shares of Common Stock issuable upon vesting of restricted stock units.
- (15) Includes 6,750 shares of Common Stock issuable upon exercise of stock options and 1,664 shares of Common Stock issuable upon vesting of restricted stock units.
- (16)



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Reflects the information in footnotes (3) through (14) above and an additional 23,480 shares of Common Stock beneficially owned by executive officers not named in the table above.

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- (17) Based on information contained in Amendment No. 1 to Schedule 13G filed with the SEC on January 26, 2016 by BlackRock, Inc. ("BlackRock"), which indicates that (i) BlackRock has sole voting power over 2,190,275 shares of Common Stock and sole dispositive power over 2,529,331 shares of Common Stock. The address of BlackRock is 55 East 52nd Street, New York, New York 10055.
- (18) Based on information contained in Amendment No. 2 to Schedule 13G filed with the SEC on February 16, 2016 by Eminence Capital, LP ("Eminence Capital"), which indicates that (i) Eminence Capital has shared voting power over 2,657,482 shares of Common Stock and shared dispositive power over 2,657,482 shares of Common Stock, and (ii) Eminence GP, LLC ("Eminence GP") has shared voting power over 2,365,864 shares of Common Stock and shared dispositive power over 2,365,864 shares of Common Stock, and (iii) Ricky C. Sandler ("Mr. Sandler") has sole voting power over 1,777 shares of Common Stock, shared voting power over 2,657,482 shares of Common Stock, sole dispositive power over 1,777 shares of Common Stock, and shared dispositive power over 2,657,482 shares of Common Stock. The address of the principal business and principal office of Eminence Capital and Eminence GP is 65 East 55th Street, 25th Floor, New York, New York 10022. The business address of Mr. Sandler is 65 East 55th Street, 25th Floor, New York, New York 10022.
- (19) Based on information contained in Amendment No. 3 to Schedule 13G filed with the SEC on February 12, 2016 by FMR LLC ("FMR"), which indicates that (i) FMR has sole voting power over 1,646,660 shares of Common Stock and sole dispositive power over 7,217,560 shares of Common Stock, and (ii) Abigail P. Johnson has sole dispositive power over 7,217,560 shares of Common Stock, and (iii) Fidelity Low-Priced Stock Fund has sole voting power over 4,150,000 shares of Common Stock. The address of FMR is 245 Summer Street, Boston, Massachusetts 02210.
- (20) Based on information contained in Schedule 13G filed with the SEC on January 26, 2016 by The Bank of New York Mellon Corporation ("BONY") which indicates that (i) BONY has sole voting power over 2,660,032 shares of Common Stock and sole dispositive power over 2,736,316 shares of Common Stock, and (ii) MBC Investments Corporation has sole voting power over 2,493,935 shares of Common Stock and sole dispositive power over 2,576,821 shares of Common Stock, and (iii) Mellon Capital Management Corporation has sole voting power over 2,493,935 shares of Common Stock and sole dispositive power over 2,576,821 shares of Common Stock. The address of BONY is 225 Liberty Street, New York, New York 10286.
- (21) Based on information contained in Amendment No. 3 to Schedule 13G filed with the SEC on February 10, 2016 by The Vanguard Group ("Vanguard"), which indicates that Vanguard has sole voting power over 66,986 shares of Common Stock, shared voting power over 2,300 shares of Common Stock, sole dispositive power over 3,352,063 shares of Common Stock, and shared dispositive power over 66,686 shares of Common Stock. The address of Vanguard is 100 Vanguard Blvd., Malvern, Pennsylvania 19355.
- (22) Based on information contained in Amendment No. 3 to Schedule 13G filed with the SEC on February 10, 2016 by Vulcan Value Partners, LLC ("Vulcan") which indicates that (i) Vulcan has sole voting power over 10,187,115 shares of Common Stock and sole dispositive power over 11,000,426 shares of Common Stock. The address of Vulcan is Three Protective Center, 2801 Highway 280 South, Suite 300, Birmingham, Alabama 35223.

**ELECTION OF DIRECTORS  
(Proposal 1)**

The Board of Directors currently consists of twelve members. Each of our current directors will stand for reelection at the Annual Meeting, except Mr. Jal S. Shroff who is retiring from our Board of Directors.

To be elected as a director, each director nominee must receive a majority of the votes cast at the Annual Meeting. A "majority of the votes cast" means that the number of shares voted "for" a director must exceed the number of votes cast "against" that director. Votes cast shall exclude abstentions with respect to that director's election. A description of our policy regarding nominees who receive a Majority Against 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:

<b>Name</b>	<b>Age</b>	<b>Position</b>
Elaine B. Agather	60	Director
Jeffrey N. Boyer	57	Director
William B. Chiasson	63	Director
Mauria A. Finley	42	Director
Kosta N. Kartsotis	63	Chairman of the Board and Chief Executive Officer
Diane L. Neal	59	Director
Thomas M. Nealon	55	Director
Mark D. Quick	67	Director
Elysia Holt Ragusa	65	Director
James E. Skinner	62	Director
James M. Zimmerman	72	Lead Independent Director

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

Elaine B. Agather was appointed to the Board of Directors in February 2007. Ms. Agather is currently a member of the Company's Audit Committee and Compensation Committee. Ms. Agather has been with JPMorgan Chase Bank and its predecessor firms since 1979. She currently serves as South Region Head and Managing Director of J.P Morgan's Private Bank. She also holds the role of Chairman of Chase, Dallas Region, a position she has served in since 1999. From 1992 until 1999, she served as Chairman of Texas Commerce Bank in Fort Worth, Texas. Ms. Agather has extensive leadership experience as Chief Executive Officer and Chairperson of large organizations, substantial banking experience and financial acumen developed through her Chief Executive Officer and Chairperson experience.

Jeffrey N. Boyer was appointed to the Board of Directors in December 2007. Mr. Boyer currently serves as Chairman of the Company's Finance Committee, and he is a member of the Audit Committee. Mr. Boyer has served as Executive Vice President and Chief Financial Officer for Pier 1 Imports, Inc. since June 2015. Prior to joining Pier 1 Imports, Mr. Boyer served as Executive Vice President, Chief Administrative Officer and Chief Financial Officer for Tuesday Morning Corporation from September 2013 until June 2015. Mr. Boyer served as Executive Vice President and Chief Operating Officer of 24 Hour Fitness Worldwide Holdings, Inc., an operator of fitness centers, from

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June 2012 until September 2013 and as their Executive Vice President and Chief Financial Officer from April 2008 until June 2012. Mr. Boyer served as President and Chief Financial Officer of Michaels Stores, Inc. (Michaels) from July 2007 until April 2008 and Co-President and Chief Financial Officer from March 2006 to July 2007. He also held the position of Executive Vice President and Chief Financial Officer of Michaels from January 2003 to March 2006. Prior to joining Michaels, Mr. Boyer 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. He also served in multiple top-level capacities with the Pillsbury Company and Kraft General Foods. Mr. Boyer began his career as an accountant with PricewaterhouseCoopers in 1980. Mr. Boyer has extensive leadership experience as Chief Financial Officer of large organizations and experience in accounting, finance, capital markets, strategic planning and risk management developed through his Chief Financial Officer 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.

William B. Chiasson was appointed to the Board of Directors in August 2013. Mr. Chiasson is currently Chairman of the Company's Audit Committee and a member of the Finance Committee. He has served as the Chairman of the Board of Directors for LeapFrog Enterprises, Inc. since 2011. LeapFrog Enterprises designs, develops and markets a family of innovative technology-based learning platforms and related proprietary content for children. Mr. Chiasson served as Chief Executive Officer for LeapFrog Enterprises from 2010 to 2011 and as Executive Vice President and Chief Financial Officer from 2004 to 2010. Since 2013, Mr. Chiasson has also served as Chairman of the Board of Directors of The Ergobaby Carrier, Inc. and served as Interim Chief Executive Officer from 2012 to 2013. Ergobaby Carrier is a leading designer, marketer and distributor of premium infant care products. From 1998 until 2003, Mr. Chiasson served as Senior Vice President and Chief Financial Officer for Levi Strauss & Co. From 1988 to 1998, Mr. Chiasson served in various roles for Kraft Foods, Inc., most recently as Senior Vice President, Finance and Information Technology. From June 1979 to January 1988, Mr. Chiasson served in varying capacities with Baxter Healthcare, most recently as its Vice President and Controller for the Hospital Group. Mr. Chiasson has leadership experience as a Chief Executive Officer and, as Chief Financial Officer of large organizations, extensive experience in accounting, finance, capital markets, strategic planning and risk management and has been determined by the Board of Directors to meet the qualifications of an "audit committee financial expert" in accordance with SEC rules.

Mauria A. Finley was appointed to the Board of Directors in August 2015, and she is currently a member of the Finance Committee. Ms. Finley was the founder of Citrus Lane and served as Chief Executive Officer from March 2011 until she retired from the company in October 2014. Citrus Lane is a leading social commerce platform for parents and was acquired by Care.com in July 2014. Ms. Finley previously served as Senior Director, Buyer Product and E-commerce Categories for eBay Inc. from January 2008 until October 2010. eBay Inc. is a technology company that enables commerce on behalf of users, merchants, retailers, and brands of various sizes in the United States and internationally. From September 2004 until January 2008, Ms. Finley served as Senior Director, New Ventures and Funding Mix for PayPal, then a division of eBay Inc., and now known as PayPal Holdings, Inc. PayPal Holding, Inc. is a technology platform company that enables digital and mobile payments on behalf of consumers and merchants worldwide. From January 2001 until December 2003, Ms. Finley served as Director of Product Management for Good Technology. Good Technology is a mobile startup that developed smartphone software and hardware for wireless messaging and personal information management for enterprises and users. From March 1999 until January 2001, Ms. Finley served as Director of Product Management for AOL. From September 1997 until March 1999, Ms. Finley served as Senior Product Manager for Netscape Communication. Ms. Finley has substantial experience in omni-channel, marketing, ecommerce, technology and corporate strategy.

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Kosta N. Kartsotis has served as Chief Executive Officer since October 2000 and Chairman of the Board since May 2010. 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. 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 Chief Executive Officer, 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.

Diane L. Neal was appointed to the Board of Directors in February 2012, and she is currently Chairperson of the Nominating and Corporate Governance Committee and a member of the Compensation Committee. Ms. Neal currently serves as Chief Executive Officer of Sur La Table, a private company with more than 100 retail stores offering a selection of exclusive and premium-quality goods for the kitchen and table. Prior to joining Sur La Table, Ms. Neal most recently served as Chief Executive Officer of Bath & Body Works. She resigned from that position in July 2011 to relocate to San Francisco for personal reasons. Ms. Neal joined Bath & Body Works in November 2006 as President and Chief Operating Officer and held those positions until her promotion to Chief Executive Officer in June 2007. Prior to joining Bath & Body Works, Ms. Neal served as President of the Outlet Division for Gap Inc., where she was responsible for the outlet business for all three Gap Inc. brands. Prior to joining Gap Inc., Ms. Neal spent 22 years with Target Corporation in multiple divisions, including Dayton's Department Stores (now Macy's), Mervyn's, Target Sourcing Services and Target Stores. During her career with Target Corporation, Ms. Neal spent 16 years at Target Stores, where she held multiple positions and responsibilities, including merchandising, planning, distribution and sourcing. Ms. Neal was promoted to President of Mervyn's in 2001 and served in that capacity until 2004, when she joined Gap Inc. Ms. Neal has extensive leadership experience as the Chief Executive Officer of a large organization and substantial experience in retailing, merchandising and strategic planning.

Thomas M. Nealon was appointed to the Board of Directors in April 2012, and he is currently a member of the Audit Committee and the Nominating and Corporate Governance Committee. Mr. Nealon has served as Executive Vice President Strategy and Innovation at Southwest Airlines Co., a leading airline based in Dallas, Texas, since January 2016. Mr. Nealon previously served as Group Executive Vice President of J. C. Penney Company, Inc., from which he resigned in December 2011 for personal reasons. Mr. Nealon joined J. C. Penney in 2006 as Chief Information Officer, and held that position until his promotion to Group Executive Vice President in 2010. Prior to joining J. C. Penney, he was with Electronic Data Systems from 2004 to 2006 and served on assignment as Senior Vice President and Chief Information Officer for Southwest Airlines Co. Prior to joining Electronic Data Systems, Mr. Nealon was a partner from 2000 to 2004 at the Feld Group, an IT management consultancy firm later acquired by Electronic Data Systems. He also spent 15 years at Frito-Lay, Inc., a division of PepsiCo, serving in critical roles across the information technology organization, including two years as Chief Information Officer. Mr. Nealon has extensive experience in information technology, corporate strategy and e-commerce.

Mark D. Quick was appointed to the Board of Directors in October 2012, and had most recently served as Vice Chairman of the Company from January 2007 until his retirement in October 2012. Mr. Quick served as President, Fashion Accessories of the Company from October 2000 until December 2006 and President, Stores Division from March 2003 until September 2006. Mr. Quick served as Executive Vice President of the Company from March 1997 until October 2000. From November 1995 until March 1997, he served as the Company's Senior Vice President Accessories. Mr. Quick has deep knowledge of the Company and its businesses, having served as an employee of the Company for approximately 17 years.

Elysia Holt Ragusa was appointed to the Board of Directors of the Company in December 2007. Ms. Ragusa is a member of the Compensation Committee and the Nominating and Corporate

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Governance Committee. She currently serves as a Senior Managing Director and International Director for Jones Lang LaSalle, which provides integrated real estate and investment management services to owner, occupier and investor clients worldwide, subsequent to the merger between Jones Lang LaSalle and The Staubach Company in 2008. Prior to the merger of Jones Lang LaSalle and The Staubach Company, she served as President, Corporate Services-East Staubach Holdings, Inc., overseeing all Staubach North American Corporate Services Operations from Phoenix to Boston 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. Prior to her role as President and Chief Operating Officer, Ms. Ragusa was President of The Staubach Company's Southwest Corporate Services Division. In January 2010, Ms. Ragusa was appointed to the Board of Directors of Texas Capital Bancshares, Inc. Ms. Ragusa has extensive experience in leading large organizations with special skills in operations, marketing, sales and developing people. She also has experience in commercial real estate acquisition and disposition.

James E. Skinner was appointed to the Board of Directors of the Company in December 2007. Mr. Skinner is currently Chairman of the Compensation Committee and he is a member of the Finance Committee. Mr. Skinner served as Vice Chairman of Neiman Marcus Group from July 2015 until his retirement in February 2016. From October 2010 until July 2015, he served as Executive Vice President, Chief Operating Officer and Chief Financial Officer of Neiman Marcus Group and, from 2007 to 2010, served as Executive Vice President and Chief Financial Officer. From 2001 until 2007, he held the position of Senior Vice President and Chief Financial Officer of Neiman Marcus Group. Mr. Skinner served as Senior Vice President and Chief Financial Officer of CapRock Communications Corp. in 2000. From 1991 until 2000, Mr. Skinner served in several positions with CompUSA Inc., including Executive Vice President and Chief Financial Officer beginning in 1994. Mr. Skinner also served as a partner with Ernst & Young from 1987 until 1991. Mr. Skinner has extensive leadership experience as Chief Financial Officer of large organizations and experience in accounting, finance, capital markets, strategic planning and risk management developed through his Chief Financial Officer and public accounting experience.

James M. Zimmerman was appointed to the Board of Directors of the Company in September 2007. Mr. Zimmerman is currently the Lead Independent Director and is also a member of the Finance Committee and Nominating and Corporate Governance Committee. He has served as a member of the Board of Directors of The Chubb Corporation since June 2008. Mr. Zimmerman retired from Federated Department Stores (Macy's) 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. 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, it is the intention of the persons named in the proxy to vote the shares represented by such proxy for the election of each of the director nominees. Each of the director nominees is presently a director of the Company.

### **THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE "FOR" THE ELECTION OF EACH DIRECTOR NOMINEE ABOVE FOR THE BOARD OF DIRECTORS.**

#### **Board Committees and Meetings**

The Board of Directors held 9 meetings during the fiscal year ended January 2, 2016. During 2015, 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, except Mr. Jal S. Shroff. In addition, the Board of Directors holds regularly scheduled calls each fiscal quarter to review the Company's fiscal quarter earnings releases. The Board of Directors strongly encourages that

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directors make a reasonable effort to attend the Company's Annual Meeting. All of the then current members of the Board of Directors attended the Company's 2015 Annual Meeting of Stockholders, except Ms. Neal who was unable to attend due to personal reasons.

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. Each of these committees has a written charter approved by the Board. Copies of the charters can be obtained free of charge from the Company's web site, [www.fossilgroup.com](http://www.fossilgroup.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 committees on which the directors serve as of March 30, 2016 and the number of committee meetings held in fiscal 2015 are shown in the chart below.

Director	Audit Committee	Compensation Committee	Finance Committee	Nominating and Corporate Governance Committee
Elaine B. Agather	X	X		
Jeffrey N. Boyer	X		X (Chairperson)	
William B. Chiasson	X (Chairperson)		X	
Mauria A. Finley			X	
Diane L. Neal		X		X (Chairperson)
Thomas M. Nealon	X			X
Elysia Holt Ragusa		X		X
James E. Skinner		X (Chairperson)	X	
James M. Zimmerman			X	X
Number of Committee Meetings in fiscal 2015:	9	8	8	4

*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;
- review the Company's significant accounting policies and other related matters;
- review the Company's annual and quarterly reports and earnings releases;
- oversee the surveillance of administration, disclosure and financial controls;
- oversee the Company's compliance with legal and regulatory requirements;
- oversee the Company's monitoring and enforcement of its Code of Conduct and Ethics;
- review the qualifications and independence of any independent auditor of the Company; and
- oversee the performance of the Company's internal audit function and the Company's independent auditors.

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 control over financial reporting. The Audit

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Committee has adopted a procedure that enables confidential and anonymous reporting to the Audit Committee of concerns regarding questionable



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accounting or auditing matters. The Company's internal audit group reports directly to the Audit Committee on a quarterly basis.

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 "Corporate Governance Director Independence." The Audit Committee includes two independent directors, Messrs. Boyer and Chiasson, who have been determined by the Board of Directors to meet the qualifications of an "audit committee financial expert" in accordance with SEC rules.

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

determine the compensation of the Company's 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, and to administer, the Company's compensation programs, including stock and benefit plans.

All members of the Compensation Committee have been determined to meet the appropriate Nasdaq standards for independence. See "Corporate Governance 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 Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code").

*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. All members of the Finance Committee have been determined to meet the Nasdaq standards for independence. See "Corporate Governance 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. All members of the Nominating and Corporate Governance Committee have been determined to meet the Nasdaq standards for independence. See "Corporate Governance 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. As part of its oversight, the Board of Directors receives and reviews regular reports from members of senior management, including our Chief Risk Officer, who oversees our enterprise risk management program. Risk assessment results and mitigation plans for significant enterprise risks, such as financial, operational, security and cybersecurity, business continuity, legal and regulatory risks, are developed and monitored by management, including management "risk owners". Significant enterprise risks and mitigation plans are also regularly reviewed by the Company's Executive Risk Committee. The Board implements its risk oversight function both as a whole and through committees, which play a significant role in carrying out risk oversight. Our full Board reviews information concerning enterprise risks through regular reports of each Board committee, including information regarding financial reporting, accounting, cybersecurity and internal audit risk matters from the Audit Committee, corporate 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. In addition, 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.

## Report of the Audit Committee

*The following 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.*

The role of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities related to the integrity of the Company's financial statements, the Company's internal control over financial reporting, the Company's compliance with legal and regulatory requirements, the qualifications and independence of the Company's independent registered public accounting firm, audit of the Company's financial statements, and performance of the Company's internal audit function and the Company's independent registered public accounting firm. The Audit Committee has the sole authority and responsibility to select, evaluate and, when appropriate, replace the Company's independent registered public accounting firm.

Management of the Company has the responsibility for the preparation, presentation and integrity of the Company's consolidated financial statements, for the appropriateness of the accounting principles and reporting policies that are used by the Company and for the establishment and maintenance of systems of disclosure controls and procedures and internal control over financial reporting. The Company's independent registered public accounting firm, Deloitte & Touche, LLP, is responsible for auditing the Company's consolidated financial statements and expressing an opinion on the fair presentation of those financial statements in conformity with accounting principles generally accepted in the United States, performing reviews of the unaudited quarterly financial statements and auditing and expressing an opinion on the effectiveness of the Company's internal control over financial reporting. In performing its functions, the Audit Committee acts only in an oversight capacity and necessarily relies on the work and assurances of the Company's management, internal audit group and independent registered public accounting firm.

During fiscal 2015, the Audit Committee met and held discussions with management, the internal auditor and the independent registered public accounting firm and met independently as a committee. Management represented to the Audit Committee that the Company's consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States. The

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Audit Committee has reviewed and discussed the consolidated financial statements as of and for the fiscal year ended January 2, 2016 with management and the independent registered public accounting firm. These discussions included a review of the reasonableness of significant judgments, the quality, not just acceptability, of the Company's accounting principles, and such other matters as are required to be discussed with the Audit Committee under Auditing Standard No. 16, "Communications with Audit Committees." In addition, the Audit Committee reviewed and discussed with management and the independent registered public accounting firm the adequacy and effectiveness of the Company's financial reporting procedures, disclosure controls and procedures, and internal control over financial reporting, including the respective reports of management and the independent registered public accounting firm on the effectiveness of the Company's internal control over financial reporting. The Audit Committee has also received the written disclosures and the letter from the independent registered public accounting firm required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accounting firm's communications with the Audit Committee concerning independence and has discussed with the independent registered public accounting firm its independence from the Company. The Audit Committee has concluded that the independent registered public accounting firm's provision of audit and non-audit services to the Company and its subsidiaries is compatible with the independent registered public accounting firm's independence.

Based on the Audit Committee's discussions with management, the Company's internal auditors and Deloitte & Touche LLP, and the Audit Committee's review of the audited financial statements, including the representations of management and Deloitte & Touche LLP with respect thereto, and subject in all cases to the limitations on the role and responsibilities of the Audit Committee referred to above and set forth in the Audit Committee Charter, the Audit Committee recommended to the Company's Board of Directors, and the has Board approved, 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, 2016.

### AUDIT COMMITTEE

Jeffrey N. Boyer

Elaine B. Agather

William B. Chiasson, Chairperson

Thomas M. Nealon

### 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.fossilgroup.com](http://www.fossilgroup.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 the Nasdaq are comprised, in part, of those objective standards set forth in the Nasdaq Marketplace Rules, which include the following bright line rules: (i) a director who is or was at any time during the past three years an employee, or whose immediate family member (defined as a spouse, parent, child, sibling, whether by blood, marriage or

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adoption, and anyone sharing the director's home) is or was at any time during the past three years an executive officer of the Company, would not be independent; (ii) a director who received, or whose immediate family member received, from the Company compensation of more than \$120,000 during any twelve consecutive months within the three years preceding the determination of independence, except for certain permitted payments, would not be independent; (iii) 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; (iv) 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 (v) 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, except for permitted payments, would not be independent.

The Board of Directors, in applying the above-referenced standards, has affirmatively determined that our current directors Elaine B. Agather, Jeffrey N. Boyer, William B. Chiasson, Mauria A. Finley, Diane L. Neal, Thomas M. Nealon, Elysia Holt Ragusa, James E. Skinner 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*

The Board is committed to promoting effective, independent governance of the Company. The Board strongly believes it is in the best interests of the stockholders and the Company for the Board to have the flexibility to select the best director to serve as chairman at any given time, regardless of whether that director is an independent director or the Chief Executive Officer. Consequently, our Corporate Governance Guidelines allow the Board to determine whether to separate or combine the roles of the Chairman and Chief Executive Officer.

To help ensure the independence of the Board, our Corporate Governance Guidelines require that, when the Chairman is a member of management, the Lead Independent Director shall assume certain responsibilities pertaining to the operation of the Board. 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 Chief Executive Officer regarding information to be sent to the Board, meeting agendas and establishing meeting schedules. In order to give a significant voice to our non-management directors, our Corporate Governance Guidelines also provide that the non-management directors of the Company meet regularly in executive session. The Company's independent directors held five formal meetings without management during fiscal 2015.

Currently, the Board has determined that it is in the best interests of the stockholders and the Company for Mr. Kartsotis to serve as our Chairman as well as our Chief Executive Officer. Since May 2013, Mr. James M. Zimmerman has been our Lead Independent Director.

The Board believes that this structure is effective and best for the Company at this point in time for several reasons. Mr. Kartsotis joined the Company in 1988 and has been a director since 1990. He holds a significant number of shares of our Common Stock, and since 2005, he has refused all forms of compensation for his service as an executive officer, expressing his belief that his primary compensation

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is met by driving stock price growth. The Board believes that as a long-term executive officer, director and significant stockholder, Mr. Kartsotis is well qualified to serve as our Chairman and Chief Executive Officer, and his interests are sufficiently aligned with the Company's stockholders. Mr. Kartsotis has extensive experience and knowledge of the Company and the fashion retailing industry and substantial sales, marketing and merchandising experience. The Board believes the Company has been well-served by this leadership structure and by Mr. Kartsotis' service. Mr. Kartsotis is the person with primary responsibility for our day-to-day operations and the execution of our strategies. Since our performance is one of the most important topics at Board meetings, it makes sense for Mr. Kartsotis to chair such discussions. This allows him to highlight important issues without unnecessary procedural delay. It also allows him to provide the proper context and background, including access to members of management and Company and industry reports, for each issue considered by the Board. Such background material is important given our size and complexity and the competitive nature of our industry. Mr. Kartsotis' extensive knowledge of the Company and involvement with day-to-day activities also helps ensure effective risk oversight for the Company. Mr. Kartsotis adheres to an "open door" policy in his communications with Board members and talks frequently with Board members. Furthermore, Board members are encouraged to freely communicate with any member of management at any time. The Board also believes it has been beneficial, in terms of its relationship with employees, stockholders, customers, business partners and others, to provide a single voice for the Company through Mr. Kartsotis. Having one person serve as both our Chairman and Chief Executive Officer demonstrates for our employees, stockholders, customers, business partners and others that the Company is under strong leadership, with a single person setting the tone and having primary responsibility for managing our operations. Having a single leader for both the Company and the Board of Directors eliminates the potential for confusion or duplication of efforts, and provides clear leadership for our Company. In addition, in Mr. Kartsotis, the Board has found an effective leader who is able to facilitate open and productive discussion, effectively utilize each individual director's unique perspective and expertise, lead the Board in innovative and creative problem solving and, by virtue of his personal ownership in the Company, to represent the interests of our stockholders as a whole.

### *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.

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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.fossilgroup.com](http://www.fossilgroup.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 or Code of Ethics for Senior Financial Officers that apply to its principal executive officer, principal financial officer, and principal accounting officer on its web site at [www.fossilgroup.com](http://www.fossilgroup.com).

### *Self-assessment*

The Board and its standing committees conduct a self-assessment of their effectiveness each year.

### *Pledging of Company Securities*

The Company has an Insider Trading Policy that applies to all directors, officers and employees of the Company and its subsidiaries. Under this policy, directors and executive officers may not pledge, hypothecate, or otherwise encumber Company securities as collateral for indebtedness. This prohibition includes, but is not limited to, holding such securities in a margin account.

### *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 (i) Mr. Kartsotis and the year he first became an executive officer of the Company is set forth

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above under the caption "Election of Directors Directors and Nominees," and (ii) with respect to each remaining executive officer is set forth in the following table and text:

Name	Age	Position
Randy C. Belcher	53	Executive Vice President, Asia Pacific
Hans-Peter Gehmacher	55	Executive Vice President, EMEA
Darren E. Hart	52	Executive Vice President, Human Resources Executive Vice President, Chief Strategy and Digital Officer
Greg A. McKelvey	42	Executive Vice President, Chief Financial Officer and Treasurer
Dennis R. Secor	52	Treasurer
John A. White	43	Executive Vice President and Chief Operating Officer

Randy C. Belcher has served as Executive Vice President, Asia Pacific, since March 2014. Mr. Belcher also served as Senior Vice President, Asia Pacific, from October 2005 to March 2014 and as Senior Vice President Europe from April 2001 to October 2005. Mr. Belcher joined the Company in 2001.

Hans-Peter Gehmacher has served as Executive Vice President, EMEA, since March 2014. Mr. Gehmacher served in various other roles as the head of our European operations from September 2007 until March 2014 and as Managing Director of our German subsidiary from August 1998 until August 2007. Mr. Gehmacher served as Controller and Financial Officer of our German subsidiary from May 1993 to August 1998. Mr. Gehmacher joined the Company in May 1993.

Darren E. Hart has served as Executive Vice President, Human Resources, since June 2011. From 2001 until June 2011, Mr. Hart served in various roles for Limited Brands, an international company that sells personal care and beauty products, apparel and accessories. At Limited Brands, Mr. Hart most recently served as Executive Vice President for Bath & Body Works, a national retailer of personal care products. From 2001 until 2005, Mr. Hart served as Director of Leadership and Organizational Development for Victoria's Secret Stores, a global retailer of intimate apparel, sleepwear, hosiery and other apparel and beauty products. From 2005 until 2006, he served as Vice President of HR for Stores for Limited Brands, and from 2006 until 2007, he served as Senior Vice President of HR for Retail Operations for Limited Brands.

Greg A. McKelvey has served as Executive Vice President, Chief Strategy and Digital Officer since December 2015. Mr. McKelvey joined Fossil Group in February 2012 and served as our Executive Vice President prior to his promotion to Executive Vice President, Chief Strategy and Digital Officer. From 2005 until February 2012, Mr. McKelvey served in several different strategy, marketing and transformation roles at Dean Foods, one of the United States' leading food and beverage companies, including his most recent role as Executive Vice President and Chief Strategy and Transformation Officer. From 2002 until 2005, Mr. McKelvey worked at Bain and Company, a leading global strategy consulting firm, as a Manager in Bain's consumer and private equity practices.

Dennis R. Secor has served as Executive Vice President, Chief Financial Officer and Treasurer since December 2012. From July 2006 until December 2012, Mr. Secor served as Senior Vice President and Chief Financial Officer for Guess?, Inc., a national retailer of contemporary apparel, denim, handbags, watches, footwear and other fashion accessories. From August 2004 until July 2006, Mr. Secor served as Vice President and Chief Financial Officer for Electronic Arts (Canada), Inc., a Canadian video game developer.

John A. White has served as Executive Vice President and Chief Operating Officer since September 2012. From March 2007 until September 2012, Mr. White served in various roles for Pandora, A/S ("Pandora"), a global jewelry company headquartered in Denmark. At Pandora, Mr. White most recently served as President of Pandora North America, a division of Pandora. Prior to joining Pandora, Mr. White served as a Strategy Consultant for the Operations and Supply Chain Strategy and Design Team for Booz -- Allen -- Hamilton from April 2006 until March 2007.

**FISCAL 2015 DIRECTOR COMPENSATION TABLE**

The following table provides information regarding director compensation during fiscal 2015. Non-employee directors who join the Board during the fiscal year receive a pro-rated annual cash retainer.

<b>Name(1)(2)</b>	<b>Fees Earned or Paid in Cash \$(3)(4)</b>	<b>Stock Awards \$(5)</b>	<b>Total (\$)</b>
Elaine B. Agather	85,000	129,931	214,931
Jeffrey N. Boyer	101,662	129,931	231,593
William B. Chiasson	98,352	129,931	228,283
Mauria A. Finley	21,820	71,607	93,427
Diane L. Neal	90,014	129,931	219,945
Thomas M. Nealon	85,000	129,931	214,931
Mark D. Quick	60,000	129,931	189,931
Elysia Holt Ragusa	84,986	129,931	214,917
Jal S. Shroff	60,000	129,931	189,931
James E. Skinner	99,986	129,931	229,917
James M. Zimmerman	105,000	129,931	234,931

- (1) Mr. Kartsothis was a director and Named Executive Officer during fiscal 2015. Mr. Kartsothis did not receive any additional compensation for services as a director. As such, information about his compensation is listed in the Fiscal 2015, 2014 and 2013 Summary Compensation Table below.
- (2) Our directors' outstanding equity awards as of fiscal year end 2015 were as follows: Ms. Agather 1,664 restricted stock units; Mr. Boyer 1,664 restricted stock units; Mr. Chiasson 1,664 restricted stock units; Ms. Finley 1,231 restricted stock units; Ms. Neal 1,664 restricted stock units; Mr. Nealon 1,664 restricted stock units; Mr. Quick 1,664 restricted stock units and 8,481 shares of common stock issuable upon the exercise of SARs; Ms. Ragusa 5,000 options and 1,664 restricted stock units; Mr. Shroff 1,664 restricted stock units; Mr. Skinner 15,000 options and 1,664 restricted stock units; and Mr. Zimmerman 6,750 options and 1,664 restricted stock units.
- (3) Consists of retainer fees.
- (4) The following amounts included in the fees listed were earned in fiscal 2015, but not paid until fiscal 2016: Ms. Agather \$21,250; Mr. Boyer \$25,000; Mr. Chiasson \$26,250; Ms. Finley \$15,625; Ms. Neal \$23,750; Mr. Nealon \$21,250; Mr. Quick \$15,000; Ms. Ragusa \$20,000; Mr. Shroff \$15,000; Mr. Skinner \$23,750; and Mr. Zimmerman \$26,250.
- (5) Consists of an award of restricted stock units granted pursuant to the Company's 2008 Long-Term Incentive Plan (the "2008 Incentive Plan") to each director on May 20, 2015. All awards vest 100% on the earlier of (i) the next annual stockholders meeting or (ii) one year from the date of grant. The amounts shown were not actually paid to the directors. 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 fiscal 2015. These values were determined in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718 ("FASB ASC Topic 718"). The aggregate grant date fair value of the restricted stock units is equal to the midpoint between the high and low sales prices of our Common Stock on the date of grant



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multiplied by the number of shares granted. On May 20, 2015, the date of grant, the midpoint of the high and low sales prices of our Common Stock was \$78.08 per share. The amounts reported do not include any reduction in the value of the awards for the possibility of forfeiture.

### Director Compensation

*Cash Compensation.* The following table shows the annual cash retainers paid to non-employee directors, committee chairpersons and committee members in fiscal 2015.

Position	Amount
Non-Employee Director	\$ 60,000
Lead Independent Director	\$ 25,000
Audit Committee Chairperson	\$ 20,000
Audit Committee Member	\$ 15,000
Compensation Committee Chairperson	\$ 15,000
Compensation Committee Member	\$ 10,000
Nominating and Corporation Governance Committee Chairperson	\$ 15,000
Nominating and Corporation Governance Committee Member	\$ 10,000
Finance Committee Chairperson	\$ 15,000
Finance Committee Member	\$ 10,000

*Stock Awards.* Prior to 2008, the Company made grants of stock options to non-employee directors pursuant to the Company's 1993 Non-employee Director Stock Option Plan. That plan was terminated when the 2008 Incentive Plan was adopted in May 2008, and the Company commenced granting stock options to non-employee directors under the 2008 Incentive Plan. The terms of the 1993 Non-employee Director Stock Option Plan continue to govern outstanding grants made under it prior to its termination. Effective January 2010, the Board terminated its practice of granting stock options to non-employee directors and instead grants restricted stock units. 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 \$130,000, 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. Restricted stock units are awarded subject to such terms and conditions as established by the Compensation Committee, which may include the requirement that the holder forfeit the restricted stock units upon termination of service during the period of restriction.

The Compensation Committee is responsible for the administration of the 2008 Incentive Plan. The 2008 Incentive Plan provides that the Compensation Committee may make certain adjustments to the exercise price and number of shares subject to awards in the event of a dividend or other distribution, recapitalization, stock split, reorganization, merger or certain other corporate transactions. Subject to certain limitations, the Compensation Committee is authorized to amend the 2008 Incentive

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Plan as it deems necessary, but no amendment may adversely affect the rights of a participant with respect to an outstanding award without the participant's consent.

*Stock Ownership Guidelines.* In 2010, the Board adopted stock ownership guidelines for our directors. The guidelines were adopted in lieu of stock retention requirements. Subject to transition periods and other provisions, the guidelines generally require that each director beneficially hold shares of our stock (including restricted stock units) with a value equal to at least three times his or her current annual cash retainer. All of the directors were in compliance with the guidelines as of April 14, 2016, except Ms. Finley who joined our Board of Directors effective August 2015.

### COMPENSATION DISCUSSION AND ANALYSIS

This section contains a discussion of the material elements of compensation awarded to, earned by or paid to (i) our Chief Executive Officer ("CEO"), (ii) our Chief Financial Officer and (iii) our three other most highly compensated executive officers who were serving as executive officers as of January 2, 2016. These individuals are referred to as the "Named Executive Officers" in this Proxy Statement.

#### Executive Summary

Our executive compensation program is designed to attract, motivate and retain executive officers, while aligning the interests of our executives with the interests of our stockholders. Compensation for our Named Executive Officers is comprised of a mix of base salary, annual cash incentive awards and long-term equity incentive awards. A substantial amount of each Named Executive Officer's total compensation is performance-based and linked to our operating performance and achievement of certain strategic priorities.

For fiscal 2015, Mr. Kartsotis, our CEO, continued to refuse all forms of compensation, expressing his belief that, given his level of stock ownership, his primary compensation is met by driving stock price growth, thereby aligning his interests with stockholders' interests. As a result, the following references to Named Executive Officers in this Compensation Discussion and Analysis do not include Mr. Kartsotis.

Our financial performance for fiscal 2014 was mixed. While we reported record levels of net sales and gross profit in 2014, our operating income only increased 1.0%. Financial highlights as reported for fiscal 2014 included:

net sales increased 6.1% to \$3.5 billion, compared to \$3.3 billion in fiscal 2013;

gross profit increased 5.3% to \$2.0 billion, compared to \$1.9 billion in fiscal 2013;

operating income increased 1.0% to \$566.5 million, compared to \$561.6 million in fiscal 2013;

net income decreased 0.4% to \$376.7 million, compared to \$378.2 million in fiscal 2013; and

diluted earnings per share increased 8.2% to \$7.10 per diluted share on 53.1 million shares, compared to \$6.56 per diluted share on 57.7 million shares.

In setting fiscal 2015 base salaries for the Named Executive Officers, our Compensation Committee considered our overall fiscal 2014 financial performance, the individual contributions of the Named Executive Officers to our overall fiscal 2014 financial performance, individual performance appraisals of the Named Executive Officers for fiscal 2014 and benchmarking data of our industry peer group. In addition, under the Fossil Group, Inc. 2010 Cash Incentive Plan, cash bonus amounts for our Named Executive Officers were based on our fiscal 2014 financial performance and individual performance appraisals of the Named Executive Officers for fiscal 2014.

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As part of our annual merit review process, in the first quarter of fiscal 2015, the Compensation Committee approved:

base pay increases ranging from 4.0% to 9.5% for our Named Executive Officers based on Company performance, individual performance ratings and an analysis of peer group companies and comparative, competitive compensation packages; and

grants of restricted stock units, stock appreciation rights and performance shares with a total cash value on the date of grant of 150% of the Named Executive Officer's 2015 base salary, consistent with our pay-for-performance compensation philosophy.

In addition, in the fourth quarter of fiscal 2015, the Compensation Committee approved the following:

discretionary grants of restricted stock units to each of our NEOs for retention purposes; and

discretionary grants of restricted stock units, stock appreciation rights and performance shares to Messrs. McKelvey and Secor to further incentivize them to drive sales of our wearable technology products.

In fiscal 2015, the Compensation Committee revised the performance metrics used to determine cash incentive awards from the single measure of operating income to a combination of operating income, net sales and strategic priorities. The Compensation Committee believes that using three performance metrics rather than a single metric better aligns the Named Executive Officers' bonus opportunities with the financial and strategic priorities of the Company and ultimately long-term value creation for the Company's stockholders. In addition, the strategic priorities bonus opportunity mitigates against the short-term financial impact of factors outside the Company's control, which can adversely impact the Named Executive Officers' bonus opportunities based solely on financial performance measures. As a result, the Compensation Committee set operating income and net sales target thresholds for fiscal 2015 cash incentive awards for payouts of 10%, 50%, 100% and 150% of each Named Executive Officer's eligible cash incentive bonus amount as determined by such Named Executive Officer's 2015 performance rating as follows:

	<b>Threshold Award (10%)</b>	<b>Midpoint Award (50%)</b>	<b>Target Award (100%)</b>	<b>Maximum Award (150%)</b>
Operating Income	\$422.5 million	\$455.5 million	\$479.0 million	\$499.5 million
Net Sales	\$3.459 billion	\$3.495 billion	\$3.540 billion	\$3.621 billion

The Compensation Committee also established the fiscal 2015 strategic priorities as: ignite Fossil, ignite Skagen, lead in digital and wearables. After the end of the fiscal year, the Compensation Committee subjectively determines the overall attainment of the strategic priorities as "needs improvement" (0% award), "meets expectations" (50% award), "exceeds expectations" (100% award) and "outstanding" (150% award).

Fiscal 2015 was a very challenging year for us in achieving our financial goals. As a result, we did not achieve the minimum threshold for a payout under the Fossil Group, Inc. 2015 Cash Incentive Plan (the "2015 Cash Incentive Plan") for our operating income or net sales targets. However, the Compensation Committee did rate the Company as "outstanding" for the achievement of its strategic priorities. As a result of the outstanding rating, each Named Executive Officer received bonus payments equal to 150% of their strategic priorities target bonus opportunity for fiscal 2015 performance under our 2015 Cash Incentive Plan.

In fiscal 2015, the Compensation Committee approved grants of performance shares to our Named Executive Officers for the first time. Performance shares are contractual rights to receive shares of our Common Stock at the end of a three-year measurement period, if performance and continued service vesting requirements are satisfied. They are designed to reward our Named Executive Officers when we

perform better than our peer group against certain financial metrics. The actual number of performance shares ultimately distributed to the Named Executive Officers is based on both our sales growth and operating margin compared to that of our peer group over that three-year period. Final distribution of the performance share awards for the 2015-2017 measurement period could range from 0% to 150% of the performance shares originally granted depending on our relative performance during the measurement period. The Compensation Committee decided to award performance shares in fiscal 2015 based on its review of external benchmarking data and competitive pay practices.

In fiscal 2015, we saw a number of new significant competitors enter into the watch business, particularly in the "smart watch" or wearable technology category. We made a strong push into this business with our own products and the acquisition of Misfit, Inc. in the fourth quarter of fiscal 2015. In the fourth quarter of fiscal 2015, the Compensation Committee approved discretionary equity grants to our Named Executive Officers for retention purposes and made additional performance share grants to certain of our Named Executive Officers tied to the sales of our wearable technology products and development of our wearable technology group.

## **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 cash incentive compensation and long-term equity-based incentive awards. We believe this mix of short-term and long-term compensation rewards reinforces the value-added contributions and attainment of performance objectives that aid us in achieving profitability goals and creating stockholder value. A significant portion of senior management's compensation is equity-based in order to emphasize the link between executive compensation and the creation of stockholder value as measured by increases in the price of our shares of Common Stock.

We utilize external benchmarking data and a comparable industry peer group to establish competitive total compensation pay practices that are appropriate for our industry. We evaluate our executives' 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 for a Named Executive Officer achieving an "exceeds expectations" performance rating to be around 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. However, compensation may be set higher when considered necessary to attract or retain key executives or when an executive consistently achieves "outstanding" or "exceeds expectations" performance ratings.

Although substantial portions of our compensation program are performance-based, we do not believe that the risks arising from our compensation policies and practices for our employees are reasonably likely to have a material adverse effect on our company. In making this determination, our Executive Vice President of Human Resources (the "EVP of HR") and our Compensation Committee evaluated the risk profile of the Company's compensation programs and policies. In performing this evaluation, the EVP of HR and the Compensation Committee looked at each element of compensation and the associated risks and mitigating factors for each element of compensation. Specifically, the evaluation included the mix of short-term and long-term incentive compensation, extended vesting periods for long-term equity awards, the mix of corporate and specific business unit measures used in assessing performance, the use of multiple performance review criteria, the Compensation Committee's discretion in making individual awards and caps on individual compensation awards.

***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. This program is designed to be competitive with the companies in the industry with which we compete for talent. A significant portion of the compensation for our Named Executive Officers includes annual long-term equity awards that have extended time-based vesting periods and, in some cases, performance-based vesting criteria. 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 2015, our Compensation Committee considered the following factors in establishing the base salaries of our Named Executive Officers for fiscal 2015:

Our overall operating performance during fiscal 2014 and the contributions of the Named Executive Officers with respect to: (i) our overall performance; (ii) the results of each division and whether such division achieved its sales and/or expense goals; and (iii) the results of each division as compared to the budget for that division.

Individual performance appraisals of the Named Executive Officers and their contributions in furtherance of our performance goals in fiscal 2014 and other objectives as established by our CEO and the Compensation Committee, including a subjective evaluation of each Named Executive Officer's (i) vision and strategic direction with respect to his individual business responsibilities; (ii) ability to inspire and influence others; (iii) development of subordinates; (iv) execution of assigned tasks; and (v) 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 to compensate the executive management team and administer our stock-based and incentive compensation plans. 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, the EVP of HR and Mr. Kartotis, our CEO. The current members of the Compensation Committee are Mr. Skinner, who serves as chairperson, Ms. Agather, Ms. Neal and Ms. Ragusa. Each of these Compensation Committee members served on the Compensation Committee during all of fiscal 2015. The Compensation Committee's full responsibilities with respect to our compensation practices are set forth in its charter and summarized above under "Board Committees and Meetings Compensation Committee."

The Compensation Committee again engaged Frederic W. Cook & Co., Inc. ("FWC") to assist the Compensation Committee and management in reviewing and determining appropriate, competitive compensation for our executive officers for fiscal 2015. The Compensation Committee has engaged FWC since 2009 and believes FWC's familiarity with the Company and its compensation policies allows FWC to provide more meaningful insights to the Compensation Committee. FWC also reviewed the design and competitiveness of the Company's non-employee director compensation program. FWC has continued to provide to us, at our request, benchmarking, best practices and other data relevant to our

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compensation programs and changes thereto. In fiscal 2015, FWC did not provide any other services to us.

The Compensation Committee determined that the work of FWC did not raise any conflicts of interest in fiscal 2015. In making this assessment, the Compensation Committee considered the independence factors enumerated in Rule 10C-1(b) under the Exchange Act, including the fact that FWC does not provide any other services to the Company, the level of fees received from the Company as a percentage of FWC's total revenue, policies and procedures employed by FWC to prevent conflicts of interest, and whether the individual FWC advisers to the Compensation Committee own any stock of the Company or have any business or personal relationships with members of the Compensation Committee or our executive officers.

### *Role of Executives in Establishing Compensation*

Our CEO, other members of management (particularly the EVP of HR), and Compensation Committee members regularly discuss our compensation issues and the performance and retention of our Named Executive Officers. Mr. Kartsotis with the assistance of the EVP of HR typically recommends to the Compensation Committee for its review, modification and approval the annual base salary, bonus and equity awards (if any) for the other members of the executive management team.

The Compensation Committee would typically establish the base salary, bonus and equity incentive awards for the CEO, Mr. Kartsotis. However, Mr. Kartsotis again refused all forms of compensation for fiscal 2015. Mr. Kartsotis is one of the initial investors in our company and expressed his belief that his primary compensation is met by driving 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 but two of the Compensation Committee's formal meetings during fiscal 2015.

### *Use of Performance Rating*

Each Named Executive Officer's performance is evaluated annually in a performance review process. 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 Named Executive Officer 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 and short-term incentive payouts.

Performance ratings for each Named Executive Officer range from "outstanding," "exceeds expectations," "meets expectations," "improvement needed" to "unsatisfactory." The Compensation Committee and CEO review the qualitative and quantitative measures and subjectively determine the appropriate performance rating. The Compensation Committee and CEO generally assign a weighting of 50% respectively to the qualitative and quantitative factors, but do not use any formulas to determine the appropriate performance rating. In addition, no one qualitative or quantitative factor is material to the ultimate determination of each Named Executive Officer's performance rating.

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Performance ratings are used in setting base salaries and for determining cash bonus opportunities, as described further below.

### *Use of Industry Comparative Data*

We operate in a highly competitive industry and retaining 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 companies to use for this comparison is a complex task. Because some of our competitors are not publicly traded, it is difficult to obtain information about their specific executive positions that are comparable to those of our executives. With the help of the Human Resources Department and FWC, the Compensation Committee has developed a peer group of companies that it reviews. The Compensation Committee reviews the group annually and makes any necessary adjustments. The peer group is comprised so that the median revenue size of the peer group is at or close to our annual revenue. In fiscal 2015, the peer group consisted of the following 15 companies:

Abercrombie & Fitch Co.	Columbia Sportswear Company	Ralph Lauren Corporation
American Eagle Outfitters, Inc.	Deckers Outdoor Corporation	Under Armour, Inc.
Ann, Inc.*	Guess?, Inc.	Urban Outfitters Inc.
Chicos FAS, Inc.	Michael Kors Holdings Limited	VF Corporation
Coach, Inc.	PVH Corp.	Wolverine World Wide, Inc.

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In August 2015, Ann, Inc. was acquired by Ascena Retail Group, Inc. The Compensation Committee removed Ann, Inc. and added Asena Retail Group, Inc. to the peer group list effective August 2015.

The Human Resources Department, with the assistance of FWC, obtains relevant data for each company from that company's SEC filings or as otherwise available. In addition, the Human Resources Department utilizes executive compensation surveys to benchmark comparable positions.

The data reviewed by the Compensation Committee in setting fiscal 2015 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 EVP of HR presented the data to the Compensation Committee by each 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. The Compensation Committee did not assign any particular weights or formulas to the individual elements of compensation at peer companies or shown in the surveys. Rather, the Compensation Committee evaluated the compensation of each of the Named Executive Officers in light of the totality of the information reviewed for their peers.

### *Other Compensation Policies*

Consistent with our compensation philosophies described above, our goal for fiscal 2015 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, the Compensation Committee has not used a pre-established policy for allocating between either cash and non-cash or short-term and long-term incentive compensation. The CEO reviews information, surveys and other information he considers relevant, which includes information

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from FWC, 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. The portion of an executive's total compensation that is contingent upon our performance tends to increase commensurate with the executive's position within the Company. This approach is designed to provide more upside potential and downside risk for executives in more 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. In fiscal 2015, upon recommendation of the Compensation Committee, the Board of Directors adopted, and our stockholders approved, the 2015 Cash Incentive Plan, which formalized our annual cash incentive award program and made it compliant with Section 162(m) of the Code.

For fiscal 2015, 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 around the 50th percentile of our industry peer group for an "exceeds expectations" performance rating. 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 or achievement of strategic priorities, and derived its long-term value from the market price of our Common Stock.

### ***Stockholder Say-on-Pay Votes***

Following our 2015 Annual Meeting of Stockholders, the Compensation Committee also considered the advisory vote of our stockholders on executive compensation when reviewing our compensation decisions and policies. Of those stockholders voting, on an advisory basis, for or against the proposal, approximately 98% voted to approve our executive compensation. The Compensation Committee believes this affirms stockholders' support of our approach to executive compensation. The Compensation Committee will continue to consider the outcome of the Company's say-on-pay votes when making future compensation decisions for the Named Executive Officers.

### **Elements of Compensation**

During fiscal 2015, our Named Executive Officer compensation program included four components: (i) base salary; (ii) a performance-based short-term cash bonus program; (iii) the grant of long-term equity incentives in the form of stock-settled stock appreciation rights, restricted stock units and performance shares; and (iv) 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. During fiscal 2015, Mr. Kartsotis again refused all forms of compensation.

### ***Base Salaries***

Annually, the CEO reviews and recommends to the Compensation Committee individual salaries for the Named Executive Officers. 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 award base compensation levels for each Named Executive Officer around the median for the comparable position within our industry peer group based upon market data and assuming the Named Executive Officer merits an "exceeds expectations" performance rating. However, salaries may be set higher when considered necessary to attract or retain key executives or when an executive consistently achieves "outstanding" or "exceeds expectations" performance ratings. Base salaries are reviewed annually and adjustments are based on



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both financial and non-financial results. Typically, adjustments to salaries are made in the first quarter of each fiscal year during our performance review process.

During the first quarter of fiscal 2015, the Compensation Committee considered each Named Executive Officer's 2014 performance appraisal in setting his base salary. For fiscal 2014 performance, each of Mr. Hart and Mr. McKelvey received an "outstanding" performance rating and each of Mr. White and Mr. Secor received an "exceeds expectations" performance rating.

For fiscal 2015, based on an analysis of our peer group companies, comparative, competitive compensation packages and our fiscal 2014 operating performance and individual performance ratings, our CEO recommended to the Compensation Committee base pay increases of 4.0% to 9.5% for our Named Executive Officers. The Compensation Committee approved the recommended increases.

The following table shows the base salary for each Named Executive Officer in fiscal 2015 and 2014 and the percentage change year-over-year:

Name	Fiscal 2015	Fiscal 2014	Change
Darren E. Hart	\$ 605,000	\$ 575,000	5.2%
Greg A. McKelvey	\$ 575,000	\$ 525,000	9.5%
Dennis R. Secor	\$ 575,000	\$ 550,000	4.6%
John A. White	\$ 655,000	\$ 630,000	4.0%

### **Short-Term Annual Cash Incentive Awards**

*General.* The 2015 Cash Incentive Plan was approved by stockholders at our Annual Meeting of Stockholders in May 2015. The 2015 Cash Incentive Plan is a performance-based annual cash incentive plan that links cash incentive awards to achieving pre-established performance goals. For fiscal 2015, award opportunities were determined based upon three performance-based measures: (i) the Named Executive Officer's overall performance rating based on fiscal 2015 performance, (ii) achievement of our fiscal 2015 operating income and net sales targets and (iii) achievement of our fiscal 2015 strategic priorities. The same criteria were used for all other employees eligible to participate in the incentive plan.

For fiscal 2015, each Named Executive Officer was eligible for a bonus opportunity under the 2015 Cash Incentive Plan based on his performance rating for fiscal 2015 performance. The bonus opportunity ranged as follows: "needs improvement" (0% of base salary), "meets expectations" (40% of base salary), "exceeds expectations" (75% of base salary) and "outstanding" (100% of base salary). We refer to this as the "Performance Rating Percentage." Once the Performance Rating Percentage is determined, the actual cash incentive amounts are paid 80% based on the extent to which our operating income and net sales targets are achieved (the "Financial Payout Percentage") and 20% based on whether our strategic priorities are achieved (the "Strategic Priorities Payout Percentage"). The actual cash incentive amounts range from 10% to 150% of the opportunity amount determined by the performance rating.

Operating income and net sales targets are pre-approved by the Compensation Committee in our first fiscal quarter and include targets for threshold, midpoint, target and maximum payouts. The threshold payout level for our operating income targets must be achieved in order for a payout to be measured under the net sales targets.

Our Compensation Committee also set in the first quarter of fiscal 2015 the strategic priorities for the Company as a whole for the fiscal year. After the end of the fiscal year, the Compensation Committee subjectively determines the overall attainment of the strategic priorities as "needs improvement" (0% award), "meets expectations" (50% award), "exceeds expectations" (100% award) and "outstanding" (150% award). The strategic priorities must be given at least a "meets expectations"

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rating for a minimum payout under the 2015 Cash Incentive Plan. The achievement of the strategic priorities is determined independently of our operating income and net sales targets.

As a result, cash incentive awards are paid only if our operating income threshold is achieved or we achieve a "meets expectations" for strategic priorities and the employee's performance rating is at least a "meets expectations." The calculation of bonus amounts described above can be summarized by the following formula:

Named Executive Officer Bonus Amount = (Named Executive Officer Salary × Performance Rating Percentage × Financial Payout Percentage × 80%) + (Named Executive Officer Salary × Performance Rating Percentage × Strategic Priorities Payout Percentage × 20%).

The Compensation Committee approves the specific payments to the Named Executive Officers under the 2015 Cash Incentive Plan. The Compensation Committee also retains discretion to recommend additional discretionary cash bonuses during the year based on factors such as promotions and business segment, department or individual performance.

*Performance Ratings Percentage.* During the first quarter of fiscal 2016, the Compensation Committee considered each Named Executive Officer's 2015 performance appraisal, which determined the bonus opportunity under the 2015 Cash Incentive Plan. For fiscal 2015, each of Mr. Hart and Mr. McKelvey received an "outstanding" performance rating and each of Mr. White and Mr. Secor received an "exceeds expectations" performance rating.

*Financial Payout Percentage.* The Financial Payout Percentage is based on the Company's operating income and net sales for the fiscal year. However, net sales are only measured if we first achieve the minimum threshold for operating income. For fiscal 2015, the Compensation Committee set the operating income and net sales targets as follows:

	<b>Threshold Award (10%)</b>	<b>Midpoint Award (50%)</b>	<b>Target Award (100%)</b>	<b>Maximum Award (150%)</b>
Operating Income	\$ 422.5 million	\$ 455.5 million	\$ 479.0 million	\$ 499.5 million
Net Sales	\$ 3.459 billion	\$ 3.495 billion	\$ 3.540 billion	\$ 3.621 billion

At the time the Compensation Committee set the operating income and net sales target levels, it also set a scale of percentage award amounts, so that if we had achieved operating income and net sales between the threshold, midpoint, full and maximum amounts, the award percentage would be proportionately adjusted. In fiscal year 2015, the Company achieved operating income of \$291.2 million, which was substantially lower than our fiscal year 2014 operating income. Because we did not achieve the minimum threshold for an initial payout based on our operating income results, our net sales results were not considered. As a result, the Financial Payout Percentage for each Named Executive Officer for our operating income and net sales targets was 0% under the 2015 Cash Incentive Plan for fiscal 2015, and no bonuses were paid under the financial performance component of the 2015 Cash Incentive Plan.

*Strategic Priorities Payout Percentage.* For fiscal 2015, the Compensation Committee set four strategic priorities: (i) ignite Fossil; (ii) ignite Skagen; (iii) lead in digital; and (iv) wearables. For fiscal 2015, management recommended, and the Compensation Committee approved, a rating of "outstanding" for the achievement of our strategic priorities. The rating was subjective and was based in part on the accomplishment of the following in fiscal 2015 in a very challenging environment for the Company:

Ignite Fossil: the Company's FOSSIL brand grew 4% in constant currencies;

Ignite Skagen: the SKAGEN brand grew 15% in constant currencies;

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Lead in digital: the Company executed a global re-launch of the Fossil website and put in place a omni-channel roadmap and investment plan; and

Wearables: the Company launched its FOSSIL Q wearable technology watches and trackers and acquired Misfit, Inc.

As a result of the outstanding rating, each Named Executive Officer received 150% of their strategic priorities target bonus opportunity.

*Actual Bonus Awards.* Based on the foregoing, the Compensation Committee approved the following cash bonus payments under the 2015 Cash Incentive Plan for fiscal 2015 performance:

Name	Base Salary	Performance Rating Percentage	Target Bonus Opportunity Amount	Financial Payout Amount	Strategic Priorities Payout Amount	Total Bonus Amount
Darren E. Hart	\$ 605,000	100%	\$ 605,000	\$ 0	\$ 181,500	\$ 181,500
Greg A. McKelvey	\$ 575,000	100%	\$ 575,000	\$ 0	\$ 172,500	\$ 172,500
Dennis R. Secor	\$ 575,000	75%	\$ 431,250	\$ 0	\$ 129,375	\$ 129,375
John A. White	\$ 655,000	75%	\$ 491,250	\$ 0	\$ 147,375	\$ 147,375

### *Long-Term 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, restricted stock units or performance shares, is realized over several years. Accordingly, equity-based compensation constitutes a significant portion of the overall compensation of the Named Executive Officers.

In previous years, the CEO and Human Resources Department would recommend to the Compensation Committee, and the Compensation Committee would approve, guidelines for the grant of equity awards for each management level within the Company eligible to participate in the Company's equity plan for prior fiscal year performance. These equity grant guidelines would set out the percentage of an employee's total cash compensation that may be granted in the form of stock appreciation rights, restricted stock units, or restricted stock. The higher the performance review rating, the higher the amount of equity awarded as a percentage of total cash compensation. Total cash compensation consisted of the employee's adjusted base salary following his annual performance review and any bonus amount paid to the employee under our cash incentive plan in the first quarter of the fiscal year for prior fiscal year performance.

For fiscal 2015, the CEO and Human Resources Department recommended, and the Compensation Committee approved, new guidelines for the grant of equity awards for each management level within the Company eligible to participate in the Company's equity plan. The Compensation Committee approved the executive level employee's target of 150% of the Named Executive Officer's adjusted base salary following his annual performance review. This new guideline was recommended and approved based on external benchmarking against our industry peer group and competitive pay practices.

In recommending the size, frequency and type of long-term incentive grants to the Named Executive Officers, the Compensation Committee may also take into account tax implications to the Named Executive Officer and to the Company as well as the expected accounting impact and dilution

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effects. The Compensation Committee makes the ultimate determination regarding these grants and can increase or decrease the recommended awards in its subjective discretion.

For fiscal 2015, the CEO and Human Resources Department also recommended, and the Compensation Committee approved, the granting of performance shares. The granting of performance shares was recommended and approved based on external benchmarking against our industry peer group and competitive pay practices and to further align Named Executive Officer compensation with shareholder interests.

In March 2015, the Compensation Committee granted to the Named Executive Officers a combination of restricted stock units and stock appreciation rights, both of which vest pro-rata over three years, and performance shares that vest on the three-year anniversary of the date of grant based on the achievement of the performance measures over the three year measurement period and continued employment with the Company. 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.

The grants of restricted stock units, stock appreciation rights and performance shares to our Named Executive Officers are made using a value-based granting system. Under our value-based granting system, the amount of equity our Named Executive Officers receive is individually calculated at 150% of the Named Executive Officer's adjusted base salary following his annual performance review, which is then allocated 50% to restricted stock units, 25% to stock appreciation rights and 25% to performance shares. Once the cash value for each grant is calculated, we convert the cash value into a number of stock appreciation rights using the Black-Scholes value on the date of grant and a number of restricted units and performance shares using the fair market value of our Common Stock (as defined in the 2008 Incentive Plan) on the date of grant.

The performance shares will vest at the end of a three year vesting period only upon achievement of certain performance rankings of the Company as compared against a specified peer group and subject to the executive's continued employment with the Company. A specified percentage of the performance shares between 10% and 100% will vest at the end of the three year vesting period if the Company ranks at the end of the vesting period between 25% and 100% of its peer group based on sales growth calculated during the vesting period. Sales growth is defined as the difference in a company's net sales at the beginning of the performance period until the end of the performance period. In addition, an additional 50% of the performance shares will vest at the end of the vesting period if the Company ranks at least 68.75% of its peer group based on operating income margin rate during the three year period. Operating income margin is calculated by dividing operating income for the performance period by net sales for the performance period. If the Company does not meet the minimum percentile rankings, then the performance shares will be forfeited at the end of the vesting period. The peer group is the same as the peer group used by the Compensation Committee for fiscal 2015 benchmarking purposes.

In addition, in connection with the annual equity grants as described above, the Compensation Committee approved in the first quarter of fiscal 2015 an additional equity grant to our Named Executive Officers for retention purposes. This additional equity grant was calculated as a percentage of the Named Executive Officer's adjusted base salary following his performance review and using 25% of base salary for an "outstanding" performance rating and 18.75% of base salary for an "exceeds expectations" performance rating. This grant was allocated 50% to restricted stock units, 25% to stock appreciation rights and 25% to performance shares. The terms of these awards were generally the same as the long-term equity awards granted during our annual merit equity granting process described above.

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The Compensation Committee also approved in the fourth quarter of fiscal 2015 additional equity grants to our Named Executive Officers for retention purposes in the approximate values as follows: to Messrs. Hart and White \$900,000 each and to Messrs. Secor and McKelvey \$1,000,000 each. This grant was awarded 100% in restricted stock units to align their future value with our stock price. The terms of these awards were generally the same as the long-term equity awards granted during our annual merit equity granting process described above. These restricted stock units vest pro-rata over three years from the date of grant.

In connection with the closing of our acquisition of Misfit, Inc. in December 2015, the Compensation Committee approved additional grants of restricted stock units, stock appreciation rights and performance shares to Messrs. McKelvey and Secor to further incentivize them to drive sales of our wearable technology products. Each of the grants of restricted stock units had an approximate value of \$1,000,000 and each of the grants of stock appreciation rights and performance shares had an approximate value of \$250,000 each. Mr. McKelvey is responsible for the management of our wearable technology group and sales of our wearable technology products, and Mr. Secor serves as our Chief Financial Officer. The terms of the restricted stock unit awards were generally the same as the long-term equity awards granted during our annual merit equity granting process described above. The performance share grants align with the performance metrics we used as part of the management incentive plan we put in place for the employees and contractors of Misfit, Inc. for retention and incentive purposes following our acquisition of Misfit, Inc. These performance metrics include sales of Misfit branded products, sales of wearable technology products under our other owned and licensed watch brands and development of the wearable technology management group. We do not disclose the specific Misfit performance metrics due to the potential for competitive harm.

As described below under "Post-Termination Compensation," awards under the 2008 Incentive Plan and 2004 Long-Term Incentive Plan (the "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.

### *Stock Ownership Guidelines*

Effective January 2016, the Compensation Committee adopted stock ownership guidelines for our Chief Executive Officer and our other executive officers. The guidelines were adopted in lieu of stock retention requirements. Subject to transition periods and other provisions, the guidelines generally require that each officer beneficially hold shares of our stock with a value at least equal to the multiples of his base salary identified below:

<b>Position</b>	<b>Base Salary Multiple</b>
Chief Executive Officer	Six Times
Other Executive Officers	Two Times

All named executive officers were in compliance with the guidelines as of April 14, 2016. We also have stock ownership guidelines for our directors, as further described in "Director Compensation."

*Employee Benefits*

Benefit programs are generally egalitarian. Our qualified defined contribution 401(k) plan is available to our U.S. employees. Our Named Executive Officers may also participate in a deferred compensation plan. None of our Named Executive Officers contributed to the deferred compensation plan in fiscal 2015. Our Named Executive Officers do not receive perquisites other than a financial advisory services benefit up to \$15,000 and an annual wellness benefit. All of our employees, including our Named Executive Officers, receive discounts on our products.

**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 B. Agather

Diane L. Neal

Elysia Holt Ragusa

James M. Skinner, Chairperson

**Compensation Committee Interlocks and Insider Participation**

During fiscal 2015, the Compensation Committee was comprised of Mr. Skinner and Mses. Agather, Neal and Ragusa. During fiscal 2015, 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.

## FISCAL 2015, 2014 AND 2013 SUMMARY COMPENSATION TABLE

The following table sets forth the compensation earned by our Named Executive Officers during fiscal years 2015, 2014 and 2013.

Name and Principal Position	Year	Salary (\$)(1)	Bonus (\$)(2)	Stock Awards (\$)(3)	Option Awards (\$)(4)	Non-Equity Incentive		Total (\$)
						Plan Compensation (\$)(5)	All Other Compensation (\$)	
Kosta N. Kartsothis(6)	2015	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<i>Chief Executive Officer and Director</i>	2014	-0-	-0-	-0-	-0-	-0-	-0-	-0-
	2013	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Dennis R. Secor	2015	593,269	-0-	2,978,099	492,753	129,375	20,802(7)	4,214,298
<i>Executive Vice President, Chief Financial Officer and Treasurer</i>	2014	542,308	-0-	451,595	451,524	-0-	7,228	1,452,655
	2013	500,000	-0-	506,350	306,282	500,000	138,195	1,950,827
Darren E. Hart	2015	623,654	-0-	1,694,243	264,698	181,500	14,034(8)	2,778,129
<i>Executive Vice President, HR</i>	2014	569,615	-0-	479,516	479,476	-0-	24,461	1,553,068
	2013	530,769	240,000	645,073	232,223	540,000	6,341	2,194,406
Greg A. McKelvey(9)	2015	589,423	-0-	3,005,051	501,748	172,500	-0-	4,268,722
<i>Executive Vice President, Chief Strategy and Digital Officer</i>								
John A. White	2015	676,346	-0-	1,729,217	276,337	147,375	10,155(10)	2,839,430
<i>Executive Vice President and Chief Operating Officer</i>	2014	626,923	-0-	380,719	380,620	-0-	6,929	1,395,191
	2013	608,462	-0-	309,929	109,820	457,500	6,285	1,491,996

- (1) The Company had one extra payroll date occur in fiscal 2015.
- (2) The bonus in 2013 for Mr. Hart was paid for retention purposes.
- (3) 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 restricted stock units and performance shares awarded to each of them in fiscal years 2013, 2014 and 2015. These values were determined in accordance with FASB ASC Topic 718. The grant date fair value of the performance share awards is based on our estimate on the grant date of the probable outcome of meeting the performance conditions of these awards. The aggregate grant date fair value of the restricted stock units and performance shares is equal to the midpoint between the high and low sales prices of our Common Stock on the date of grant multiplied by the number of shares granted. The following are the aggregate grant date fair values of the 2015 performance share awards assuming we meet the highest level of the performance conditions of these awards as described in footnote (2) to the Fiscal 2015 Grants of Plan-Based Awards Table: Mr. Secor (\$614,121), Mr. Hart (\$397,185), Mr. McKelvey (\$627,597) and Mr. White (\$414,632). The amounts reported do not include any reduction in the value of the awards for the possibility of forfeiture.
- (4) Consists of awards of stock appreciation rights granted pursuant to the 2008 Incentive Plan. The amounts shown were not actually paid to the Named Executive Officers. Rather, as required by the

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rules of the SEC, the amounts represent the aggregate grant date fair value of the stock appreciation rights awarded to each of them in fiscal years 2013, 2014 and 2015. These values were determined in accordance with FASB ASC Topic 718. See Note 15, Employee Benefit Plans, under the subheading entitled "Stock Options and Stock Appreciation Rights" in the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for fiscal 2015 for the assumptions used 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.

- (5) The amounts shown were earned in the fiscal year listed, but paid in the first quarter of the following fiscal year.
- (6) Mr. Kartsotis refused all forms of compensation for fiscal years 2013, 2014 and 2015. Mr. Kartsotis is one of the initial investors in the Company and expressed his belief that his primary compensation is met by driving stock price growth.
- (7) This amount represents annual wellness benefits, the Company's contributions to Mr. Secor's account under its 401(k) plan and Company-paid life insurance premiums.
- (8) This amount represents annual wellness benefits, financial advisory services, the Company's contributions to Mr. Hart's account under its 401(k) plan and Company-paid life insurance premiums.
- (9) Mr. McKelvey was not a Named Executive Officer in 2014 or 2013.
- (10) This amount represents annual wellness benefits, the Company's contributions to Mr. White's account under its 401(k) plan and Company-paid life insurance premiums.



**FISCAL 2015 GRANTS OF PLAN-BASED AWARDS TABLE**

The following table provides information regarding plan-based awards granted during fiscal 2015 to the Named Executive Officers.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts Under Equity Incentive Plan Awards(2)			All Other Stock Awards: Number of Shares of Stock or Underlying Options(3)	All Other Awards: Number of Securities of Underlying Options(4)	Exercise of Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$)
		Threshold(5) (\$)	Target(6) (\$)	Maximum(7) (\$)	Threshold(5) (#)	Target(6) (#)	Maximum(7) (#)	(#)	(#)		
Kosta N. Kartsotis(8)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-0-	-0-	N/A	N/A
Dennis R. Secor		41,400	431,250	862,500							
	3/15/2015				0	3,026	4,540				242,731
	3/15/2015							6,050			485,301
	3/15/2015								10,275	80.22	242,577
	11/24/2015							26,614			1,000,021
	12/22/2015				0	6,808	6,808				250,024
	12/22/2015							27,230			1,000,022
	12/22/2015								21,740	36.73	250,176
Darren E. Hart		43,560	453,750	907,500							
	3/15/2015				0	3,301	4,952				264,790
	3/15/2015							6,600			529,419
	3/15/2015								11,212	80.22	264,698
	11/24/2015							23,953			900,034
Greg A. McKelvey		41,400	431,250	862,500							
	3/15/2015				0	3,138	4,708				251,715
	3/15/2015							6,274			503,269
	3/15/2015								10,656	80.22	251,572
	11/24/2015							26,614			1,000,021
	12/22/2015				0	6,808	6,808				250,024
	12/22/2015							27,230			1,000,022
	12/22/2015								21,740	36.73	250,176
John A. White		47,160	491,250	982,500							
	3/15/2015				0	3,446	5,170				276,421
	3/15/2015							6,891			552,762
	3/15/2015								11,705	80.22	276,337
	11/24/2015							23,953			900,034

- (1) The amounts shown were not actually paid to the Named Executive Officers. Rather, the amounts shown reflect potential payments under the 2015 Cash Incentive Plan. Actual payment amounts are shown in the "Fiscal 2015, 2014 and 2013 Summary Compensation Table" above in the column "Non-Equity Incentive Plan Compensation."
- (2) The amounts shown are potential payments of performance share awards to the Named Executive Officers. Final payments of these awards can range from 0% to 150% of the shares originally granted for the March 15, 2015 grant and 0% to 100% for the December 22, 2015 grant, depending on our performance during the applicable measurement period.
- (3) Consists of restricted stock units awarded pursuant to the 2008 Incentive Plan. These awards vest one-third each year over three years following the grant date.
- (4) Consists of stock appreciation rights awarded pursuant to the 2008 Incentive Plan. All awards vest one-third each year over three years following the grant date.

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- (5) Threshold payments assume that the executive received a "meets expectations" performance rating (40% award), the Company achieved operating income and net sales levels at the threshold payout levels (10% award) and the achievement of strategic priorities by the Company is rated "meets expectations" (50% award). Cash incentive awards are paid if the executive's performance rating is a "meets expectations," "exceeds expectations" or "outstanding" and either (i) the operating income and net sales targets or (ii) the strategic priorities are at least at the threshold payout level. We consider "meets expectations" to be the threshold performance rating.
- (6) Target payments assume that the executive received an "exceeds expectations" performance rating (75% award), the Company achieved operating income and net sales levels at the target levels (100% award) and the achievement of strategic priorities by the Company is rated "exceeds expectations" (100% award). We consider "exceeds expectations" to be the target performance rating and the target strategic priorities rating..

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- (7) Maximum payments assume that the executive received an "outstanding" performance rating (100% award), the Company achieved operating income and net sales levels at the maximum payout level (150% award) and the achievement of strategic priorities by the Company is rated "outstanding" (150% award). We consider "outstanding" to be the maximum performance rating and the maximum strategic priorities rating.
- (8) Mr. Kartsotis refused all forms of compensation for fiscal years 2013, 2014 and 2015. 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.

### **Perquisites**

The Named Executive Officers do not receive any perquisites or personal benefits other than a financial advisory services benefit up to \$15,000, an annual wellness benefit, 401(k) Company matching contributions and Company paid life insurance premiums. All of our employees, including our Named Executive Officers, receive discounts on our products.

### **Employment Agreements**

We are not a party to any 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 reviewed annually 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 2015 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 2015. The table also includes, where applicable, the value of these awards based on the closing price of our Common Stock on the Nasdaq on January 2, 2016, which was \$36.56 per share. All awards vest one-third each year over three years following the grant date, except as otherwise noted.

Name	Grant Date	Option Awards(1)				Stock Awards			Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights that Have Not Vested (\$)
		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 (#)(2)	Market Value of Shares or Units of Stock that Have Not Vested (\$)	Shares, Units or Other Rights that Have Not Vested (#)	
Kosta N. Kartsotis(3)	N/A			N/A	N/A				
Dennis R. Secor	1/15/2013	4,207	2,103	101.64	1/15/2021	1,004	36,706		
	3/15/2013					626	22,827		
	3/15/2014	3,823	7,646	113.04	3/15/2022	2,663	97,359		
	3/15/2015		10,275	80.22	3/15/2023	6,050	221,188	3,026(4)	110,631
	11/24/2015					26,614	973,008		
	12/22/2015		21,740	36.73	12/22/2023	27,230	995,529	6,808(5)	248,900
Darren E. Hart	7/15/2011	5,343		128.29	7/15/2019				
	3/15/2012	4,945		127.84	3/15/2020				
	3/15/2013	3,076	1,538	106.4	3/15/2021	2,020	73,851		
	3/15/2014	4,060	8,119	113.04	3/15/2022	2,828	103,392		
	3/15/2015		11,212	80.22	3/15/2023	6,600	241,296	3,301(4)	120,685
	11/24/2015					23,953	875,722		
Greg A. McKelvey	4/15/2013	1,666	833	95.91	4/15/2021	347	12,686		
	7/15/2013					869	31,771		
	3/15/2014	909	1,816	113.04	3/15/2022	1,222	44,676		
	3/15/2015		10,656	80.22	3/15/2023	6,274	229,377	3,138(4)	114,725
	11/24/2015					26,614	973,008		
	12/22/2015		21,740	36.73	3/15/2022	27,230	995,529	6,808(5)	248,900
John A. White	10/15/2012	4,958		83.83	10/15/2020				
	3/15/2013	734	489	106.4	3/15/2021	653	23,874		
	3/15/2014	1,673	5,155	113.04	3/15/2022	1,795	65,625		
	3/15/2015		11,705	80.22	3/15/2023	6,891	251,935	3,446(4)	125,986
	11/24/2015					23,953	875,722		

(1) Consists of stock appreciation rights issued pursuant to the 2008 Incentive Plan.

(2) Consists of restricted stock units issued pursuant to the 2008 Incentive Plan.

(3) Mr. Kartsotis refused all forms of compensation for fiscal years 2013, 2014 and 2015. Mr. Kartsotis is one of the initial investors in the Company and expressed his belief that his primary compensation is met by driving stock price growth.

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- (4) These performance shares were granted on March 15, 2015 and will vest, if at all, on March 15, 2018. Vesting is subject to satisfaction of the applicable performance criteria and is generally subject to the recipient's continued employment through that date. As required by the SEC's disclosure rules, the number of performance shares shown assumes that target levels of performance (100%) will be achieved. The Compensation Committee will determine the actual levels of performance achieved within 60 days of the vesting date.
- (5) These performance shares were granted on December 22, 2015 and will vest, if at all, one-third each year over three years following the grant date. Vesting is subject to satisfaction of the applicable performance criteria and is generally subject to the recipient's continued employment through that date. As required by the SEC's disclosure rules, the number of performance shares shown assumes that target levels of performance (100%) will be achieved. The Compensation Committee will determine the actual levels of performance achieved within 60 days of the vesting date.

**2008 Incentive Plan**

Pursuant to the 2008 Incentive Plan, the Compensation Committee awards a combination of restricted stock units, stock appreciation rights and performance shares. 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. Restricted stock units, stock appreciation rights and performance shares are awarded subject to such terms and conditions as established by the Compensation Committee, including vesting periods. Pursuant to awards granted to our Named Executive Officers under the 2008 Incentive Plan, unvested restricted stock units, stock appreciation rights and performance shares will become fully exercisable or vested upon a change in control or death and will terminate upon any other termination of employment, except as provided under the Executive Severance Agreements. See "Post-Termination Compensation" for a definition of change in control and a discussion of the vesting terms under the Executive Severance Agreements.

The Compensation Committee is responsible for the administration of the 2008 Incentive Plan. The 2008 Incentive Plan provides that the Compensation Committee may make certain adjustments to the exercise price and number of shares subject to awards in the event of a dividend or other distribution, recapitalization, stock split, reorganization, merger or certain other corporate transactions. Subject to certain limitations, the Compensation Committee is authorized to amend the 2008 Incentive Plan as it deems necessary, but no amendment may adversely affect the rights of a participant with respect to an outstanding award without the participant's consent.

**2004 Incentive Plan**

Prior to adoption of the 2008 Incentive Plan, the Compensation Committee awarded restricted stock units and stock appreciation rights pursuant to the 2004 Incentive Plan. Stock appreciation rights were made at a specified strike price set forth in the applicable award agreement, which was 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 were made on the date of grant. Restricted stock units and stock appreciation rights were awarded subject to such terms and conditions as established by the Compensation Committee, including vesting periods. Pursuant to awards granted to our Named Executive Officers under the 2004 Incentive Plan, unvested restricted stock units and stock appreciation rights will become fully exercisable or vested upon a change in control or death, and will terminate upon any other termination of employment.

The 2004 Incentive Plan was terminated on May 21, 2008. However, the termination of the 2004 Incentive Plan did not impair outstanding awards which continued in accordance with their original terms.

**FISCAL 2015 OPTION EXERCISES AND STOCK VESTED TABLE**

The following table provides information about the number of shares issued upon option exercises, the number of stock awards that vested, and the value realized on exercise or vesting, by our Named Executive Officers during fiscal year 2015.

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 (\$)(1)
Kosta N. Kartsotis	-0-	-0-	-0-	-0-
Dennis R. Secor	-0-	-0-	2,113	257,325
Darren E. Hart	-0-	-0-	3,232	356,315
Greg A. McKelvey	-0-	-0-	1,495	149,156
John A. White	-0-	-0-	2,166	216,512

- (1) Represents the value of vested restricted stock units calculated by multiplying the gross number of vested restricted stock units by the closing price of the Common Stock on Nasdaq on the vesting date.

**Post-Termination Compensation**

*Post-Termination Arrangements.* 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 awards granted to our Named Executive Officers under the 2008 Incentive Plan, unvested restricted stock units, stock appreciation rights and performance shares will become fully exercisable or vested upon a change in control or death and will terminate upon any other termination of employment.

A "change in control" is generally defined under the 2008 Incentive Plan 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 death or a change in control of the Company, all outstanding restricted stock units and stock appreciation rights under our 2004 Incentive Plan will become fully exercisable or vested. Unvested restricted stock units and stock appreciation rights granted under the 2004 Incentive Plan terminate upon any other termination of employment.

A "change in control" under the 2004 Incentive Plan 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.

*Executive Severance Agreements.* The Company entered into an Executive Severance Agreement (the "Agreement") with our Named Executive Officers in January 2016. The Agreement supersedes that certain Executive Retirement Agreement previously entered into by certain Named Executive Officers. Pursuant to the Agreement, the Named Executive Officer will be entitled to certain benefits ("Severance Benefits") upon the Named Executive Officer's "separation from service" as defined in the Internal Revenue Code ("Termination of Service") by the Company without Cause (as defined in the Agreement) or the Named Executive Officer's resignation for Good Reason (as defined in the Agreement), provided that (i) the Named Executive Officer is in compliance with all restrictive covenants in any written agreement between the Named Executive Officer and the Company, and (ii) the Named Executive Officer has executed and delivered a release of claims prepared by the Company within 50 days following the date of Termination of Service (the "Termination Date").

Pursuant to the Agreement, upon the Named Executive Officer's Termination of Service by the Company without Cause or the Named Executive Officer's resignation for Good Reason prior to a change in control (as defined in the 2008 Incentive Plan) (a "Change in Control"), the Named Executive Officer will be entitled to the following Severance Benefits under the Agreement: (i) 18 months of the Named Executive Officer's then current base salary in effect at the Termination Date ("Base Salary"), payable in 39 equal installments over an 18 month period in accordance with the Company's normal payroll practices; (ii) the following cash bonuses under any cash bonus plan for which the Named Executive Officer was eligible on the Termination Date: (x) a pro-rata amount payable in a lump sum, of the target bonus the Named Executive Officer would have received for the fiscal year under such cash bonus plan, and (y) 1.5 times the full target bonus for which the Named Executive Officer was eligible, payable in 39 equal installments over an 18 month period in accordance with the Company's normal payroll practices; (iii) any outstanding non-performance-based restricted stock unit and stock appreciation right awards granted pursuant to the 2008 Incentive Plan (collectively, "Time-Based Awards"), will continue to vest for an additional 18 months, to the same extent such awards would have otherwise vested had the Named Executive Officer remained employed during such period; (iv) any outstanding performance shares granted pursuant to the 2008 Incentive Plan ("Performance Share Awards"), will vest pro-rata, as set forth in the Agreement; and (v) all vested stock appreciation rights will be exercisable until the earlier of (x) the expiration date of such award or (y) 24 months from the Termination Date.

Pursuant to the Agreement, upon the Named Executive Officer's Termination of Service by the Company without Cause or resignation for Good Reason in connection with or within 24 months following a Change in Control, the Named Executive Officer will be entitled to the following Severance Benefits under the Agreement: (i) 24 months of the Named Executive Officer's Base Salary, payable in 52 equal installments over a 24 month period in accordance with the Company's normal payroll practices; (ii) the following cash bonuses under any cash bonus plan for which the Named Executive Officer was eligible on the Termination Date: (x) the full target bonus the Named Executive Officer would have received under the cash bonus plan, payable in a lump sum, and (y) two times the full target bonus for which the Named Executive Officer was eligible, payable in 52 equal installments over a 24 month period in accordance with the Company's normal payroll practices; (iii) full acceleration of vesting of any outstanding Time-Based Awards; (iv) with respect to any outstanding Performance Share



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Awards, (x) if the Termination Date occurs within the first half of the applicable performance period, full acceleration of vesting at target performance, and (y) if the Termination Date occurs within the second half of the applicable performance period, accelerated vesting of the award, based on actual performance of the Company (if measurable) or at target performance (if the performance of the Company is not measurable); and (v) all vested stock appreciation rights will be exercisable until the earlier of (x) the expiration date of such award or (y) 24 months from the Termination Date.

In addition, the Agreement provides that the Company will pay the Named Executive Officer on a monthly basis, an amount equal to the Company-paid portion of the health insurance premiums that were paid by the Company on behalf of the Named Executive Officer immediately prior to the Termination Date to be used by Named Executive Officer to purchase health coverage for a period of 18 months from the Termination Date or until the Named Executive Officer becomes eligible to participate in another employer's health care plan, whichever date is earlier.

The Agreement contains non-competition and non-solicitation provisions pursuant to which the Named Executive Officer will be prohibited from competing with, or soliciting clients, manufacturers or suppliers of, the Company and its affiliates and from soliciting any of the Company's or its affiliates' employees or independent contractors for 18 months following such Named Executive Officer's Termination Date.

*Post-Employment Compensation Table.* Set forth below are the amounts that the Named Executive Officers would have received upon a change in control or death as of January 2, 2016. In calculating the amounts in the table, the Company based the stock distribution values on a price of \$36.56 per share, which was the closing price of the Common Stock on the Nasdaq as of January 2, 2016.

Name	Restricted Stock Units (\$)	Stock Appreciation Rights (\$)	Performance Shares (\$)	Total (\$)
Kosta N. Kartsotis	-0-	-0-	-0-	-0-
Dennis R. Secor	2,346,617	-0-	359,531	2,706,148
Darren E. Hart	1,294,261	-0-	120,685	1,414,946
Greg A. McKelvey	2,287,047	-0-	363,625	2,650,672
John A. White	1,217,156	-0-	125,986	1,343,142

### Equity Compensation Plan Information

The following table provides certain information as of January 2, 2016 with respect to our equity compensation plans under which our equity securities are authorized for issuance:

Plan Category	(a) Securities to be Issued Upon Exercise of Outstanding Options, Warrants, and Rights(1)	(b) Average Exercise Price of Outstanding Options, Warrants and Rights	(c) Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity compensation plans approved by security holders	391,222	\$52.80(2)	362,272
Equity compensation plans not approved by security holders	Not applicable	Not applicable	Not applicable
<b>Total</b>	<b>391,222</b>		<b>362,272</b>

(1) Includes 11,903 shares of Common Stock that would be issued upon exercise of all stock appreciation rights as of January 2, 2016 based on the closing price of our Common Stock on the Nasdaq on January 2, 2016, which was \$36.56 per share.

(2) Excludes restricted stock units and performance shares.

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

Section 16(a) of the Exchange Act requires the Company's executive officers and directors, and persons who own more than 10% of a registered class of the Company's equity securities (the "10% Stockholders"), to file reports of ownership and changes of ownership with the SEC. Executive officers, directors and 10% Stockholders of the Company are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms so filed. Based solely on review of copies of such forms received, the Company believes that, during the last fiscal year, all filing requirements under Section 16(a) applicable to its executive officers, directors and 10% Stockholders were timely met.

### Certain Relationships and Related Transactions

Mr. Rasheed Shroff (the son of Mr. Jal S. Shroff) is an employee of Fossil Asia Pacific Ltd., a wholly-owned subsidiary of the Company. Mr. Rasheed Shroff earned approximately \$259,713 in cash compensation in fiscal 2015. In addition, under the 2008 Incentive Plan, Mr. Rasheed Shroff received a grant of 1,045 restricted stock units.

In accordance with the Company's Audit Committee charter, any proposed transaction that has been identified as a related party transaction under Item 404 of SEC Regulation S-K may be consummated or materially amended only following the approval by the Audit Committee. A related party transaction means a transaction, arrangement or relationship in which the Company and any related party are participants in which the amount involved exceeds \$120,000. A related party includes (i) a director, director nominee or executive officer of the Company, (ii) a security holder known to be an owner of more than 5% of the Company's voting securities, (iii) an immediate family member of the foregoing or (iv) a corporation or other entity in which any of the foregoing persons is an executive, principal or similar control person or in which such person has a 5% or greater beneficial ownership interest.

In the event that the Company proposes to enter into a related party transaction, management of the Company shall present the transaction to the Audit Committee for review, consideration and approval. The Audit Committee, in approving or rejecting the proposed transaction, shall consider all the facts and circumstances deemed relevant by and available to the Audit Committee. The Audit Committee shall approve only those transactions that, in light of the circumstances, are in, or are not inconsistent with, the best interests of the Company and its stockholders, as the Audit Committee determines in good faith exercise of its discretion.

### ADVISORY VOTE ON EXECUTIVE COMPENSATION (Proposal 2)

Section 14A of the Exchange Act implements requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and enables our stockholders to vote to approve, on an advisory (non-binding) basis, the compensation of our Named Executive Officers (sometimes referred to as "say on pay"). At our 2011 annual meeting of stockholders, stockholders voted on a non-binding proposal to advise on whether the advisory vote on executive compensation should occur every one, two or three years. As a majority of our stockholders (58%) voted in favor of an annual advisory vote, the Board decided to annually provide stockholders with an advisory vote on the compensation of our Named Executive Officers. Accordingly, the Company is providing stockholders with its annual advisory vote on executive compensation. We are asking stockholders to indicate their support for our Named Executive Officers' compensation as described in this proxy statement by voting "FOR" the following resolution:

"Resolved, that the stockholders approve, on an advisory basis, the compensation of the Company's Named Executive Officers as disclosed in the Compensation Discussion and Analysis, the accompanying compensation tables, and the related narrative disclosure in the Company's proxy statement for the 2016 Annual Meeting."

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This vote is non-binding. The Board and the Compensation Committee expect to take into account the outcome of the vote when considering future executive compensation decisions to the extent they can determine the cause or causes of any significant negative voting results.

As described in detail under "Compensation Discussion and Analysis," our compensation programs are designed to motivate our executives to create a successful company. Equity compensation in the form of restricted stock units, stock appreciation rights and performance shares that are subject to further time-based vesting and, in the case of performance shares, performance-based vesting criteria is the largest component of executive compensation. We believe that our compensation program, with its balance of short-term incentives (including cash bonus awards) and long-term incentives (including equity awards) reward sustained performance that is aligned with long-term stockholder interests. Stockholders are encouraged to read the Compensation Discussion and Analysis, the accompanying compensation tables, and the related narrative disclosure.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE "FOR" THE APPROVAL, ON AN ADVISORY BASIS, OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS AS DISCLOSED IN THE COMPENSATION DISCUSSION AND ANALYSIS, THE ACCOMPANYING COMPENSATION TABLES, AND THE RELATED NARRATIVE DISCLOSURE.**

### **APPROVAL OF THE FOSSIL GROUP, INC. 2016 LONG-TERM INCENTIVE PLAN**

#### **(Proposal 3)**

Upon recommendation of the Compensation Committee of the Board of Directors of the Company, the Board of Directors of the Company has adopted, subject to stockholder approval, the Fossil Group, Inc. 2016 Long-Term Incentive Plan (hereinafter called the "2016 Plan"). The 2016 Plan is intended to enable the Company to remain competitive and innovative in its ability to attract, motivate, reward, and retain the services of key employees, certain key contractors, and outside directors. The 2016 Plan provides for the granting of incentive stock options, non-qualified stock options, stock appreciation rights ("SARs"), restricted stock, restricted stock units, performance awards, dividend equivalent rights, and other awards which may be granted singly, in combination, or in tandem. The 2016 Plan is expected to provide flexibility to the Company's compensation methods in order to adapt the compensation of key employees, certain key contractors, and outside directors to a changing business environment (after giving due consideration to competitive conditions and the impact of federal tax laws). The Board of Directors recommends stockholder approval of the 2016 Plan.

As of March 31, 2016, 4,685,030 shares of Common Stock were authorized for issuance, in the aggregate, under the Company's 2008 Long-Term Incentive Plan, 4,462,486, of which have been issued or are issuable, leaving 222,544 shares currently available for future issuance under the plan.

Following the Board's approval of the 2016 Plan, the Compensation Committee approved grants of restricted stock units and performance awards under the 2016 Plan with respect to an aggregate of 434,755 shares of Common Stock, subject to stockholder approval of the 2016 Plan at the Annual Meeting or any adjournment thereof. These equity awards were granted subject to, and may not be exercised prior to, stockholder approval of the 2016 Plan. No other awards under the 2016 Plan have been granted subject to stockholder approval. Stockholder approval of the 2016 Plan will be deemed to constitute approval of the equity awards previously granted under the 2016 Plan and such equity awards will count against the shares authorized for issuance under the 2016 Plan. For additional information on these grants, see " New Plan Benefits" below.

## Replacement of Prior Incentive Plans

The 2016 Plan will replace the Company's 2008 Long-Term Incentive Plan described above. The Board of Directors of the Company has approved the termination of the 2008 Long-Term Incentive Plan, effective upon the date of stockholder approval of the 2016 Plan. If the 2016 Plan is approved, no new awards will be made under the Company's 2008 Long-Term Incentive Plan.

It is the judgment of the Board of Directors of the Company that the 2016 Plan is in the best interest of the Company and its stockholders.

## Description of the 2016 Plan

The following is a brief description of the 2016 Plan. A copy of the 2016 Plan is attached as Appendix A to this Proxy Statement, and the following description is qualified in its entirety by reference to the 2016 Plan.

### *Effective Date and Expiration*

The 2016 Plan will become effective on May 25, 2016, subject to and conditioned upon stockholder approval of the 2016 Plan, and will terminate on March 15, 2026, unless sooner terminated by action of the Board. No award may be made under the 2016 Plan after its expiration date, but awards made prior thereto will continue to be effective in accordance with their terms beyond that date.

### *Share Authorization*

Subject to certain adjustments, the maximum number of shares of Common Stock that may be delivered pursuant to awards under the 2016 Plan is 3,000,000 shares, 100% of which may be delivered pursuant to incentive stock options. Subject to certain adjustments, the maximum number of shares of Common Stock with respect to which stock options or SARs may be granted to any officer of the Company subject to Section 16 of the Exchange Act or a "covered employee" as defined in Section 162(m)(3) of the Code during any calendar year is 250,000 shares. In addition, to the extent Section 162(m) of the Code applies to awards granted under the 2016 Plan and the Company intends to comply with Section 162(m) of the Code, no participant may receive in any calendar year performance-based awards with an aggregate value of more than \$1,000,000 (based on the fair market value of the Common Stock at the time of the grant of the performance-based award). The 2016 Plan also provides that no more than 10% of the shares of Common Stock that may be issued pursuant to an award under the 2016 Plan may be designated as "exempt shares." The Committee has greater flexibility to accelerate the vesting for shares designated as exempt shares.

Shares to be issued may be made available from authorized but unissued Common Stock, Common Stock held by the Company in its treasury, or Common Stock purchased by the Company on the open market or otherwise. During the term of the 2016 Plan, the Company will at all times reserve and keep enough shares of its Common Stock available to satisfy the requirements of the 2016 Plan. If an award under the 2016 Plan is cancelled, forfeited or expires, in whole or in part, the shares subject to such forfeited, expired or cancelled award may again be awarded under the 2016 Plan. Awards that may be satisfied either by the issuance of shares of Common Stock or by cash or other consideration shall be counted against the maximum number of shares of Common Stock that may be issued under the 2016 Plan only during the period that the award is outstanding or to the extent the award is ultimately satisfied by the issuance of shares of Common Stock. Shares of Common Stock otherwise deliverable pursuant to an award that are withheld upon exercise or vesting of an award for purposes of paying the exercise price or tax withholdings shall be treated as delivered to the participant and shall be counted against the maximum number of shares of Common Stock that may be issued under the 2016 Plan. Awards will not reduce the number of shares of Common Stock that may be issued, however, if the settlement of the award will not require the issuance of shares of Common Stock. Only shares forfeited

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back to the Company or shares cancelled on account of termination, expiration or lapse of an award, shall again be available for grant of incentive stock options under the 2016 Plan, but shall not increase the maximum number of shares described above as the maximum number of shares of Common Stock that may be delivered pursuant to incentive stock options.

On March 30, 2016, the closing price of the Common Stock on the Nasdaq Global Select Market was \$44.05 per share.

### *Administration*

The 2016 Plan will be administered by a committee of the Board of Directors (the "Committee") consisting of two or more Board members who are "non-employee directors" in accordance with Rule 16b-3 under the Exchange Act, and "outside directors" in accordance with Section 162(m) of the Code. The Committee may delegate certain duties to officers of the Company as provided in the 2016 Plan. The Committee will determine the persons to whom awards are to be made, determine the type, size, and terms of awards, interpret the 2016 Plan, establish and revise rules and regulations relating to the 2016 Plan, and make any other determinations that it believes necessary for the administration of the 2016 Plan. The Board intends for the Compensation Committee of the Board to administer the 2016 Plan.

### *Eligibility*

Employees (including any employee who is also a director or an officer), certain contractors, and outside directors of the Company or its subsidiaries whose judgment, initiative, and efforts contributed to, or may be expected to contribute to, the successful performance of the Company are eligible to participate in the 2016 Plan. As of March 31, 2016, the Company had 15,513 employees, 1,521 contractors, and 11 outside directors who would be eligible under the 2016 Plan.

### *Financial Effects of Awards*

The Company will receive no monetary consideration for the granting of awards under the 2016 Plan, unless otherwise provided when granting restricted stock or restricted stock units. The Company will receive no monetary consideration other than the option price for shares of Common Stock issued to participants upon the exercise of their stock options and the Company will receive no monetary consideration upon the exercise of SARs.

### *Stock Options*

The Committee may grant either incentive stock options qualifying under Section 422 of the Code or non-qualified stock options, provided, that only employees of the Company and its subsidiaries (excluding subsidiaries that are not corporations or that are less than 50% owned subsidiaries) are eligible to receive incentive stock options. For purposes of clarity, employees of Fossil Partners, L.P., outside directors, and independent contractors are not eligible to receive incentive stock options. Stock options may not be granted with an option price less than 100% of the fair market value of the Common Stock on the date the stock option is granted. If an incentive stock option is granted to an employee who owns or is deemed to own more than 10% of the combined voting power of all classes of stock of the Company (or any parent or subsidiary), the option price shall be at least 110% of the fair market value of the Common Stock on the date of grant. Recipients of stock options may pay the option exercise price (i) in cash, check, bank draft, or money order payable to the order of the Company and in U.S. dollars, (ii) by delivering to the Company shares of Common Stock (including restricted stock) already owned by the participant having a fair market value equal to the aggregate option exercise price, (iii) by delivering (including by fax or electronic transmission) to the Company or its designated agent an executed irrevocable option exercise form (or exercise instructions) together

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with irrevocable instructions from the participant to a broker or dealer, reasonably acceptable to the Company, to sell certain of the shares of Common Stock purchased upon the exercise of the option and to deliver to the Company the amount of sale proceeds necessary to pay the purchase price, and (iv) by any other form of valid consideration that is acceptable to the Committee in its sole discretion.

Stock options will be exercisable as set forth in the option agreements pursuant to which they are issued, but in no event will stock options be exercisable after the expiration of ten years from the date of grant. Options are not transferable other than by will or the laws of descent and distribution (or with respect to non-qualified stock options, by qualified domestic relations order), except that the Committee may, in its discretion, permit further transferability of a non-qualified stock option and, unless otherwise provided in the option agreement, a non-qualified stock option may be transferred to: (1) one or more members of the immediate family of the participant; (2) a trust for the benefit of one or more members of the immediate family of the participant; (3) a partnership, the sole partners of which are the participant, members of the immediate family of the participant, and entities which are controlled by the participant and/or members of the immediate family of the participant; (4) an entity exempt from federal income tax pursuant to Section 501(c)(3) of the Code; or (5) a split interest trust or pooled income fund described in Section 2522(c)(2) of the Code, provided that (x) there shall be no consideration for any such transfer; (y) the option agreement must expressly provide for transferability; and (z) subsequent transfers are prohibited other than by will or the laws of descent and distribution.

### *Stock Appreciation Rights or SARs*

SARs may, but need not, relate to options. A SAR is the right to receive an amount equal to the excess of the fair market value of a share of Common Stock on the date of exercise over the fair market value of a share of Common Stock on the date of grant. A SAR granted in tandem with a stock option will require the holder, upon exercise, to surrender the related stock option with respect to the number of shares as to which the SAR is exercised. The Committee will determine the terms of each SAR at the time of the grant. Any SAR may not be granted at less than the fair market value of a share of Common Stock on the date the SAR is granted and cannot have a term of longer than ten years. Distributions to the recipient may be made in shares of Common Stock, cash or a combination of both as determined by the Committee. SARs may be transferable in a similar manner as non-qualified stock options, as described above.

### *Restricted Stock and Restricted Stock Units*

Restricted stock consists of shares that are transferred or sold by the Company to a participant, but are subject to substantial risk of forfeiture and to restrictions on their sale or other transfer by the participant. Restricted stock units are the right to receive shares of Common Stock at a future date in accordance with the terms of such grant upon the attainment of certain conditions specified by the Committee, which include substantial risk of forfeiture and restrictions on their sale or other transfer by the participant. The Committee determines the eligible participants to whom, and the time or times at which, grants of restricted stock or restricted stock units will be made, the number of shares or units to be granted, the price to be paid, if any, the time or times within which the shares covered by such grants will be subject to forfeiture, the time or times at which the restrictions will terminate, and all other terms and conditions of the grants. Restrictions or conditions could include, but are not limited to, the attainment of performance goals (as described below), continuous service with the Company, the passage of time or other restrictions or conditions. The value of the restricted stock units may be paid in shares of Common Stock, cash, or a combination of both, as determined by the Committee.

### *Performance Awards*

The Committee may grant performance awards payable in cash, shares of Common Stock, a combination thereof, or other consideration at the end of a specified performance period. Payment will

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be contingent upon achieving pre-established performance goals (as discussed below) by the end of the performance period. The Committee will determine the length of the performance period, the maximum payment value of an award, and the minimum performance goals required before payment will be made, so long as such provisions are not inconsistent with the terms of the 2016 Plan, and to the extent an award is subject to Section 409A of the Code, are in compliance with the applicable requirements of Section 409A of the Code and any applicable regulations or guidance.

### *Other Awards*

The Committee may grant other forms of awards payable in cash or shares of Common Stock if the Committee determines that such other form of award is consistent with the purposes and restrictions of the 2016 Plan. The terms and conditions of such other form of award shall be specified by the grant. Such other awards may be granted for no cash consideration, for such minimum consideration as may be required by applicable law, or for such other consideration as may be specified by the grant.

### *Dividend Equivalent Rights*

The Committee may grant a dividend equivalent right either as a component of another award or as a separate award. The terms and conditions of the dividend equivalent right shall be specified by the grant. Dividend equivalents credited to the holder of a dividend equivalent right may be paid currently or may be deemed to be reinvested in additional shares of Common Stock. Any such reinvestment shall be at the fair market value at the time thereof. Dividend equivalent rights may be settled in cash, shares of Common Stock, or a combination thereof.

### *Performance Goals*

Awards of restricted stock, restricted stock units, performance awards, and other awards (whether relating to cash or shares of Common Stock) under the 2016 Plan may be made subject to the attainment of performance goals relating to one or more business criteria which, where applicable, shall be within the meaning of Section 162(m) of the Code and consist of one or more or any combination of the following criteria ("Performance Criteria"): operating income; net income; cash flow; cost; revenues, revenue growth, revenue ratios; sales; ratio of debt to debt plus equity; net borrowing, credit quality or debt ratings; profit before tax; economic profit; earnings before interest and taxes; earnings before interest, taxes, depreciation and amortization or other measures of cash flow; gross margin; operating margins; earnings per share (whether on a pre-tax, after-tax, operational or other basis); operating earnings; capital expenditures; aggregate product price and other product measures; expenses or cost levels; economic value added; ratio of operating earnings to capital spending or any other operating ratios; free cash flow; operating profit; net profit; net sales or changes in net sales; net earnings; growth in operating earnings or growth in earnings per share; value of assets; net asset value per share; the accomplishment of mergers, acquisitions, dispositions, public offerings or similar extraordinary business transactions; sales growth; price of the Company's Common Stock, stockholder value, or total market value; return on net assets, return on invested capital or other return measures, including return or net return on working assets, equity, capital, or net sales; market share or market penetration with respect to specific designated products or product groups and/or specific geographic areas; inventory and/or receivables control, inventory levels, inventory turn or shrinkage; total return to stockholders, stockholders return based on growth measures or the attainment by the shares of a specified value for a specified period of time, share price or share price appreciation; reduction of losses, loss ratios or expense ratios; reduction in fixed assets; operating cost management; management of capital structure; debt reduction; productivity improvements; satisfaction of specified business expansion goals or goals relating to acquisitions or divestitures; customer satisfaction based on specified objective goals or a Company-sponsored customer survey; customer growth; employee diversity goals;

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employee turnover; specified objective social goals; safety record; or store sales or productivity. Any Performance Criteria may be used to measure the performance of the Company as a whole or any business unit of the Company and may be measured relative to a peer group or index. Any Performance Criteria may include or exclude (i) events that are of an unusual nature or indicate infrequency of occurrence, (ii) gains or losses on the disposition of a business, (iii) changes in tax or accounting regulations or laws, (iv) the effect of a merger or acquisition, as identified in the Company's quarterly and annual earnings releases, or (v) other similar occurrences. In all other respects, Performance Criteria shall be calculated in accordance with the Company's financial statements, under generally accepted accounting principles, or under a methodology established by the Committee prior to the issuance of an award which is consistently applied and identified in the audited financial statements, including footnotes, or the Management's Discussion and Analysis section of the Company's Annual Report on Form 10-K. However, to the extent Section 162(m) of the Code is applicable, the Committee may not in any event increase the amount of compensation payable to an individual upon the attainment of a performance goal.

### *Automatic Outside Director Grants*

Each outside director of the Company who does not elect to decline to participate in the 2016 Plan, shall automatically be granted restricted stock units as follows: (a) on the date of each Annual Stockholders Meeting (as used herein, "Annual Stockholders Meeting" shall be the meeting at which the Company's Board of Directors, or any class thereof, is annually elected), each outside director (including an individual who first becomes an outside director at such Annual Stockholders Meeting) shall automatically be granted a number of restricted stock units equal to the number of shares of Common Stock having an aggregate fair market value of \$130,000 (rounded down to the closest whole number) on the date of grant, so long as such outside director has not suffered a termination of service as an outside director prior to such date; and (b) each individual who first becomes an outside director (other than at any Annual Stockholders Meeting), shall automatically be granted as of the effective date of appointment as an outside director a pro-rated number of restricted stock units that would have been granted to such individual if he or she had been elected as an outside director during the immediately preceding Annual Stockholders Meeting; the number of restricted stock units shall be pro-rated based on the number of days between the date such individual first became an outside director and the date that is one year from the immediately preceding Annual Stockholders Meeting, over 365. Notwithstanding the foregoing, any automatic outside director grants shall be made only if the number of shares subject to future grants is sufficient to make all automatic grants required to be made on such date of grant.

Restricted stock units granted to such outside directors shall become 100% vested and convertible into shares of Common Stock (i) for grants made on the date of an Annual Stockholders Meeting, on the earlier of the first anniversary of the date of grant or the first Annual Stockholders Meeting following the date of grant, provided the outside director is providing services to the Company or a subsidiary on such date; and (ii) for grants made to an individual first being appointed an outside director other than on the date of an Annual Stockholders Meeting, one year from the date of grant. 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 shall immediately become 100% vested and convertible into shares of Common Stock. On the date such restricted stock units become vested or as soon as practicable thereafter, the Company shall deliver to the outside director the number of shares of Common Stock equal to the number of vested restricted stock units. Except as otherwise provided herein, each outside director's restricted stock units granted pursuant to the 2016 Plan shall terminate and be forfeited on the date of his or her termination of service for any reason other than death, to the extent such restricted stock units are unvested on the date of his or her termination of service.



*Vesting of Awards*

Except as otherwise provided below, the Committee, in its sole discretion, may determine that an award will be immediately vested in whole or in part, or that all or any portion may not be vested until a date, or dates, subsequent to its date of grant, or until the occurrence of one or more specified events, subject in any case to the terms of the 2016 Plan. If the Committee imposes conditions upon vesting, then, except as otherwise provided below, subsequent to the date of grant, the Committee may, in its sole discretion, accelerate the date on which all or any portion of the award may be vested; provided, however, that shares of Common Stock underlying all or any portion of a non-qualified stock option or incentive stock option for which the Committee accelerates the vesting date other than in the event of the participant's death, total and permanent disability, retirement, or the occurrence of a "change in control" shall be "exempt shares." As discussed above, only 10% of the shares of Common Stock that may be issued pursuant to an award under the 2016 Plan may be designated as exempt shares.

The Committee must grant all "full value awards" (i.e., awards with a net benefit to the participant, without regard to certain restrictions, equal to the aggregate fair market value of the total shares of Common Stock subject to the award) in accordance with the following provisions: (i) all full value awards granted by the Committee that constitute performance awards must vest no earlier than one (1) year after the date of grant; (ii) all full value awards granted by the Committee that constitute "tenure awards" (i.e., awards that vest over time based on the participant's continued employment with or service to the Company) must vest no earlier than over the three (3) year period commencing on the date of grant on a pro rata basis; and (iii) the Committee may not accelerate the date on which all or any portion of a full value award may be vested or waive the period an award is restricted on a full value award except upon the participant's death, total and permanent disability, retirement, or the occurrence of a "change in control." Notwithstanding the foregoing, for full value awards, the Committee may, in its sole discretion, grant awards with more favorable vesting provisions, accelerate the vesting, or waive the period an award is restricted, at any time, provided that the shares of Common Stock subject to such awards shall be designated as exempt shares.

*Adjustments Upon Changes in Capitalization*

In the event that any dividend or other distribution (whether in the form of cash, shares of Common Stock, other securities, or other property), recapitalization, stock split, reverse stock split, rights offering, reorganization, merger, consolidation, split-up, spin-off, split-off, combination, subdivision, repurchase, or exchange of shares of Common Stock or other securities of the Company, issuance of warrants or other rights to purchase shares of Common Stock or other securities of the Company, or other similar corporate transaction or event affects the fair value of an award, then the Committee shall adjust any or all of the following so that the fair value of the award immediately after the transaction or event is equal to the fair value of the award immediately prior to the transaction or event (i) the number of shares and type of Common Stock (or the securities or property) which thereafter may be made the subject of awards, (ii) the number of shares and type of Common Stock (or other securities or property) subject to outstanding awards, (iii) the number of shares and type of Common Stock (or other securities or property) specified as the annual per-participant limitation under the 2016 Plan, (iv) the option price of each outstanding award, (v) the amount, if any, the Company pays for forfeited shares of Common Stock in accordance with the terms of the 2016 Plan, and (vi) the number of or exercise price of shares of Common Stock then subject to outstanding SARs previously granted and unexercised under the 2016 Plan to the end that the same proportion of the Company's issued and outstanding shares of Common Stock in each instance shall remain subject to exercise at the same aggregate exercise price; provided however, that the number of shares of Common Stock (or other securities or property) subject to any award shall always be a whole number. Notwithstanding the foregoing, no such adjustment shall be made or authorized to the extent that such adjustment would

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cause the 2016 Plan or any stock option to violate Section 422 of the Code or Section 409A of the Code. All such adjustments must be made in accordance with the rules of any securities exchange, stock market, or stock quotation system to which the Company is subject.

### *No Repricing*

No awards under the 2016 Plan may be repriced or exchanged for awards with lower exercise prices because of a drop in market prices since grant, unless such repricings or exchanges are approved by the stockholders of the Company.

### *Amendment or Discontinuance of the Plan*

The Board of Directors of the Company, may at any time and from time to time, without the consent of the participants, alter, amend, revise, suspend, or discontinue the 2016 Plan in whole or in part, except, that no amendment for which stockholder approval is required either: (i) by any securities exchange or inter-dealer quotation system on which the Common Stock is listed or traded, or (ii) in order for the 2016 Plan and incentives awarded under the 2016 Plan to continue to comply with Sections 162(m), 421, and 422 of the Code, including any successors to such Sections, or other applicable law, shall be effective unless such amendment is approved by the requisite vote of the stockholders of the Company entitled to vote thereon. Notwithstanding the foregoing, no amendment to the 2016 Plan that increases the benefits accrued to participants, increases the maximum number of shares of Common Stock which may be issued under the 2016 Plan, reprices any stock options or modifies the requirements for participation in the 2016 Plan shall be effective unless such amendment shall be approved by the stockholders of the Company entitled to vote thereon in the manner set forth in the Company's articles of incorporation and bylaws.

Any amendments made shall, to the extent deemed necessary or advisable by the Committee, be applicable to any outstanding awards theretofore granted under the 2016 Plan, notwithstanding any contrary provisions contained in any award agreement. In the event of any such amendment to the 2016 Plan, the holder of any award outstanding under the 2016 Plan shall, upon request of the Committee and as a condition to the exercisability thereof, execute a conforming amendment in the form prescribed by the Committee to any award agreement relating thereto. Notwithstanding anything contained in the 2016 Plan to the contrary, unless required by law, no action regarding amendment or discontinuance shall adversely affect any rights of participants or obligations of the Company to participants with respect to any awards granted under the 2016 Plan without the consent of the affected participant. For purposes of clarity, any amendment to an existing award resulting in a less favorable tax consequence to a participant under the award shall not be considered to adversely affect the rights of the participant.

### **Federal Income Tax Consequences**

The following is a brief summary of certain federal income tax consequences relating to the transactions described under the 2016 Plan as set forth below. This summary does not purport to address all aspects of federal income taxation and does not describe state, local, or foreign tax consequences. This discussion is based upon provisions of the Code and the treasury regulations issued thereunder (the "Treasury Regulations"), and judicial and administrative interpretations under the Code and Treasury Regulations, all as in effect as of the date hereof, and all of which are subject to change (possibly on a retroactive basis) or different interpretation.

### *Tax Law Affecting Deferred Compensation*

In 2004, Section 409A was added to the Code to regulate all types of deferred compensation. If the requirements of Section 409A of the Code are not satisfied, deferred compensation and earnings

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thereon are subject to tax as it vests, plus an interest charge at the underpayment rate plus 1% and a 20% penalty tax. Certain performance awards, stock options, SARs, restricted stock units and certain types of restricted stock are subject to Section 409A of the Code.

### *Incentive Stock Options*

A participant will not recognize income at the time an incentive stock option is granted. When a participant exercises an incentive stock option, a participant also generally will not be required to recognize income (either as ordinary income or capital gain). However, to the extent that the fair market value (determined as of the date of grant) of the shares of Common Stock with respect to which the participant's incentive stock options are exercisable for the first time during any year exceeds \$100,000, the incentive stock options for the shares of Common Stock over \$100,000 will be treated as non-qualified stock options, and not incentive stock options, for federal tax purposes, and the participant will recognize income as if the incentive stock options were non-qualified stock options. In addition to the foregoing, if the fair market value of the shares of Common Stock received upon exercise of an incentive stock option exceeds the exercise price, then the excess will be deemed a tax preference adjustment for purposes of the federal alternative minimum tax calculation. The federal alternative minimum tax may produce significant tax repercussions depending upon the participant's particular tax status.

The tax treatment of any shares of Common Stock acquired by exercise of an incentive stock option will depend upon whether the participant disposes of his or her shares prior to two years after the date the incentive stock option was granted or one year after the shares of Common Stock were transferred to the participant (referred to as the "Holding Period"). If a participant disposes of shares of Common Stock acquired by exercise of an incentive stock option after the expiration of the Holding Period, any amount received in excess of the participant's tax basis for such shares will be treated as short-term or long-term capital gain, depending upon how long the participant has held the shares of Common Stock. If the amount received is less than the participant's tax basis for such shares, the loss will be treated as short-term or long-term capital loss, depending upon how long the participant has held the shares.

If the participant disposes of shares of Common Stock acquired by exercise of an incentive stock option prior to the expiration of the Holding Period, the disposition will be considered a "disqualifying disposition." If the amount received for the shares of Common Stock is greater than the fair market value of the shares of Common Stock on the exercise date, then the difference between the incentive stock option's exercise price and the fair market value of the shares of Common Stock at the time of exercise will be treated as ordinary income for the tax year in which the "disqualifying disposition" occurs. The participant's basis in the shares of Common Stock will be increased by an amount equal to the amount treated as ordinary income due to such "disqualifying disposition." In addition, the amount received in such "disqualifying disposition" over the participant's increased basis in the shares of Common Stock will be treated as capital gain (treated as short-term or long-term capital gain, depending on how long the participant has held the shares of Common Stock). However, if the price received for shares of Common Stock acquired by exercise of an incentive stock option is less than the fair market value of the shares of Common Stock on the exercise date and the disposition is a transaction in which the participant sustains a loss which otherwise would be recognizable under the Code, then the amount of ordinary income that the participant will recognize is the excess, if any, of the amount realized on the "disqualifying disposition" over the basis of the shares of Common Stock.

### *Non-qualified Stock Options*

A participant generally will not recognize income at the time a non-qualified stock option is granted. When a participant exercises a non-qualified stock option, the difference between the option price and any higher market value of the shares of Common Stock on the date of exercise will be

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treated as compensation taxable as ordinary income to the participant. The participant's tax basis for shares of Common Stock acquired under a non-qualified stock option will be equal to the option price paid for such shares of Common Stock, plus any amounts included in the participant's income as compensation. When a participant disposes of shares of Common Stock acquired by exercise of a non-qualified stock option, any amount received in excess of the participant's tax basis for such shares will be treated as short-term or long-term capital gain, depending upon how long the participant has held the shares of Common Stock. If the amount received is less than the participant's tax basis for such shares, the loss will be treated as short-term or long-term capital loss, depending upon how long the participant has held the shares.

### *Special Rule if Option Price is Paid for in Shares of Common Stock*

If a participant pays the option price of a non-qualified stock option with previously-owned shares of Common Stock and the transaction is not a disqualifying disposition of shares of Common Stock previously acquired under an incentive stock option, the shares of Common Stock received equal to the number of shares of Common Stock surrendered are treated as having been received in a tax-free exchange. The participant's tax basis and holding period for these shares of Common Stock received will be equal to the participant's tax basis and holding period for the shares of Common Stock surrendered. The shares of Common Stock received in excess of the number of shares of Common Stock surrendered will be treated as compensation taxable as ordinary income to the participant to the extent of such shares' fair market value. The participant's tax basis in such shares of Common Stock will be equal to their fair market value on the date of exercise, and the participant's holding period for such shares will begin on the date of exercise.

If the use of previously acquired shares of Common Stock to pay the exercise price of a non-qualified stock option constitutes a disqualifying disposition of shares of Common Stock previously acquired under an incentive stock option, the participant will have ordinary income as a result of the disqualifying disposition in an amount equal to the excess of the fair market value of the shares of Common Stock surrendered, determined at the time such shares of Common Stock were originally acquired on exercise of the incentive stock option, over the aggregate option price paid for such shares of Common Stock. As discussed above, a disqualifying disposition of shares of Common Stock previously acquired under an incentive stock option occurs when the participant disposes of such shares before the end of the Holding Period. The other tax results from paying the exercise price with previously-owned shares are as described above, except that the participant's tax basis in the shares of Common Stock that are treated as having been received in a tax-free exchange will be increased by the amount of ordinary income recognized by the participant as a result of the disqualifying disposition.

### *Restricted Stock*

A participant who receives a grant of restricted stock generally will recognize as ordinary income the excess, if any, of the fair market value of the shares of Common Stock granted as restricted stock when the shares of Common Stock are no longer subject to forfeiture or restrictions, over the amount paid, if any, by the participant for such shares of Common Stock. However, a participant who receives restricted stock may make an election under Section 83(b) of the Code within 30 days of the date of transfer of the shares of Common Stock to recognize ordinary income on the date of transfer of the shares of Common Stock equal to the excess of the fair market value of such shares (determined without regard to the restrictions on such shares of Common Stock) over the purchase price, if any, of such shares. If a participant does not make an election under Section 83(b) of the Code, then the participant will recognize as ordinary income any dividends received with respect to shares of Common Stock. At the time of sale of such shares, any gain or loss realized by the participant will be treated as either short-term or long-term capital gain (or loss) depending on the holding period. For purposes of determining any gain or loss realized, the participant's tax basis will be the amount previously taxable as ordinary income plus the purchase price paid by the participant, if any, for such shares.

*Stock Appreciation Rights*

Generally, a participant who receives a stand-alone SAR will not recognize taxable income at the time the stand-alone SAR is granted, provided that the SAR is exempt from, or complies with, Section 409A of the Code. If an employee receives the appreciation inherent in the SARs in cash, the cash will be taxed as ordinary income to the recipient at the time it is received. If a recipient receives the appreciation inherent in the SARs in stock, the spread between the then current market value and the grant price, if any, will be taxed as ordinary income to the employee at the time it is received. In general, there will be no federal income tax deduction allowed to the Company upon the grant or termination of SARs. However, upon the exercise of a SAR, the Company will be entitled to a deduction equal to the amount of ordinary income the recipient is required to recognize as a result of the exercise.

*Other Awards*

In the case of an award of restricted stock units, performance awards, dividend equivalent rights or other stock or cash awards, the recipient will generally recognize ordinary income in an amount equal to any cash received and the fair market value of any shares received on the date of payment or delivery, provided that the award is exempt from or complies with Section 409A of the Code. In that taxable year, the Company will receive a federal income tax deduction in an amount equal to the ordinary income which the participant has recognized.

*Federal Tax Withholding*

Any ordinary income realized by a participant upon the exercise of an award under the 2016 Plan is subject to withholding of federal, state, and local income tax and to withholding of the participant's share of tax under the Federal Insurance Contribution Act and the Federal Unemployment Tax Act.

To satisfy federal income tax withholding requirements, the Company will have the right to require that, as a condition to delivery of any certificate for shares of Common Stock, the participant remit to the Company an amount sufficient to satisfy the withholding requirements. Alternatively, the Company may withhold a portion of the shares of Common Stock (valued at fair market value) that otherwise would be issued to the participant to satisfy all or part of the withholding tax obligations or may, if the Company consents in writing, accept delivery of shares of the Common Stock with an aggregate fair market value that equals or exceeds the required tax withholding payment.

Withholding does not represent an increase in the participant's total income tax obligation since it is fully credited toward his or her tax liability for the year. Additionally, withholding does not affect the participant's tax basis in the shares of Common Stock. Compensation income realized, and tax withheld, will be reflected on Forms W-2 supplied by the Company to employees by January 31 of the succeeding year.

Deferred compensation that is subject to Section 409A of the Code will be subject to certain federal income tax withholding and reporting requirements.

*Tax Consequences to the Company*

To the extent that a participant recognizes ordinary income in the circumstances described above, the Company will be entitled to a corresponding deduction provided that, among other things, the income meets the test of reasonableness, is an ordinary and necessary business expense, is not an "excess parachute payment" within the meaning of Section 280G of the Code, and is not disallowed by the \$1,000,000 limitation on certain executive compensation under Section 162(m) of the Code.

*Million Dollar Deduction Limit and Other Tax Matters*

The Company may not deduct compensation of more than \$1,000,000 that is paid to an individual employed by the Company who, on the last day of the taxable year, either is the Company's principal executive officer, principal financial officer or an individual who is among the three highest compensated officers for the taxable year (other than the principal executive officer or the principal financial officer). The limitation on deductions does not apply to certain types of compensation, including qualified performance-based compensation, and only applies to compensation paid by a publicly-traded corporation (and not compensation paid by non-corporate entities). To the extent the Company determines that Section 162(m) of the Code shall apply to any awards granted pursuant to the 2016 Plan, the Company intends that such awards will be constructed so as to constitute qualified performance-based compensation and, as such, will be exempt from the \$1,000,000 limitation on deductible compensation.

If an individual's rights under the 2016 Plan are accelerated as a result of a change in control and the individual is a "disqualified individual" under Section 280G of the Code, the value of any such accelerated rights received by such individual may be included in determining whether or not such individual has received an "excess parachute payment" under Section 280G of the Code, which could result in (i) the imposition of a 20% federal excise tax (in addition to federal income tax) payable by the individual on the value of such accelerated rights, and (ii) the loss by the Company of a compensation deduction.

**New Plan Benefits**

Effective March 15, 2016, the Compensation Committee approved, subject to stockholder approval of the 2016 Plan, the grant of the awards described in the table below. If the Company's stockholders do not approve the 2016 Plan, these awards will be cancelled. All future awards to directors, executive officers, and employees will be made at the discretion of the Compensation Committee. Therefore, we cannot determine future benefits for any other awards under the 2016 Plan at this time. As of April 5,

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2016, the closing sale price of the Common Stock on The Nasdaq Global Select Market was \$40.64 per share.

Name and Position	Dollar Value (\$)(1)	Number of Restricted Stock Units (#)	Number of Performance Shares #(2)
Kosta N. Kartsotis <i>Chief Executive Officer and Director</i>	-0-	-0-	-0-
Dennis R. Secor <i>Executive Vice President, Chief Financial Officer and Treasurer</i>	675,000	9,378	4,689
Darren E. Hart <i>Executive Vice President, HR</i>	708,750	9,847	4,924
Greg A. McKelvey <i>Executive Vice President, Chief Strategy and Digital Officer</i>	675,000	9,378	4,689
John A. White <i>Executive Vice President and Chief Operating Officer</i>	765,000	10,629	5,315
Executive officers as a group	4,220,314	58,636	29,320
Non-employee directors as a group	-0-	-0-	-0-
Non-executive officer employees as a group	17,120,252	346,799	-0-

- (1) Dollar value is based on the number of shares indicated (at target payout (100%) in the case of the performance shares) multiplied by the midpoint of the high and low sales prices of our Common Stock on The Nasdaq Global Select Market on March 15, 2016, which was \$47.99 per share.
- (2) The number of shares of Common Stock underlying performance shares assumes a target payout (100%) based on the Company's achievement of target performance rankings. The actual number of shares issued could range from 0% to 150% of the share amounts based on the Company's achievement of performance targets during the three year performance period.

### Vote Required

The proposal to approve the 2016 Plan requires 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 the subject matter. All members of the Board of Directors are eligible for awards under the 2016 Plan and thus, have a personal interest in the approval of the 2016 Plan.

**THE BOARD OF DIRECTORS RECOMMENDS THAT THE STOCKHOLDERS VOTE "FOR" THE APPROVAL OF THE FOSSIL GROUP, INC. 2016 LONG-TERM INCENTIVE PLAN.**

### APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

#### (Proposal 4)

The Company's independent registered public accounting firm for the fiscal year ended January 2, 2016 was Deloitte & Touche LLP. It is expected that one or more representatives of such firm will attend the Annual Meeting, will have the opportunity to make a statement if they desire to do so, and will be available to respond to appropriate questions. The Audit Committee has selected the firm of Deloitte & Touche LLP as the Company's principal independent registered public accounting firm for

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the fiscal year ending December 31, 2016. Stockholder ratification of the appointment is not required under the laws of the State of Delaware, but the Board has decided to ascertain the position of the stockholders on the appointment. The Audit Committee will reconsider the appointment if it is not ratified. Even if the appointment is ratified, the Audit Committee, in its discretion, may direct the appointment of a different independent registered public accounting firm at any time during the fiscal year if the Audit Committee feels that such a change would be in the Company's and its stockholders' best interests. The affirmative vote of a majority of the shares present in person or by proxy, and entitled to vote on the subject matter at the Annual Meeting is required for ratification.

**THE BOARD OF DIRECTORS RECOMMENDS THAT THE STOCKHOLDERS VOTE "FOR" THE RATIFICATION OF THE APPOINTMENT OF DELOITTE & TOUCHE LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2016.**

The following table summarizes the aggregate fees (excluding value added taxes) incurred by the Company and its subsidiaries for work performed by Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu, and their respective affiliates (collectively, "Deloitte") for the fiscal years ended January 2, 2016 and January 3, 2015, respectively:

	Fiscal Year 2015	Fiscal Year 2014
Audit Fees(1)	\$ 3,858,861	\$ 3,303,372
Audit-Related Fees(2)	517,050	108,050
Tax Fees(3)	265,108	291,556
All Other Fees(4)	373,000	0
<b>Total</b>	<b>\$ 5,014,019</b>	<b>\$ 3,702,978</b>

- 
- (1) Audit services billed consisted of the audits of the Company's annual consolidated financial statements, audits of internal control over financial reporting and reviews of the Company's quarterly condensed consolidated financial statements.
- (2) Due diligence support for the Company's acquisition of Misfit, Inc., benefit plan audits and agreed upon procedures.
- (3) Tax return preparation and consultation.
- (4) Consulting fees related to the Company's global digital expansion and an assessment of the Company's internal audit function.

In considering the nature of the services provided by Deloitte, the Audit Committee determined that such services are compatible with the provision of independent audit services. The Audit Committee discussed these services with Deloitte and Company management to determine that they are permitted under the rules and regulations concerning auditor independence promulgated by the SEC to implement the Sarbanes-Oxley Act of 2002, as well as the American Institute of Certified Public Accountants.

### **Pre-Approval of Independent Registered Public Accounting Firm Fees and Services Policy**

The Audit Committee's Policies and Procedures for the Engagement of the Principal Outside Auditing Firm provides for pre-approval of all audit, audit-related, tax and other permissible non-audit services provided by our principal independent registered public accounting firm on an annual basis and individual engagements as needed. The policy also requires additional approval of any engagements that were previously approved but are anticipated to exceed pre-approved fee levels. The policy permits the Audit Committee chairperson to pre-approve principal independent registered public accounting



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firm services where the Company deems it necessary or advisable that such services commence prior to the next regularly scheduled Audit Committee meeting (provided that the Audit Committee chairperson must report to the full Audit Committee on any pre-approval determinations).

The Audit Committee pre-approved all of the audit fees, audit-related fees and tax fees set forth in the table.

### OTHER BUSINESS

The Board is not aware of any other business to be brought before the Annual Meeting. If, however, any other business should properly come before the Annual Meeting, the persons named in the accompanying proxy will vote the proxy in accordance with applicable law and as they may deem appropriate in their discretion, unless directed by the proxy to do otherwise.

### DATE FOR RECEIPT OF STOCKHOLDER PROPOSALS

Stockholder proposals to be included in the proxy statement for the 2017 Annual Meeting of Stockholders must be received by the Company at its principal executive offices on or before December 15, 2016 for inclusion in the Company's Proxy Statement relating to that meeting. Stockholders wishing to submit proposals to be presented directly at the Annual Meeting instead of for inclusion in next year's proxy statement must follow the submission criteria and deadlines set forth in our Bylaws. To be timely in connection with an annual meeting, a stockholder proposal with respect to a nomination for director, a proposal to amend or supplement the certificate of incorporation, a proposal to amend the Bylaws or a proposal to remove a director must be received by the Company at its principal executive offices not before November 26, 2016 or after February 24, 2017. With respect to other stockholder proposals, management will be able to vote proxies in its discretion without advising stockholders in the 2017 proxy statement about the nature of the matter and how management intends to vote if notice of the proposal is not received by the Company at its principal executive offices before February 28, 2017.

You may obtain a copy of the Company's Annual Report on Form 10-K for the fiscal year ended January 2, 2016 without charge by sending a written request to Fossil Group, Inc., 901 S. Central Expressway, Richardson, Texas 75080, Attn: Investor Relations. The Annual Report on Form 10-K is also available at [www.fossilgroup.com](http://www.fossilgroup.com).

### BY ORDER OF THE BOARD OF DIRECTORS

Randy S. Hyne

*Vice President,*

*General Counsel and Secretary*

April 14, 2016  
Richardson, Texas

**IT IS IMPORTANT THAT PROXIES BE VOTED PROMPTLY. STOCKHOLDERS WHO DO NOT EXPECT TO ATTEND THE MEETING AND WISH THEIR STOCK TO BE VOTED ARE URGED TO VOTE BY INTERNET, PHONE OR MAIL AS DESCRIBED IN THE PROXY CARD OR PROXY NOTICE.**

**APPENDIX A**

**FOSSIL GROUP, INC.**

**2016 LONG-TERM INCENTIVE PLAN**

The Fossil Group, Inc. 2016 Long-Term Incentive Plan (the "**Plan**") was adopted by the Board of Directors of Fossil Group, Inc., a Delaware corporation (the "**Company**"), effective as of March 15, 2016 (the "**Effective Date**"), subject to approval by the Company's stockholders.

**ARTICLE 1  
PURPOSE**

The purpose of the Plan is to attract and retain the services of key employees, key contractors and Outside Directors of the Company and its Subsidiaries and to provide such persons with a proprietary interest in the Company through the granting of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock, restricted stock units, performance awards, dividend equivalent rights, and other awards, whether granted singly, or in combination, or in tandem, that will

- (a) increase the interest of such persons in the Company's welfare;
- (b) furnish an incentive to such persons to continue their services for the Company or its Subsidiaries; and
- (c) provide a means through which the Company may attract able persons as Employees, Contractors and Outside Directors.

With respect to Reporting Participants, the Plan and all transactions under the Plan are intended to comply with all applicable conditions of Rule 16b-3 promulgated under the Exchange Act. To the extent any provision of the Plan or action by the Committee fails to so comply, such provision or action shall be deemed null and void *ab initio*, to the extent permitted by law and deemed advisable by the Committee.

**ARTICLE 2  
DEFINITIONS**

For the purpose of the Plan, unless the context requires otherwise, the following terms shall have the meanings indicated:

2.1 "**Applicable Law**" means all legal requirements relating to the administration of equity incentive plans and the issuance and distribution of shares of Common Stock, if any, under applicable corporate laws, applicable securities laws, the rules of any exchange or inter-dealer quotation system upon which the Company's securities are listed or quoted, the rules of any foreign jurisdiction applicable to Incentives granted to residents therein, and any other applicable law, rule or restriction.

2.2 "**Authorized Officer**" is defined in *Section 3.2(b)* hereof.

2.3 "**Award**" means the grant of any Incentive Stock Option, Nonqualified Stock Option, Restricted Stock, SAR, Restricted Stock Units, Performance Award, Dividend Equivalent Right or Other Award, whether granted singly or in combination or in tandem (each individually referred to herein as an "**Incentive**").

2.4 "**Award Agreement**" means a written agreement between a Participant and the Company which sets out the terms of the grant of an Award.

2.5 "**Award Period**" means the period set forth in the Award Agreement during which one or more Incentives granted under an Award may be exercised.

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2.6 "**Board**" means the board of directors of the Company.

2.7 "**Change in Control**" means the occurrence of the event set forth in any one of the following paragraphs, except as otherwise provided herein:

(i) any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its Affiliates) representing 30% or more of the combined voting power of the Company's then outstanding securities, or if such Person is the Beneficial Owner, directly or indirectly, of securities of the Company representing 30% or more of the combined voting power of the Company's outstanding securities as of the date the particular Award is granted, such person becomes the Beneficial owner, directly or indirectly, of the combined voting power of additional securities representing 10% or more of the Company's then outstanding securities, excluding any Person who becomes such a Beneficial Owner in connection with a transaction described in clause (i) of paragraph (iii) below; or

(ii) the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on the Effective Date of this Plan, constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company) whose appointment or election by the Board or nomination for election by the Company's stockholders was approved or recommended by a vote of at least a majority of the directors then still in office who either were directors on the Effective Date of this Plan or whose appointment, election or nomination for election was previously so approved or recommended; or

(iii) there is consummated a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation, other than (i) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) at least 60% of the combined voting power of the securities of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation or (ii) 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, directly or indirectly, of securities of the Company (not including the securities Beneficially Owned by such Person any securities acquired directly from the Company or its Affiliates other than in connection with the acquisition by the Company or its Affiliates of a business) representing 30% or more of the combined voting power of the Company's then outstanding securities; or

(iv) the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company or there is consummated 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.

For purposes hereof:

"**Affiliate**" shall have the meaning set forth in Rule 12b-2 promulgated under Section 12 of the Exchange Act.

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**"Beneficial Owner"** shall have the meaning set forth in Rule 13d-3 under the Exchange Act.

**"Person"** shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (i) the Company or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Affiliates, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities or (iv) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

The provisions of this *Section 2.7* shall be interpreted in accordance with the requirements of Section 409A of the Code and the Final Treasury Regulations issued thereunder, it being the intent of the parties that this *Section 2.7* shall be compliance with the requirements of said Code Section and said Regulations.

2.8 **"Claims"** means any claim, liability or obligation of any nature, arising out of or relating to this Plan or an alleged breach of this Plan, or an Award Agreement.

2.9 **"Code"** means the Internal Revenue Code of 1986, as amended.

2.10 **"Committee"** means the Compensation Committee of the Board.

2.11 **"Common Stock"** means the common stock, par value \$0.01 per share, which the Company is currently authorized to issue or may in the future be authorized to issue, or any securities into which or for which the common stock of the Company may be converted or exchanged, as the case may be, pursuant to the terms of this Plan.

2.12 **"Company"** means Fossil Group, Inc. a Delaware corporation, and any successor entity.

2.13 **"Contractor"** means any natural person, who is not an Employee, rendering *bona fide* services to the Company or a Subsidiary, with compensation, pursuant to a written independent contractor agreement between such person and the Company or a Subsidiary, provided that such services are not rendered in connection with the offer or sale of securities in a capital raising transaction and do not directly or indirectly promote or maintain a market for the Company's securities.

2.14 **"Corporation"** means any entity that (i) is defined as a corporation under Section 7701 of the Code and (ii) is the Company or is in an unbroken chain of corporations (other than the Company) beginning with the Company, if each of the corporations other than the last corporation in the unbroken chain owns stock possessing a majority of the total combined voting power of all classes of stock in one of the other corporations in the chain. For purposes of clause (ii) hereof, an entity shall be treated as a "corporation" if it satisfies the definition of a corporation under Section 7701 of the Code.

2.15 **"Date of Grant"** means the effective date on which an Award is made to a Participant as set forth in the applicable Award Agreement; provided, however, that solely for purposes of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder, the Date of Grant of an Award shall be the date of stockholder approval of the Plan if such date is later than the effective date of such Award as set forth in the Award Agreement.

2.16 **"Dividend Equivalent Right"** means the right of the holder thereof to receive credits based on the cash dividends that would have been paid on the shares of Common Stock specified in the Award if such shares were held by the Participant to whom the Award is made.

2.17 **"Employee"** means common law employee (as defined in accordance with the Regulations and Revenue Rulings then applicable under Section 3401(c) of the Code) of the Company or any

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Subsidiary of the Company provided, however, in the case of individuals whose employment status, by virtue of their employer or residence, is not determined under Section 3401(c) of the Code, "Employee" shall mean an individual treated as an employee for local payroll tax or employment purposes by the applicable employer for the relevant period.

2.18 "**Exchange Act**" means the United States Securities Exchange Act of 1934, as amended.

2.19 "**Exercise Date**" is defined in *Section 9.3(b)* below.

2.20 "**Exercise Notice**" is defined in *Section 9.3(b)* below.

2.21 "**Executive Officer**" means an officer of the Company or a Subsidiary subject to Section 16 of the Exchange Act or a "covered employee" as defined in Section 162(m)(3) of the Code.

2.22 "**Exempt Shares**" means shares of Common Stock designated as "Exempt Shares" pursuant to *Section 5.1(b)*.

2.23 "**Fair Market Value**" means, as of a particular date, (a) if the shares of Common Stock are listed or quoted on any established national securities exchange, the arithmetic mean of the high and low prices per share of the Common Stock on the particular date (or, if the particular date is not a trading day, the arithmetic mean of the high and low prices per share of the Common Stock immediately preceding such particular date), determined in accordance with the requirements of Section 422 of the Code (to the extent Incentive Stock Options are granted) and/or Section 409A of the Code and the regulations and other guidance issued thereunder; or (b) if the shares of Common Stock are not so listed or quoted, such amount as may be determined by the Committee (acting on the advice of an Independent Third Party, should the Committee elect in its sole discretion to utilize an Independent Third Party for this purpose), in good faith, to be the fair market value per share of Common Stock. Notwithstanding the foregoing provisions of this *Section 2.23*, to the extent an Award is intended to be in compliance with some or all of the requirements of Section 409A of the Code, "Fair Market Value" for purposes of the Plan and any Award shall be the definition provided for under Section 409A of the Code and Section 1.409A-1(b)(5)(iv) of the regulations issued thereunder or any successor provision thereto.

2.24 "**Full Value Award**" means any Award with a net benefit to the Participant, without regard to any restrictions such as those described in *Section 6.4(b)*, equal to the aggregate Fair Market Value of the total shares of Common Stock subject to the Award. Full Value Awards include Restricted Stock and Restricted Stock Units, but do not include Stock Options and SARs.

2.25 "**Immediate Family Members**" is defined in *Section 16.8* hereof.

2.26 "**Incentive**" is defined in *Section 2.1* hereof.

2.27 "**Incentive Stock Option**" means an incentive stock option within the meaning of Section 422 of the Code, granted pursuant to this Plan. For purposes of clarity, Employees of Fossil Partners, L.P., Outside Directors, and Contractors are not eligible to receive Incentive Stock Options.

2.28 "**Independent Third Party**" means an individual or entity independent of the Company having experience in providing investment banking or similar appraisal or valuation services and with expertise generally in the valuation of securities or other property for purposes of this Plan. The Committee may utilize one or more Independent Third Parties.

2.29 "**Nonqualified Stock Option**" means a nonqualified stock option, granted pursuant to this Plan, which is not an Incentive Stock Option.

2.30 "**Option Price**" means the price which must be paid by a Participant upon exercise of a Stock Option to purchase a share of Common Stock.

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2.31 "**Other Award**" means an Award issued pursuant to *Section 6.9* hereof.

2.32 "**Outside Director**" means a director of the Company who is not an Employee or Contractor.

2.33 "**Participant**" means an Employee, Contractor or Outside Director to whom an Award is granted under this Plan.

2.34 "**Performance Award**" means an Award hereunder of cash, shares of Common Stock, units or rights based upon, payable in, or otherwise related to, Common Stock pursuant to *Section 6.7* hereof.

2.35 "**Performance Goal**" means any of the goals set forth in *Section 6.10* hereof.

2.36 "**Plan**" means this Fossil Group, Inc. 2016 Long-Term Incentive Plan, as amended from time to time.

2.37 "**Reporting Participant**" means a Participant who is subject to the reporting requirements of Section 16 of the Exchange Act.

2.38 "**Restricted Stock**" means shares of Common Stock issued or transferred to a Participant pursuant to *Section 6.4* of this Plan which are subject to restrictions or limitations set forth in this Plan and in the related Award Agreement.

2.39 "**Restricted Stock Units**" means units awarded to Participants pursuant to *Section 6.6* hereof, which are convertible into Common Stock at such time as such units are no longer subject to restrictions as established by the Committee.

2.40 "**Restriction Period**" is defined in Section 6.4(b)(i) hereof.

2.41 "**Retirement**" means any Termination of Service solely due to retirement upon or after attainment of age sixty-five (65), or permitted early retirement as determined by the Committee, provided, however, in the case of Participants who reside in the European Economic Area, "Retirement" shall mean any Termination of Service as of a date they are eligible for mandatory retirement benefits under local law, without regard to age.

2.42 "**SAR**" or "**Stock Appreciation Right**" means the right to receive an amount, in cash and/or Common Stock, equal to the excess of the Fair Market Value of a specified number of shares of Common Stock as of the date the SAR is exercised (or, as provided in the Award Agreement, converted) over the SAR Price for such shares.

2.43 "**SAR Price**" means the exercise price or conversion price of each share of Common Stock covered by a SAR, determined on the Date of Grant of the SAR.

2.44 "**Spread**" is defined in *Section 13.4(b)* hereof.

2.45 "**Stock Option**" means a Nonqualified Stock Option or an Incentive Stock Option.

2.46 "**Subsidiary**" means (i) any corporation in an unbroken chain of corporations beginning with the Company, if each of the corporations other than the last corporation in the unbroken chain owns stock possessing a majority of the total combined voting power of all classes of stock in one of the other corporations in the chain, (ii) any limited partnership, if the Company or any corporation described in item (i) above owns a majority of the general partnership interest and a majority of the limited partnership interests entitled to vote on the removal and replacement of the general partner, and (iii) any partnership or limited liability company, if the partners or members thereof are composed only of the Company, any corporation listed in item (i) above or any limited partnership listed in item (ii) above. "Subsidiaries" means more than one of any such corporations, limited partnerships, partnerships or limited liability companies. Notwithstanding the

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foregoing, an entity shall not be a "Subsidiary" for purposes of this Plan, unless at least twenty-five percent (25%) of such entity's Voting Equity is owned either directly or indirectly by the Company.

2.47 "**Tenure Award**" means an Award hereunder of cash, shares of Common Stock, units or rights based upon, payable in, or otherwise related to, Common Stock that vests over time based upon the Participant's continued employment with or service to the Company or its Subsidiaries.

2.48 "**Termination of Service**" occurs when a Participant who is (i) an Employee of the Company or any Subsidiary ceases to provide active service as an Employee of the Company and its Subsidiaries, for any reason, (ii) a Contractor of the Company or any Subsidiary ceases to serve as a Contractor of the Company and its Subsidiaries, for any reason; or (iii) an Outside Director of the Company or a Subsidiary ceases to serve as a director of the Company and its Subsidiaries for any reason. Except as may be necessary or desirable to comply with applicable federal or state law, a "Termination of Service" shall not be deemed to have occurred when a Participant who is an Employee becomes an Outside Director or vice versa, or when a Participant who is serving in two capacities (i.e., both an Employee and a director) ceases to serve in one of those capacities (i.e., serves only as a director and not as an Employee); provided, however, a "Termination of Service" shall be deemed to have occurred if a Participant who is serving as an Employee becomes a Contractor, or vice versa, or when an Outside Director ceases to be an Outside Director and becomes a Contractor, unless otherwise specifically provided in the applicable award agreement. If, however, a Participant who is an Employee and who has an Incentive Stock Option ceases to be an Employee but does not suffer a Termination of Service, and if that Participant does not exercise the Incentive Stock Option within the time required under Section 422 of the Code upon ceasing to be an Employee, the Incentive Stock Option shall thereafter become a Nonqualified Stock Option. Notwithstanding the foregoing provisions of this Section 2.48, in the event an Award issued under the Plan is subject to Section 409A of the Code, then, in lieu of the foregoing definition and to the extent necessary to comply with the requirements of Section 409A of the Code, the definition of "Termination of Service" for purposes of such Award shall be the definition of "separation from service" provided for under Section 409A of the Code and the regulations or other guidance issued thereunder.

2.49 "**Total and Permanent Disability**" means a Participant is qualified for long-term disability benefits under the Company's or Subsidiary's disability plan or insurance policy or under applicable non-U.S. law; or, if no such plan, policy or law is then in existence or if the Participant is not eligible to participate in such plan or policy, that the Participant, because of a physical or mental condition resulting from bodily injury, disease, or mental disorder, is unable to perform his or her duties of employment for a period of six (6) continuous months, as determined in good faith by the Committee, based upon medical reports or other evidence satisfactory to the Committee; *provided that*, with respect to any Incentive Stock Option, Total and Permanent Disability shall have the meaning given it under the rules governing Incentive Stock Options under the Code. Notwithstanding the foregoing provisions of this Section 2.49, in the event an Award issued under the Plan is subject to Section 409A of the Code, then, in lieu of the foregoing definition and to the extent necessary to comply with the requirements of Section 409A of the Code, the definition of "Total and Permanent Disability" for purposes of such Award shall be the definition of "disability" provided for under Section 409A of the Code and the regulations or other guidance issued thereunder.

2.50 "**Voting Equity**" means the shares or other equity interests of an entity that has the right to vote generally on matters submitted to a vote of the owners of such entity.

**ARTICLE 3**  
**ADMINISTRATION**

**3.1 General Administration; Establishment of Committee.** Subject to the terms of this *Article 3*, the Plan shall be administered by the Committee. The Committee shall consist of not fewer than two persons. Any member of the Committee may be removed at any time, with or without cause, by resolution of the Board. Any vacancy occurring in the membership of the Committee may be filled by appointment by the Board. At any time there is no Committee to administer the Plan, any references in this Plan to the Committee shall be deemed to refer to the Board.

Membership on the Committee shall be limited to those members of the Board who are "outside directors" under Section 162(m) of the Code and "non-employee directors" as defined in Rule 16b-3 promulgated under the Exchange Act. The Committee shall select one of its members to act as its Chairman. A majority of the Committee shall constitute a quorum, and the act of a majority of the members of the Committee present at a meeting at which a quorum is present shall be the act of the Committee.

**3.2 Designation of Participants and Awards.**

(a) The Committee shall determine and designate from time to time the eligible persons to whom Awards will be granted and shall set forth in each related Award Agreement, where applicable, the Award Period, the Date of Grant, and such other terms, provisions, limitations, and performance requirements, as are approved by the Committee, but not inconsistent with the Plan. The Committee shall determine whether an Award shall include one type of Incentive or two or more Incentives granted in combination or two or more Incentives granted in tandem (that is, a joint grant where exercise of one Incentive results in cancellation of all or a portion of the other Incentive) and shall determine, where applicable, whether the requirements of Section 162(m) of the Code shall apply to an Award to be granted to an Executive Officer. Although the members of the Committee shall be eligible to receive Awards, all decisions with respect to any Award, and the terms and conditions thereof, to be granted under the Plan to any member of the Committee shall be made solely and exclusively by the other members of the Committee, or if such member is the only member of the Committee, by the Board.

(b) Notwithstanding *Section 3.2(a)*, to the extent permitted by Applicable Law, the Committee may, in its discretion and by a resolution adopted by the Committee, authorize one or more officers of the Company (an "**Authorized Officer**") to (i) designate one or more Employees or Contractors as eligible persons to whom Stock Options or SARs will be granted under the Plan and (ii) determine the number of shares of Common Stock that will be subject to such Stock Options or SARs; provided, however, that the resolution of the Committee granting such authority shall (x) specify the total number of shares of Common Stock that may be made subject to the Stock Options or SARs, (y) set forth the price or prices (or a formula by which such price or prices may be determined) to be paid for the purchase of the Common Stock subject to such Stock Options or SARs, and (z) not authorize an officer to designate himself as a recipient of any Stock Options or SARs.

**3.3 Authority of the Committee.** The Committee, in its discretion, shall (i) interpret the Plan and Award Agreements, (ii) prescribe, amend, and rescind any rules, regulations and sub-plans (including sub-plans for Awards made to Participants who are not resident in the United States), as necessary or appropriate for the administration of the Plan, to obtain favorable tax treatment for the Awards or to ensure compliance with securities laws, (iii) establish performance goals for an Award and certify the extent of their achievement, and (iv) make such other determinations or certifications and take such other action as it deems necessary or advisable in the administration of the Plan. Any interpretation, determination, or other action made or taken by the Committee shall be final, binding, and conclusive on all interested parties. The Committee's discretion set forth herein shall not be



limited by any provision of the Plan, including any provision which by its terms is applicable notwithstanding any other provision of the Plan to the contrary.

The Committee may delegate to officers of the Company, pursuant to a written delegation, the authority to perform specified functions under the Plan. Any actions taken by any officers of the Company pursuant to such written delegation of authority shall be deemed to have been taken by the Committee.

With respect to restrictions in the Plan that are based on the requirements of Rule 16b-3 promulgated under the Exchange Act, Section 162(m) of the Code, Section 422 of the Code, the rules of any exchange or inter-dealer quotation system upon which the Company's securities are listed or quoted, or any other Applicable Law, to the extent that any such restrictions are no longer required by Applicable Law in order for an Award to comply with such Applicable Law, the Committee shall have the sole discretion and authority to grant Awards that are not subject to such formerly-mandated restrictions and/or to waive any such formerly-mandated restrictions with respect to outstanding Awards.

#### **ARTICLE 4 ELIGIBILITY**

Any Employee (including an Employee who is also a director or an officer), Contractor or Outside Director of the Company whose judgment, initiative, and efforts contributed or may be expected to contribute to the successful performance of the Company is eligible to participate in the Plan; provided that only Employees of Fossil Group, Inc. and its Subsidiaries (excluding Subsidiaries that are not corporations or that are less than fifty percent (50%) owned subsidiaries) shall be eligible to receive Incentive Stock Options. For purposes of clarity, Employees of Fossil Partners, L.P., Contractors and Outside Directors are not eligible to receive Incentive Stock Options. The Committee, upon its own action, may grant, but shall not be required to grant, an Award to any Employee, Contractor or Outside Director of the Company or any Subsidiary. Awards may be granted by the Committee at any time and from time to time to new Participants, or to then Participants, or to a greater or lesser number of Participants, and may include or exclude previous Participants, as the Committee shall determine. Except as required by this Plan, Awards granted at different times need not contain similar provisions. The Committee's determinations under the Plan (including without limitation determinations of which Employees, Contractors or Outside Directors, if any, are to receive Awards, the form, amount and timing of such Awards, the terms and provisions of such Awards and the agreements evidencing same) need not be uniform and may be made by it selectively among Participants who receive, or are eligible to receive, Awards under the Plan.

#### **ARTICLE 5 SHARES SUBJECT TO PLAN**

##### **5.1 Number Available for Awards.**

(a) Subject to adjustment as provided in *Articles 11 and 12*, the maximum number of shares of Common Stock that may be delivered pursuant to Awards granted under the Plan is an aggregate of 3,000,000, 100% of which may be delivered pursuant to Incentive Stock Options. Subject to adjustment pursuant to *Articles 11 and 12*, the maximum number of shares of Common Stock with respect to which Stock Options or SARs may be granted to any Executive Officer during any calendar year is 250,000 shares of Common Stock. Shares to be issued may be made available from authorized but unissued Common Stock, Common Stock held by the Company in its treasury, or Common Stock purchased by the Company on the open market or otherwise. During the term of this Plan, the Company will at all times reserve and keep available the number of shares of Common Stock that shall be sufficient to satisfy the requirements of this Plan.

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(b) **Exempt Shares.** No more than ten percent (10%) of the shares of Common Stock that may be delivered pursuant to Awards under *Section 5.1(a)* may be shares designated as "Exempt Shares."

**5.2 Reuse of Shares.** To the extent that any Award under this Plan shall be forfeited, shall expire or be canceled, in whole or in part, then the number of shares of Common Stock covered by the Award or stock option so forfeited, expired or canceled may again be awarded pursuant to the provisions of this Plan. Awards that may be satisfied either by the issuance of shares of Common Stock or by cash or other consideration shall be counted against the maximum number of shares of Common Stock that may be issued under this Plan only during the period that the Award is outstanding or to the extent the Award is ultimately satisfied by the issuance of shares of Common Stock. Shares of Common Stock otherwise deliverable pursuant to an Award that are withheld upon exercise or vesting of an Award for purposes of paying the exercise price or tax withholdings shall be treated as delivered to the Participant and shall be counted against the maximum number of shares of Common Stock that may be issued under this Plan. Awards will not reduce the number of shares of Common Stock that may be issued pursuant to this Plan if the settlement of the Award will not require the issuance of shares of Common Stock, as, for example, a SAR that can be satisfied only by the payment of cash. Notwithstanding any provisions of the Plan to the contrary, only shares forfeited back to the Company or shares canceled on account of termination, expiration or lapse of an Award, shall again be available for grant of Incentive Stock Options under the Plan, but shall not increase the maximum number of shares described in *Section 5.1* above as the maximum number of shares of Common Stock that may be delivered pursuant to Incentive Stock Options.

### ARTICLE 6 GRANT OF AWARDS

#### 6.1 In General.

(a) The grant of an Award shall be authorized by the Committee and shall be evidenced by an Award Agreement setting forth the Incentive or Incentives being granted, the total number of shares of Common Stock subject to the Incentive(s), the Option Price (if applicable), the Award Period, the Date of Grant, and such other terms, provisions, limitations, and performance objectives, as are approved by the Committee, but (i) not inconsistent with the Plan, (ii) to the extent an Award issued under the Plan is subject to Section 409A of the Code, in compliance with the applicable requirements of Section 409A of the Code and the regulations or other guidance issued thereunder, and (iii) to the extent the Committee determines that an Award shall comply with the requirements of Section 162(m) of the Code, in compliance with the applicable requirements of Section 162(m) of the Code and the regulations and other guidance issued thereunder. The Company shall execute an Award Agreement with a Participant after the Committee approves the issuance of an Award. Any Award granted pursuant to this Plan must be granted within ten (10) years of the date of adoption of this Plan. The Plan shall be submitted to the Company's stockholders for approval; however, the Committee may grant Awards under the Plan prior to the time of stockholder approval. Any such Award granted prior to such stockholder approval shall be made subject to such stockholder approval. The grant of an Award to a Participant shall not be deemed either to entitle the Participant to, or to disqualify the Participant from, receipt of any other Award under the Plan.

(b) If the Committee establishes a purchase price for an Award, the Participant must accept such Award within a period of thirty (30) days (or such shorter period as the Committee may specify) after the Date of Grant by executing the applicable Award Agreement and paying such purchase price.

(c) Any Award under this Plan that is settled in whole or in part in cash on a deferred basis may provide for interest equivalents to be credited with respect to such cash payment. Interest

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equivalents may be compounded and shall be paid upon such terms and conditions as may be specified by the grant.

**6.2 Option Price.** The Option Price for any share of Common Stock which may be purchased under a Nonqualified Stock Option for any share of Common Stock must be equal to or greater than the Fair Market Value of the share on the Date of Grant. The Option Price for any share of Common Stock which may be purchased under an Incentive Stock Option must be at least equal to the Fair Market Value of the share on the Date of Grant; if an Incentive Stock Option is granted to an Employee who owns or is deemed to own (by reason of the attribution rules of Section 424(d) of the Code) more than ten percent (10%) of the combined voting power of all classes of stock of the Company (or any parent or Subsidiary), the Option Price shall be at least 110% of the Fair Market Value of the Common Stock on the Date of Grant.

**6.3 Maximum ISO Grants.** The Committee may not grant Incentive Stock Options under the Plan to any Employee which would permit the aggregate Fair Market Value (determined on the Date of Grant) of the Common Stock with respect to which Incentive Stock Options (under this and any other plan of the Company and its Subsidiaries) are exercisable for the first time by such Employee during any calendar year to exceed \$100,000. To the extent any Stock Option granted under this Plan which is designated as an Incentive Stock Option exceeds this limit or otherwise fails to qualify as an Incentive Stock Option, such Stock Option (or any such portion thereof) shall be a Nonqualified Stock Option. In such case, the Committee shall designate which stock will be treated as Incentive Stock Option stock by causing the issuance of a separate stock certificate and identifying such stock as Incentive Stock Option stock on the Company's stock transfer records.

**6.4 Restricted Stock.** If Restricted Stock is granted to or received by a Participant under an Award (including a Stock Option), the Committee shall set forth in the related Award Agreement: (i) the number of shares of Common Stock awarded, (ii) the price, if any, to be paid by the Participant for such Restricted Stock and the method of payment of the price, (iii) the time or times within which such Award may be subject to forfeiture, (iv) specified Performance Goals of the Company, a Subsidiary, any division thereof or any group of Employees of the Company, or other criteria, which the Committee determines must be met in order to remove any restrictions (including vesting) on such Award, and (v) all other terms, limitations, restrictions, and conditions of the Restricted Stock, which shall be consistent with this Plan, to the extent applicable and in the event the Committee determines that an Award shall comply with the requirements of Section 162(m) of the Code, in compliance with the requirements of Section 162(m) of the Code and the regulations and other guidance issued thereunder and, to the extent Restricted Stock granted under the Plan is subject to Section 409A of the Code, in compliance with the applicable requirements of Section 409A of the Code and the regulations or other guidance issued thereunder. The provisions of Restricted Stock need not be the same with respect to each Participant.

(a) **Legend on Shares.** The Company shall electronically register the Restricted Stock awarded to a Participant in the name of such Participant, which shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Stock, substantially as provided in *Section 16.9* of the Plan. No stock certificate or certificates shall be issued with respect to such shares of Common Stock, unless, following the expiration of the Restriction Period (as defined in *Section 6.4(b)(i)*) without forfeiture in respect of such shares of Common Stock, the Participant requests delivery of the certificate or certificates by submitting a written request to the Committee (or such party designated by the Company) requesting delivery of the certificates. The Company shall deliver the certificates requested by the Participant to the Participant as soon as administratively practicable following the Company's receipt of such request.

**(b) Restrictions and Conditions.** Shares of Restricted Stock shall be subject to the following restrictions and conditions:

(i) Subject to the other provisions of this Plan and the terms of the particular Award Agreements, during such period as may be determined by the Committee commencing on the Date of Grant or the date of exercise of an Award (the "**Restriction Period**"), the Participant shall not be permitted to sell, transfer, pledge or assign shares of Restricted Stock. Except for these limitations and subject to the provisions of *Section 8.2* below, the Committee may in its sole discretion, remove any or all of the restrictions on such Restricted Stock whenever it may determine that, by reason of changes in Applicable Laws or other changes in circumstances arising after the date of the Award, such action is appropriate.

(ii) Except as provided in sub-paragraph (i) above or in the applicable Award Agreement, the Participant shall have, with respect to his or her Restricted Stock, all of the rights of a stockholder of the Company, including the right to vote the shares, and the right to receive any dividends thereon. The Company shall electronically register the Restricted Stock in the name of the Participant, but shall not issue certificates for the Restricted Stock unless the Participant requests delivery of the certificates for the Restricted Stock, in writing in accordance with the procedures established by the Committee. A Participant may only request delivery of certificates for shares of Common Stock free of restriction under this Plan after the Restriction Period expires without forfeiture in respect of such shares of Common Stock or after any other restrictions imposed on such shares of Common Stock by the applicable Award Agreement or other agreement have expired. Each Award Agreement shall require that (x) each Participant, by his or her acceptance of Restricted Stock, shall irrevocably grant to the Company a power of attorney to transfer any shares so forfeited to the Company and agrees to execute any documents requested by the Company in connection with such forfeiture and transfer, and (y) such provisions regarding returns and transfers of stock certificates with respect to forfeited shares of Common Stock shall be specifically performable by the Company in a court of equity or law.

(iii) The Restriction Period of Restricted Stock shall commence on the Date of Grant or the date of exercise of an Award, as specified in the Award Agreement, and, subject to *Article 13* of the Plan, unless otherwise established by the Committee in the Award Agreement setting forth the terms of the Restricted Stock, shall expire upon satisfaction of the conditions set forth in the Award Agreement; such conditions may provide for vesting based on such Performance Goals, as may be determined by the Committee in its sole discretion.

(iv) Except as otherwise provided in the particular Award Agreement, upon Termination of Service for any reason during the Restriction Period, the nonvested shares of Restricted Stock shall be forfeited by the Participant. In the event a Participant has paid any consideration to the Company for such forfeited Restricted Stock, the Committee shall specify in the Award Agreement that either (i) the Company shall be obligated to, or (ii) the Company may, in its sole discretion, elect to, pay to the Participant, as soon as practicable after the event causing forfeiture, in cash, an amount equal to the lesser of the total consideration paid by the Participant for such forfeited shares or the Fair Market Value of such forfeited shares as of the date of Termination of Service, as the Committee, in its sole discretion shall select. Upon any forfeiture, all rights of a Participant with respect to the forfeited shares of the Restricted Stock shall cease and terminate, without any further obligation on the part of the Company.

**6.5 SARs.** The Committee may grant SARs to any Participant, either as a separate Award or in connection with a Stock Option. SARs shall be subject to such terms and conditions as the Committee shall impose, provided that such terms and conditions are (i) not inconsistent with the Plan, (ii) to the extent a SAR issued under the Plan is subject to Section 409A of the Code, in compliance with the

applicable requirements of Section 409A of the Code and the regulations or other guidance issued thereunder, and (iii) to the extent the Committee determines that a SAR shall comply with the requirements of Section 162(m) of the Code and the regulations and other guidance issued thereunder, in compliance with the applicable requirements of Section 162(m) of the Code and the regulations or other guidance issued thereunder. The grant of the SAR may provide that the holder may be paid for the value of the SAR either in cash or in shares of Common Stock, or a combination thereof. In the event of the exercise of a SAR payable in shares of Common Stock, the holder of the SAR shall receive that number of whole shares of Common Stock having an aggregate Fair Market Value on the date of exercise equal to the value obtained by multiplying (i) the difference between the Fair Market Value of a share of Common Stock on the date of exercise over the SAR Price as set forth in such SAR (or other value specified in the agreement granting the SAR), by (ii) the number of shares of Common Stock as to which the SAR is exercised, with a cash settlement to be made for any fractional shares of Common Stock. The SAR Price for any share of Common Stock subject to a SAR may be equal to or greater than the Fair Market Value of the share on the Date of Grant. The Committee, in its sole discretion, may place a ceiling on the amount payable upon exercise of a SAR, but any such limitation shall be specified at the time that the SAR is granted.

**6.6 Restricted Stock Units.** Restricted Stock Units may be awarded or sold to any Participant under such terms and conditions as shall be established by the Committee, provided, however, that such terms and conditions are (i) not inconsistent with the Plan, (ii) to the extent a Restricted Stock Unit issued under the Plan is subject to Section 409A of the Code, in compliance with the applicable requirements of Section 409A of the Code and the regulations or other guidance issued thereunder, and (iii) to the extent the Committee determines that a Restricted Stock Unit shall comply with the requirements of Section 162(m) of the Code and the regulations and other guidance issued thereunder, in compliance with the applicable requirements of Section 162(m) of the Code and the regulations or other guidance issued thereunder. The grant of the Restricted Stock Units may provide that the holder may be paid for the value of the Restricted Stock Unit either in cash or in shares of Common Stock, or a combination thereof. Restricted Stock Units shall be subject to such restrictions as the Committee determines, including, without limitation, (a) a prohibition against sale, assignment, transfer, pledge, hypothecation or other encumbrance for a specified period; or (b) a requirement that the holder forfeit (or in the case of shares of Common Stock or units sold to the Participant, resell to the Company at cost) such shares or units in the event of Termination of Service during the period of restriction.

**6.7 Performance Awards.**

(a) The Committee may grant Performance Awards to one or more Participants. The terms and conditions of Performance Awards shall be specified at the time of the grant and may include provisions establishing the performance period, the Performance Goals to be achieved during a performance period, and the maximum or minimum settlement values, provided that such terms and conditions are (i) not inconsistent with the Plan and (ii) to the extent a Performance Award issued under the Plan is subject to Section 409A of the Code, in compliance with the applicable requirements of Section 409A of the Code and the regulations or other guidance issued thereunder. If the Performance Award is to be in shares of Common Stock, the Performance Awards may provide for the issuance of the shares of Common Stock at the time of the grant of the Performance Award or at the time of the certification by the Committee that the Performance Goals for the performance period have been met; provided, however, if shares of Common Stock are issued at the time of the grant of the Performance Award and if, at the end of the performance period, the Performance Goals are not certified by the Committee to have been fully satisfied, then, notwithstanding any other provisions of this Plan to the contrary, the Common Stock shall be forfeited in accordance with the terms of the grant to the extent the Committee determines that the Performance Goals were not met. The forfeiture of shares of Common Stock issued at the time of the grant of the Performance Award due to failure to achieve the established Performance Goals shall be separate from and in addition to any other restrictions provided for in

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this Plan that may be applicable to such shares of Common Stock. Each Performance Award granted to one or more Participants shall have its own terms and conditions.

To the extent the Committee determines that a Performance Award shall comply with the requirements of Section 162(m) of the Code and the regulations and other guidance issued thereunder, and if it is determined to be necessary in order to satisfy Section 162(m) of the Code, at the time of the grant of a Performance Award (other than a Stock Option) and to the extent permitted under Section 162(m) of the Code and the regulations issued thereunder, the Committee shall provide for the manner in which the Performance Goals shall be reduced to take into account the negative effect on the achievement of specified levels of the Performance Goals which may result from enumerated corporate transactions, events that are of an unusual nature or indicate infrequency of occurrence, extraordinary events, accounting changes and other similar occurrences which were unanticipated at the time the Performance Goal was initially established. In no event, however, may the Committee increase the amount earned under such a Performance Award, unless the reduction in the Performance Goals would reduce or eliminate the amount to be earned under the Performance Award and the Committee determines not to make such reduction or elimination.

With respect to a Performance Award that is not intended to satisfy the requirements of Code Section 162(m), if the Committee determines, in its sole discretion, that the established performance measures or objectives are no longer suitable because of a change in the Company's business, operations, corporate structure, or for other reasons that the Committee deemed satisfactory, the Committee may modify the performance measures or objectives and/or the performance period.

(b) Performance Awards may be valued by reference to the Fair Market Value of a share of Common Stock or according to any formula or method deemed appropriate by the Committee, in its sole discretion, including, but not limited to, achievement of Performance Goals or other specific financial, production, sales or cost performance objectives that the Committee believes to be relevant to the Company's business and/or remaining in the employ of the Company or a Subsidiary for a specified period of time. Performance Awards may be paid in cash, shares of Common Stock, or other consideration, or any combination thereof. If payable in shares of Common Stock, the consideration for the issuance of such shares may be the achievement of the performance objective established at the time of the grant of the Performance Award. Performance Awards may be payable in a single payment or in installments and may be payable at a specified date or dates or upon attaining the performance objective. The extent to which any applicable performance objective has been achieved shall be conclusively determined by the Committee.

(c) Notwithstanding the foregoing, in order to comply with the requirements of Section 162(m) of the Code, if applicable, no Participant may receive in any calendar year Performance Awards intended to comply with the requirements of Section 162(m) of the Code which have an aggregate value of more than \$1,000,000, and if such Performance Awards involve the issuance of shares of Common Stock, said aggregate value shall be based on the Fair Market Value of such shares on the time of the grant of the Performance Award. In no event, however, shall any Performance Awards not intended to comply with the requirements of Section 162(m) of the Code be issued contingent upon the failure to attain the Performance Goals applicable to any Performance Awards granted hereunder that the Committee intends to comply with the requirements of Section 162(m) of the Code.

(d) Notwithstanding anything to the contrary contained herein, any Performance Awards of Restricted Stock or Restricted Stock Units or other Performance Awards based on shares of Common Stock, or in whole or in part on the value of the underlying Common Stock or other securities of the Company, may not provide for the payment of dividends or dividend equivalents during the performance period, but may only provide that dividends or dividend equivalents

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accrued during the performance period shall be payable at the time such Performance Awards vest and are paid.

**6.8 Dividend Equivalent Rights.** The Committee may grant a Dividend Equivalent Right to any Participant, either as a component of another Award or as a separate Award. The terms and conditions of the Dividend Equivalent Right shall be specified by the grant. Dividend equivalents credited to the holder of a Dividend Equivalent Right may be paid currently or may be deemed to be reinvested in additional shares of Common Stock (which may thereafter accrue additional dividend equivalents). Any such reinvestment shall be at the Fair Market Value at the time thereof. Dividend Equivalent Rights may be settled in cash or shares of Common Stock, or a combination thereof, in a single payment or in installments. A Dividend Equivalent Right granted as a component of another Award may provide that such Dividend Equivalent Right shall be settled upon exercise, settlement, or payment of, or lapse of restrictions on, such other Award, and that such Dividend Equivalent Right granted as a component of another Award may also contain terms and conditions different from such other Award.

**6.9 Other Awards.** The Committee may grant to any Participant other forms of Awards, based upon, payable in, or otherwise related to, in whole or in part, shares of Common Stock, if the Committee determines that such other form of Award is consistent with the purpose and restrictions of this Plan. The terms and conditions of such other form of Award shall be specified by the grant. Such Other Awards may be granted for no cash consideration, for such minimum consideration as may be required by Applicable Law, or for such other consideration as may be specified by the grant.

**6.10 Performance Goals.** Awards of Restricted Stock, Restricted Stock Units, Performance Award and Other Awards (whether relating to cash or shares of Common Stock) under the Plan may be made subject to the attainment of Performance Goals relating to one or more business criteria which, where applicable, shall be within the meaning of Section 162(m) of the Code and consist of one or more or any combination of the following criteria: operating income; net income; cash flow; cost; revenues, revenue growth, revenue ratios; sales; ratio of debt to debt plus equity; net borrowing, credit quality or debt ratings; profit before tax; economic profit; earnings before interest and taxes; earnings before interest, taxes, depreciation and amortization or other measures of cash flow; gross margin; operating margins; earnings per share (whether on a pre-tax, after-tax, operational or other basis); operating earnings; capital expenditures; aggregate product price and other product measures; expenses or cost levels; economic value added; ratio of operating earnings to capital spending or any other operating ratios; free cash flow; operating profit; net profit; net sales or changes in net sales; net earnings; growth in operating earnings or growth in earnings per share; value of assets; net asset value per share; the accomplishment of mergers, acquisitions, dispositions, public offerings or similar extraordinary business transactions; sales growth; price of the Company's Common Stock, stockholder value, or total market value; return on net assets, return on invested capital or other return measures, including return or net return on working assets, equity, capital, or net sales; market share or market penetration with respect to specific designated products or product groups and/or specific geographic areas; inventory and/or receivables control, inventory levels, inventory turn or shrinkage; total return to stockholders, stockholders return based on growth measures or the attainment by the shares of a specified value for a specified period of time, share price or share price appreciation; reduction of losses, loss ratios or expense ratios; reduction in fixed assets; operating cost management; management of capital structure; debt reduction; productivity improvements; satisfaction of specified business expansion goals or goals relating to acquisitions or divestitures; customer satisfaction based on specified objective goals or a Company-sponsored customer survey; customer growth; employee diversity goals; employee turnover; specified objective social goals; safety record; or store sales or productivity ("**Performance Criteria**"). Any Performance Criteria may be used to measure the performance of the Company as a whole or any business unit of the Company and may be measured relative to a peer group or index. Any Performance Criteria may include or exclude (i) events that are of an unusual nature or indicate infrequency of occurrence, (ii) gains or losses on the disposition of a business, (iii) changes in tax or accounting regulations or laws, (iv) the effect of a merger or acquisition, as

identified in the Company's quarterly and annual earnings releases, or (v) other similar occurrences. In all other respects, Performance Criteria shall be calculated in accordance with the Company's financial statements, under generally accepted accounting principles, or under a methodology established by the Committee prior to the issuance of an Award which is consistently applied and identified in the audited financial statements, including footnotes, or the Compensation Discussion and Analysis section of the Company's annual report and/or proxy. However, to the extent Section 162(m) of the Code is applicable, the Committee may not in any event increase the amount of compensation payable to an individual upon the attainment of a Performance Goal.

**6.11 Tandem Awards.** The Committee may grant two or more Incentives in one Award in the form of a "tandem Award," so that the right of the Participant to exercise one Incentive shall be canceled if, and to the extent, the other Incentive is exercised. For example, if a Stock Option and a SAR are issued in a tandem Award, and the Participant exercises the SAR with respect to 100 shares of Common Stock, the right of the Participant to exercise the related Stock Option shall be canceled to the extent of 100 shares of Common Stock.

**6.12 No Repricing of Stock Options or SARs.** The Committee may not, without the approval of the Company's stockholders, "reprice" any Stock Option or SAR. For purposes of this *Section 6.12*, "reprice" means any of the following or any other action that has the same effect: (i) amending a Stock Option or SAR to reduce its exercise price or base price, (ii) canceling a Stock Option or SAR at a time when its exercise price or base price exceeds the Fair Market Value of a share of Common Stock in exchange for cash or a Stock Option, SAR, award of Restricted Stock or other equity award with an exercise price or base price less than the exercise price or base price of the original Stock Option or SAR, or (iii) taking any other action that is treated as a repricing under generally accepted accounting principles, provided that nothing in this *Section 6.12* shall prevent the Committee from making adjustments pursuant to *Article 11*, from exchanging or cancelling Incentives pursuant to *Article 12*, or substituting Incentives in accordance with *Article 14*.

**6.13 Recoupment for Restatements.** Notwithstanding any other language in this Plan to the contrary, the Company may recoup all or any portion of any shares or cash paid to a Participant in connection with an Award, in the event of a restatement of the Company's financial statements as set forth in the Company's clawback policy, if any, approved by the Company's Board from time to time.

## ARTICLE 7 OUTSIDE DIRECTOR GRANTS

**7.1 Automatic Grants.** Subject to the terms and conditions of this Plan, each Outside Director of the Company who does not elect to decline to participate in the Plan, shall automatically be granted Restricted Stock Units as follows: (a) on the date of each Annual Stockholders Meeting (as used herein, "Annual Stockholders Meeting" shall be the meeting at which the Company's Board of Directors, or any class thereof, is annually elected), each Outside Director (including an individual who first becomes an Outside Director at such Annual Stockholders Meeting) shall automatically be granted a number of Restricted Stock Units equal to the number of shares of Common Stock having an aggregate Fair Market Value of \$130,000 (rounded down to the closest whole number) on the Date of Grant, so long as such Outside Director has not suffered a Termination of Service as an Outside Director prior to such date; and (b) each individual who first becomes an Outside Director (other than at any Annual Stockholders Meeting), shall automatically be granted as of the effective date of appointment as an Outside Director a pro-rated number of Restricted Stock Units that would have been granted to such individual if he or she had been elected as an Outside Director during the immediately preceding Annual Stockholders Meeting; the number of Restricted Stock Units shall be pro-rated based on the number of days between the date such individual first became an Outside Director and the date that is one year from the immediately preceding Annual Stockholders Meeting, over 365. Notwithstanding the foregoing, in the case of any grant of Restricted Stock Units made



pursuant to this *Section 7.1*, such grant shall only be made if the number of shares subject to grant under this *Section 7.1* is sufficient to make all automatic grants required to be made pursuant to this *Section 7.1* on such Date of Grant.

**7.2 Vesting and Forfeiture.** Subject to certain restrictions and conditions set forth in this Plan, any Restricted Stock Units granted pursuant to this *Article 7* shall become one hundred percent (100%) vested and convertible into shares of Common Stock (i) for grants made on the date of an Annual Stockholders Meeting, on the earlier of the first anniversary of the Date of Grant or the first Annual Stockholders Meeting following the Date of Grant, provided the Outside Director is providing services to the Company or a Subsidiary on such date; and (ii) for grants made to an individual first being appointed an Outside Director other than on the date of an Annual Stockholders Meeting, one year from the Date of Grant. 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 shall immediately become one hundred percent (100%) vested and convertible into shares of Common Stock. On the date such Restricted Stock Units become vested or as soon as practicable thereafter, the Company shall deliver to the Outside Director the number of shares of Common Stock equal to the number of vested Restricted Stock Units. Except as otherwise provided herein, each Outside Director's Restricted Stock Units granted pursuant to this *Article 7* shall terminate and be forfeited on the date of his or her Termination of Service for any reason other than death, to the extent such Restricted Stock Units are unvested on the date of his or her Termination of Service.

## ARTICLE 8 AWARD PERIOD; VESTING

**8.1 Award Period.** Subject to the other provisions of this Plan, the Committee may, in its discretion, provide that an Incentive may not be exercised in whole or in part for any period or periods of time or beyond any date specified in the Award Agreement. Except as provided in the Award Agreement, an Incentive may be exercised in whole or in part at any time during its term. The Award Period for an Incentive shall be reduced or terminated upon Termination of Service. No Incentive granted under the Plan may be exercised at any time after the end of its Award Period. No portion of any Incentive may be exercised after the expiration of ten (10) years from its Date of Grant. However, if an Employee owns or is deemed to own (by reason of the attribution rules of Section 424(d) of the Code) more than ten percent (10%) of the combined voting power of all classes of stock of the Company (or any parent or Subsidiary) and an Incentive Stock Option is granted to such Employee, the term of such Incentive Stock Option (to the extent required by the Code at the time of grant) shall be no more than five (5) years from the Date of Grant.

### **8.2 Vesting.**

(a) **General.** Except as otherwise provided by *Section 8.2(b)*, the Committee, in its sole discretion, may determine that an Incentive will be immediately vested in whole or in part, or that all or any portion may not be vested until a date, or dates, subsequent to its Date of Grant, or until the occurrence of one or more specified events, subject in any case to the terms of the Plan. If the Committee imposes conditions upon vesting, then, except as otherwise provided by *Section 8.2(b)*, subsequent to the Date of Grant, the Committee may, in its sole discretion, accelerate the date on which all or any portion of the Incentive may be vested; provided, however, that shares of Common Stock underlying all or any portion of a Nonqualified Stock Option or Incentive Stock Option for which the Committee accelerates the vesting date other than in the event of the Participant's death, Total and Permanent Disability, or Retirement or the occurrence of a Change in Control shall be Exempt Shares.

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(b) **Full Value Award Vesting.** Except as otherwise provided herein, the Committee must grant all Full Value Awards in accordance with the following provisions:

(i) All Full Value Awards granted by the Committee that constitute Performance Awards must vest no earlier than one (1) year after the Date of Grant.

(ii) All Full Value Awards granted by the Committee that constitute Tenure Awards must vest no earlier than over the three (3) year period commencing on the Date of Grant on a pro rata basis.

(iii) The Committee may not accelerate the date on which all or any portion of a Full Value Award may be vested or waive the Restriction Period on a Full Value Award except upon the Participant's death, Total and Permanent Disability, or Retirement or the occurrence of a Change in Control.

Notwithstanding the foregoing, the Committee may, in its sole discretion, grant Full Value Awards with more favorable vesting provisions than set forth in this *Section 8.2(b)* or accelerate the vesting or waive the Restriction Period for Full Value Awards at any time, provided that the shares of Common Stock subject to such Awards shall be Exempt Shares.

### ARTICLE 9 EXERCISE OR CONVERSION OF INCENTIVE

**9.1 In General.** A vested Incentive may be exercised or converted, during its Award Period, subject to limitations and restrictions set forth in the Award Agreement

**9.2 Securities Law and Exchange Restrictions.** In no event may an Incentive be exercised or shares of Common Stock be issued pursuant to an Award if a necessary listing or quotation of the shares of Common Stock on a stock exchange or inter-dealer quotation system or any registration under state or federal securities laws required under the circumstances has not been accomplished.

#### **9.3 Exercise of Stock Option.**

(a) **In General.** If a Stock Option is exercisable prior to the time it is vested, the Common Stock obtained on the exercise of the Stock Option shall be Restricted Stock which is subject to the applicable provisions of the Plan and the Award Agreement. If the Committee imposes conditions upon exercise, then subsequent to the Date of Grant, the Committee may, in its sole discretion, accelerate the date on which all or any portion of the Stock Option may be exercised. No Stock Option may be exercised for a fractional share of Common Stock. The granting of a Stock Option shall impose no obligation upon the Participant to exercise that Stock Option.

(b) **Notice and Payment.** Subject to such administrative regulations as the Committee may from time to time adopt, a Stock Option may be exercised by the delivery of notice (in writing, electronically, or telephonically) to the Committee (or such person or persons designated by the Committee) setting forth the number of shares of Common Stock with respect to which the Stock Option is to be exercised (the "*Exercise Notice*"). The date of exercise (the "*Exercise Date*") with respect to any Stock Option shall be the date that the Participant has delivered both the Exercise Notice and consideration to the Company with a value equal to the total Option Price of the shares to be purchased, plus any employment tax withholding or other tax payment due with respect to such Award, payable as provided in the Award Agreement, which may provide for payment in any one or more of the following ways: (a) cash or check, bank draft, or money order payable to the order of the Company and in U.S. dollars, (b) Common Stock (including Restricted Stock) owned by the Participant on the Exercise Date, valued at its Fair Market Value on the Exercise Date, (c) by delivery (including by FAX or electronic transmission) to the Company or its designated agent of an executed irrevocable option exercise form (or, to the extent permitted by the Company, exercise instructions, which may be communicated in writing, telephonically, or

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electronically) together with irrevocable instructions from the Participant to a broker or dealer, reasonably acceptable to the Company, to sell certain of the shares of Common Stock purchased upon exercise of the Stock Option or to pledge such shares as collateral for a loan and promptly deliver to the Company the amount of sale or loan proceeds necessary to pay such purchase price, and/or (d) in any other form of valid consideration that is acceptable to the Committee in its sole discretion. In the event that shares of Restricted Stock are tendered as consideration for the exercise of a Stock Option, a number of shares of Common Stock issued upon the exercise of the Stock Option equal to the number of shares of Restricted Stock used as consideration therefor shall be subject to the same restrictions and provisions as the Restricted Stock so tendered. If the Participant fails to deliver the consideration described in this *Section 9.3(b)* within three (3) business days of the date of the Exercise Notice, then the Exercise Notice shall be null and void and the Company will have no obligation to deliver any shares of Common Stock to the Participant in connection with such Exercise Notice.

**(c) Issuance of Certificate.** Except as otherwise provided in *Section 6.4* hereof (with respect to shares of Restricted Stock) or in the applicable Award Agreement, upon payment of all amounts due from the Participant, the Company shall cause the Common Stock then being purchased to be registered in the Participant's name (or the person exercising the Participant's Stock Option in the event of his or her death), but shall not issue certificates for the Common Stock unless the Participant (or such other person) requests delivery of the certificates for the Common Stock, in writing in accordance with the procedures established by the Committee. The Company shall deliver certificates to the Participant (or the person exercising the Participant's Stock Option in the event of his or her death) as soon as administratively practicable following the Company's receipt of a written request from the Participant (or such other person) for delivery of the certificates. Notwithstanding the forgoing, if the Participant has exercised an Incentive Stock Option, the Company may at its option retain physical possession of the certificate evidencing the shares acquired upon exercise until the expiration of the holding periods described in Section 422(a)(1) of the Code. Any obligation of the Company to deliver shares of Common Stock shall, however, be subject to the condition that, if at any time the Committee shall determine in its discretion that the listing, registration, or qualification of the Stock Option or the Common Stock upon any securities exchange or inter-dealer quotation system or under any state or federal law, or the consent or approval of any governmental regulatory body, is necessary as a condition of, or in connection with, the Stock Option or the issuance or purchase of shares of Common Stock thereunder, the Stock Option may not be exercised in whole or in part unless such listing, registration, qualification, consent, or approval shall have been effected or obtained free of any conditions not reasonably acceptable to the Committee.

**(d) Failure to Pay.** Except as may otherwise be provided in an Award Agreement, if the Participant fails to pay for any of the Common Stock specified in such notice or fails to accept delivery thereof, that portion of the Participant's Stock Option and right to purchase such Common Stock may be forfeited by the Participant, in the Committee's sole discretion.

**9.4 SARs.** Subject to the conditions of this *Section 9.4* and such administrative regulations as the Committee may from time to time adopt, a SAR may be exercised by the delivery (including by FAX) of written notice to the Committee setting forth the number of shares of Common Stock with respect to which the SAR is to be exercised and the Exercise Date, which with respect to any SAR shall be the date that the Participant has delivered both the written notice and consideration to the Company with a value equal to any employment tax withholding or other tax payment due with respect to such Award. Subject to the terms of the Award Agreement and only if permissible under Section 409A of the Code and the regulations or other guidance issued thereunder (or, if not so permissible, at such time as permitted by Section 409A of the Code and the regulations or other guidance issued thereunder), the

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Participant shall receive from the Company in exchange therefor in the discretion of the Committee, and subject to the terms of the Award Agreement:

(i) cash in an amount equal to the excess (if any) of the Fair Market Value (as of the Exercise Date, or if provided in the Award Agreement, conversion, of the SAR) per share of Common Stock over the SAR Price per share specified in such SAR, multiplied by the total number of shares of Common Stock of the SAR being surrendered;

(ii) that number of shares of Common Stock having an aggregate Fair Market Value (as of the Exercise Date, or if provided in the Award Agreement, conversion, of the SAR) equal to the amount of cash otherwise payable to the Participant, with a cash settlement to be made for any fractional share interests; or

(iii) the Company may settle such obligation in part with shares of Common Stock and in part with cash.

The distribution of any cash or Common Stock pursuant to the foregoing sentence shall be made at such time as set forth in the Award Agreement.

**9.5 Disqualifying Disposition of Incentive Stock Option.** If shares of Common Stock acquired upon exercise of an Incentive Stock Option are disposed of by a Participant prior to the expiration of either two (2) years from the Date of Grant of such Stock Option or one (1) year from the transfer of shares of Common Stock to the Participant pursuant to the exercise of such Stock Option, or in any other disqualifying disposition within the meaning of Section 422 of the Code, such Participant shall notify the Company in writing of the date and terms of such disposition. A disqualifying disposition by a Participant shall not affect the status of any other Stock Option granted under the Plan as an Incentive Stock Option within the meaning of Section 422 of the Code.

### ARTICLE 10 AMENDMENT OR DISCONTINUANCE

Subject to the limitations set forth in this *Article 10*, the Board may at any time and from time to time, without the consent of the Participants, alter, amend, revise, suspend, or discontinue the Plan in whole or in part; provided, however, that no amendment for which stockholder approval is required either (i) by any securities exchange or inter-dealer quotation system on which the Common Stock is listed or traded or (ii) in order for the Plan and Incentives awarded under the Plan to continue to comply with Sections 162(m), 421, and 422 of the Code, including any successors to such Sections, or other Applicable Law, shall be effective unless such amendment shall be approved by the requisite vote of the stockholders of the Company entitled to vote thereon. Notwithstanding the foregoing, no amendment to the Plan that increases the benefits accrued to Participants, increases the maximum number of shares of Common Stock which may be issued under the Plan, reprices any Stock Options or modifies the requirements for participation in the Plan shall be effective unless such amendment shall be approved by the stockholders of the Company entitled to vote thereon in the manner set forth in the Company's articles of incorporation and bylaws. Any amendments made pursuant to this *Article 10* shall, to the extent deemed necessary or advisable by the Committee, be applicable to any outstanding Incentives theretofore granted under the Plan, notwithstanding any contrary provisions contained in any Award Agreement. In the event of any such amendment to the Plan, the holder of any Incentive outstanding under the Plan shall, upon request of the Committee and as a condition to the exercisability thereof, execute a conforming amendment in the form prescribed by the Committee to any Award Agreement relating thereto. Notwithstanding anything contained in this Plan to the contrary, unless required by law, no action contemplated or permitted by this *Article 10* shall adversely affect any rights of Participants or obligations of the Company to Participants with respect to any Incentive theretofore granted under the Plan without the consent of the affected Participant. For purposes of clarity, any amendment to an existing Award resulting in a less favorable tax consequence

to a Participant under the Award shall not be considered to adversely affect the rights of the Participant.

**ARTICLE 11  
TERM**

The Plan shall be effective from the Effective Date. Unless sooner terminated by action of the Board, the Plan will terminate on the tenth anniversary of the Effective Date, but Incentives granted before that date will continue to be effective in accordance with their terms and conditions.

**ARTICLE 12  
CAPITAL ADJUSTMENTS**

In the event that any dividend or other distribution (whether in the form of cash, Common Stock, other securities, or other property), recapitalization, stock split, reverse stock split, rights offering, reorganization, merger, consolidation, split-up, spin-off, split-off, combination, subdivision, repurchase, or exchange of Common Stock or other securities of the Company, issuance of warrants or other rights to purchase Common Stock or other securities of the Company, or other similar corporate transaction or event affects the fair value of an Award, then the Committee shall adjust any or all of the following so that the fair value of the Award immediately after the transaction or event is equal to the fair value of the Award immediately prior to the transaction or event (i) the number of shares and type of Common Stock (or the securities or property) which thereafter may be made the subject of Awards, (ii) the number of shares and type of Common Stock (or other securities or property) subject to outstanding Awards, (iii) the number of shares and type of Common Stock (or other securities or property) specified as the annual per-participant limitation under *Section 5.1* of the Plan, (iv) the Option Price of each outstanding Award, (v) the amount, if any, the Company pays for forfeited shares of Common Stock in accordance with *Section 6.4*, and (vi) the number of or SAR Price of shares of Common Stock then subject to outstanding SARs previously granted and unexercised under the Plan to the end that the same proportion of the Company's issued and outstanding shares of Common Stock in each instance shall remain subject to exercise at the same aggregate SAR Price; provided however, that the number of shares of Common Stock (or other securities or property) subject to any Award shall always be a whole number. Notwithstanding the foregoing, no such adjustment shall be made or authorized to the extent that such adjustment would cause the Plan or any Stock Option to violate Section 422 of the Code or Section 409A of the Code. Such adjustments shall be made in accordance with the rules of any securities exchange, stock market, or stock quotation system to which the Company is subject.

The computation of any adjustment under this *Article 12* shall be conclusive and shall be binding upon each affected Participant to the extent required by Applicable Law, upon the occurrence of any such adjustment, the Company shall provide notice to each affected Participant of its computation of such adjustment.

**ARTICLE 13  
RECAPITALIZATION, MERGER AND CONSOLIDATION**

**13.1 No Effect on Company's Authority.** The existence of this Plan and Incentives granted hereunder shall not affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations, or other changes in the Company's capital structure and its business, or any Change in Control, or any merger or consolidation of the Company, or any issuance of bonds, debentures, preferred or preference stocks ranking prior to or otherwise affecting the Common Stock or the rights thereof (or any rights, options, or warrants to purchase same), or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

**13.2 Conversion of Incentives Where Company Survives.** Subject to any required action by the stockholders and except as otherwise provided by *Section 13.4* hereof or as may be required to comply with Section 409A of the Code and the regulations or other guidance issued thereunder, if the Company shall be the surviving or resulting corporation in any merger, consolidation or share exchange, any Incentive granted hereunder shall pertain to and apply to the securities or rights (including cash, property, or assets) to which a holder of the number of shares of Common Stock subject to the Incentive would have been entitled.

**13.3 Exchange or Cancellation of Incentives Where Company Does Not Survive.** Except as otherwise provided by *Section 13.4* hereof or as may be required to comply with Section 409A of the Code and the regulations or other guidance issued thereunder, in the event the acquiror or the surviving or resulting corporation does not agree to assume the Incentives or in the event of any merger, consolidation or share exchange pursuant to which the Company is not the surviving or resulting corporation, there shall be substituted for each share of Common Stock subject to the unexercised portions of outstanding Incentives, that number of shares of each class of stock or other securities or that amount of cash, property, or assets of the surviving, resulting or consolidated company which were distributed or distributable to the stockholders of the Company in respect to each share of Common Stock held by them, such outstanding Incentives to be thereafter exercisable for such stock, securities, cash, or property in accordance with their terms.

**13.4 Cancellation of Incentives.** Notwithstanding the provisions of *Sections 13.2 and 13.3* hereof, and except as may be required to comply with Section 409A of the Code and the regulations or other guidance issued thereunder, in the event the acquirer or the surviving or resulting corporation does not agree to assume the Incentives, all Incentives granted hereunder may be canceled by the Company, in its sole discretion, as of the effective date of any Change in Control, merger, consolidation or share exchange, or any issuance of bonds, debentures, preferred or preference stocks ranking prior to or otherwise affecting the Common Stock or the rights thereof (or any rights, options, or warrants to purchase same), or of any proposed sale of all or substantially all of the assets of the Company, or of any dissolution or liquidation of the Company, by either:

(a) giving notice to each holder thereof or his personal representative of its intention to cancel those Incentives for which the issuance of shares of Common Stock involved payment by the Participant for such shares, and permitting the purchase during the thirty (30) day period next preceding such effective date of any or all of the shares of Common Stock subject to such outstanding Incentives, including in the Committee's discretion some or all of the shares as to which such Incentives would not otherwise be vested and exercisable; or

(b) in the case of Incentives that are either (i) settled only in shares of Common Stock, or (ii) at the election of the Participant, settled in shares of Common Stock, paying the holder thereof an amount equal to a reasonable estimate of the difference between the net amount per share payable in such transaction or as a result of such transaction, and the price per share of such Incentive to be paid by the Participant (hereinafter the "*Spread*"), multiplied by the number of shares subject to the Incentive. In cases where the shares constitute, or would after exercise, constitute Restricted Stock, the Company, in its discretion, may include some or all of those shares in the calculation of the amount payable hereunder. In estimating the Spread, appropriate adjustments to give effect to the existence of the Incentives shall be made, such as deeming the Incentives to have been exercised, with the Company receiving the exercise price payable thereunder, and treating the shares receivable upon exercise of the Incentives as being outstanding in determining the net amount per share. In cases where the proposed transaction consists of the acquisition of assets of the Company, the net amount per share shall be calculated on the basis of the net amount receivable with respect to shares of Common Stock upon a distribution and liquidation by the Company after giving effect to expenses and charges, including but not limited to taxes, payable by the Company before such liquidation could be completed.

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An Award that by its terms would be fully vested or exercisable upon a Change in Control will be considered vested or exercisable for purposes of *Section 13.4(a)* hereof. Notwithstanding the foregoing, with respect to Performance Awards, the Committee only may approve the acceleration of vesting and/or cash-out if (i) the amount payable or vested is linked to the achievement of the Performance Goals for such Performance Award as of the date of the Change in Control and/or (ii) the amount to be paid or vested under the Performance Award on the Change in Control is prorated based on the time elapsed in the applicable performance period between the Performance Award's Date of Grant and the Change in Control.

### ARTICLE 14 LIQUIDATION OR DISSOLUTION

Subject to *Section 13.4* hereof, in case the Company shall, at any time while any Incentive under this Plan shall be in force and remain unexpired, (i) sell all or substantially all of its property, or (ii) dissolve, liquidate, or wind up its affairs, then each Participant shall be entitled to receive, in lieu of each share of Common Stock of the Company which such Participant would have been entitled to receive under the Incentive, the same kind and amount of any securities or assets as may be issuable, distributable, or payable upon any such sale, dissolution, liquidation, or winding up with respect to each share of Common Stock of the Company. If the Company shall, at any time prior to the expiration of any Incentive, make any partial distribution of its assets, in the nature of a partial liquidation, whether payable in cash or in kind (but excluding the distribution of a cash dividend payable out of earned surplus and designated as such) and an adjustment is determined by the Committee to be appropriate to prevent the dilution of the benefits or potential benefits intended to be made available under the Plan, then the Committee shall, in such manner as it may deem equitable, make such adjustment in accordance with the provisions of *Article 12* hereof.

### ARTICLE 15 INCENTIVES IN SUBSTITUTION FOR INCENTIVES GRANTED BY OTHER ENTITIES

Incentives may be granted under the Plan from time to time in substitution for similar instruments held by employees, independent contractors or directors of a corporation, partnership, or limited liability company who become or are about to become Employees, Contractors or Outside Directors of the Company or any Subsidiary as a result of a merger or consolidation of the employing corporation with the Company, the acquisition by the Company of equity of the employing entity, or any other similar transaction pursuant to which the Company becomes the successor employer. The terms and conditions of the substitute Incentives so granted may vary from the terms and conditions set forth in this Plan to such extent as the Committee at the time of grant may deem appropriate to conform, in whole or in part, to the provisions of the incentives in substitution for which they are granted.

### ARTICLE 16 MISCELLANEOUS PROVISIONS

**16.1 Investment Intent.** The Company may require that there be presented to and filed with it by any Participant under the Plan, such evidence as it may deem necessary to establish that the Incentives granted or the shares of Common Stock to be purchased or transferred are being acquired for investment and not with a view to their distribution.

**16.2 No Right to Continued Employment.** Neither the Plan nor any Incentive granted under the Plan shall confer upon any Participant any right with respect to continuance of employment by the Company or any Subsidiary.

**16.3 Indemnification of Board and Committee.** No member of the Board or the Committee, nor any officer or Employee of the Company acting on behalf of the Board or the Committee, shall be personally liable for any action, determination, or interpretation taken or made in good faith with respect to the Plan, and all members of the Board and the Committee, each officer of the Company, and each Employee of the Company acting on behalf of the Board or the Committee shall, to the extent permitted by law, be fully indemnified and protected by the Company in respect of any such action, determination, or interpretation to the fullest extent provided by law. Except to the extent required by any unwaivable requirement under Applicable Law, no member of the Board or the Committee (and no Subsidiary of the Company) shall have any duties or liabilities, including without limitation any fiduciary duties, to any Participant (or any Person claiming by and through any Participant) as a result of this Plan, any Award Agreement or any Claim arising hereunder and, to the fullest extent permitted under Applicable Law, each Participant (as consideration for receiving and accepting an Award Agreement) irrevocably waives and releases any right or opportunity such Participant might have to assert (or participate or cooperate in) any Claim against any member of the Board or the Committee and any Subsidiary of the Company arising out of this Plan.

**16.4 Effect of the Plan.** Neither the adoption of this Plan nor any action of the Board or the Committee shall be deemed to give any person any right to be granted an Award or any other rights except as may be evidenced by an Award Agreement, or any amendment thereto, duly authorized by the Committee and executed on behalf of the Company, and then only to the extent and upon the terms and conditions expressly set forth therein.

**16.5 Compliance with Other Laws and Regulations.** Notwithstanding anything contained herein to the contrary, the Company shall not be required to sell or issue shares of Common Stock under any Incentive if the issuance thereof would constitute a violation by the Participant or the Company of any provisions of any law or regulation of any governmental authority or any national securities exchange or inter-dealer quotation system or other forum in which shares of Common Stock are quoted or traded (including without limitation Section 16 of the Exchange Act and Section 162(m) of the Code); and, as a condition of any sale or issuance of shares of Common Stock under an Incentive, the Committee may require such agreements or undertakings, if any, as the Committee may deem necessary or advisable to assure compliance with any such law or regulation. The Plan, the grant and exercise of Incentives hereunder, and the obligation of the Company to sell and deliver shares of Common Stock, shall be subject to all applicable federal and state laws, rules and regulations and to such approvals by any government or regulatory agency as may be required.

**16.6 Foreign Participation.** To assure the viability of Awards granted to Participants employed in foreign countries, the Committee may provide for such special terms as it may consider necessary or appropriate to accommodate differences in local law, tax policy or custom. Moreover, the Committee may approve such supplements to, or amendments, restatements or alternative versions of, this Plan as it determines is necessary or appropriate for such purposes. Any such amendment, restatement or alternative versions that the Committee approves for purposes of using this Plan in a foreign country will not affect the terms of this Plan for any other country.

**16.7 Tax Requirements.** The Company or, if applicable, any Subsidiary (for purposes of this *Section 16.7*, the term "*Company*" shall be deemed to include any applicable Subsidiary), shall have the right to deduct from all amounts paid in cash or other form in connection with the Plan, any Federal, state, local, or other taxes required by law to be withheld in connection with an Award granted under this Plan. The Company may, in its sole discretion, also require the Participant receiving shares of Common Stock issued under the Plan to pay the Company the amount of any taxes that the Company is required to withhold in connection with the Participant's income arising with respect to the Award. Such payments shall be required to be made when requested by the Company and may be required to be made prior to the delivery of any certificate representing shares of Common Stock. Such payment may be made (i) by the delivery of cash to the Company in an amount that equals or exceeds (to avoid



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the issuance of fractional shares under (iii) below) the required tax withholding obligations of the Company; (ii) if the Company, in its sole discretion, so consents in writing, the actual delivery by the exercising Participant to the Company of shares of Common Stock, which shares so delivered have an aggregate Fair Market Value that equals or exceeds (to avoid the issuance of fractional shares under (iii) below) the required tax withholding payment; (iii) if the Company, in its sole discretion, so consents in writing, the Company's withholding of a number of shares to be delivered upon the exercise of the Stock Option, which shares so withheld have an aggregate Fair Market Value that equals or exceeds the required tax withholding payment; or (iv) any combination of (i), (ii), or (iii). To the extent the number of shares delivered in accordance with *Section 16.7(i) or (ii)* or withheld in accordance with *Section 16.7(iii)* exceeds the required tax withholding due, the Company shall make a cash payment to the Participant equal to the excess amount as soon as administratively practicable thereafter. The Company may, in its sole discretion, withhold any such taxes from any other cash remuneration otherwise paid by the Company to the Participant. The Committee may in the Award Agreement impose any additional tax, social insurance, fringe benefit, payment on account requirements or provisions that the Committee deems necessary or desirable.

**16.8 Assignability.** Incentive Stock Options may not be transferred, assigned, pledged, hypothecated or otherwise conveyed or encumbered other than by will or the laws of descent and distribution and may be exercised during the lifetime of the Participant only by the Participant or the Participant's legally authorized representative, and each Award Agreement in respect of an Incentive Stock Option shall so provide. The designation by a Participant of a beneficiary will not constitute a transfer of the Stock Option. The Committee may waive or modify any limitation contained in the preceding sentences of this *Section 16.8* that is not required for compliance with Section 422 of the Code.

Except as otherwise provided herein, Nonqualified Stock Options and SARs may not be transferred, assigned, pledged, hypothecated or otherwise conveyed or encumbered other than by will or the laws of descent and distribution or in accordance with the terms of a qualified domestic relations order. Notwithstanding the foregoing, the Committee may, in its discretion, authorize all or a portion of a Nonqualified Stock Option or SAR to be granted to a Participant on terms which permit transfer by such Participant to (i) the spouse (or former spouse), children or grandchildren of the Participant ("**Immediate Family Members**"), (ii) a trust or trusts for the exclusive benefit of such Immediate Family Members, (iii) a partnership in which the only partners are (1) such Immediate Family Members and/or (2) entities which are controlled by the Participant and/or Immediate Family Members, (iv) an entity exempt from federal income tax pursuant to Section 501(c)(3) of the Code or any successor provision, or (v) a split interest trust or pooled income fund described in Section 2522(c)(2) of the Code or any successor provision, *provided that* (x) there shall be no consideration for any such transfer, (y) the Award Agreement pursuant to which such Nonqualified Stock Option or SAR is granted must be approved by the Committee and must expressly provide for transferability in a manner consistent with this Section, and (z) subsequent transfers of transferred Nonqualified Stock Options or SARs shall be prohibited except those by will or the laws of descent and distribution.

Following any transfer, any such Nonqualified Stock Option and SAR shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer, provided that for purposes of *Articles 9, 10, 12, 14 and 16* hereof the term "Participant" shall be deemed to include the transferee. The events of Termination of Service shall continue to be applied with respect to the original Participant, following which the Nonqualified Stock Options and SARs shall be exercisable or convertible by the transferee only to the extent and for the periods specified in the Award Agreement. The Committee and the Company shall have no obligation to inform any transferee of a Nonqualified Stock Option or SAR of any expiration, termination, lapse or acceleration of such Stock Option or SAR. The Company shall have no obligation to register with any federal or state securities commission

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or agency any Common Stock issuable or issued under a Nonqualified Stock Option or SAR that has been transferred by a Participant under this *Section 16.8*.

**16.9 Use of Proceeds.** Proceeds from the sale of shares of Common Stock pursuant to Incentives granted under this Plan shall constitute general funds of the Company.

**16.10 Legend.** Each certificate representing shares of Restricted Stock issued to a Participant shall bear the following legend, or a similar legend deemed by the Company to constitute an appropriate notice of the provisions hereof (any such certificate not having such legend shall be surrendered upon demand by the Company and so endorsed):

On the face of the certificate:

"Transfer of this stock is restricted in accordance with conditions printed on the reverse of this certificate."

On the reverse:

"The shares of stock evidenced by this certificate are subject to and transferable only in accordance with that certain Fossil Group, Inc. 2016 Long-Term Incentive Plan, a copy of which is on file at the principal office of the Company in Dallas, Texas. No transfer or pledge of the shares evidenced hereby may be made except in accordance with and subject to the provisions of said Plan. By acceptance of this certificate, any holder, transferee or pledgee hereof agrees to be bound by all of the provisions of said Plan."

The following legend shall be inserted on a certificate evidencing Common Stock issued under the Plan if the shares were not issued in a transaction registered under the applicable federal and state securities laws:

"Shares of stock represented by this certificate have been acquired by the holder for investment and not for resale, transfer or distribution, have been issued pursuant to exemptions from the registration requirements of applicable state and federal securities laws, and may not be offered for sale, sold or transferred other than pursuant to effective registration under such laws, or in transactions otherwise in compliance with such laws, and upon evidence satisfactory to the Company of compliance with such laws, as to which the Company may rely upon an opinion of counsel satisfactory to the Company."

**16.11 Governing Law.** The Plan shall be governed by, construed, and enforced in accordance with the laws of the State of Delaware (excluding any conflict of laws, rule or principle of Delaware law that might refer the governance, construction, or interpretation of this Plan to the laws of another state). A Participant's sole remedy for any Claim shall be against the Company, and no Participant shall have any claim or right of any nature against any Subsidiary of the Company or any stockholder or existing or former director, officer or Employee of the Company or any Subsidiary of the Company. Each Award Agreement shall require the Participant to release and covenant not to sue any Person other than the Company over any Claims. The individuals and entities described above in this *Section 16.11* (other than the Company) shall be third-party beneficiaries of this Plan for purposes of enforcing the terms of this *Section 16.11*.

A copy of this Plan shall be kept on file in the principal office of the Company in Richardson, Texas.

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IN WITNESS WHEREOF, the Company has caused this instrument to be executed as of March 15, 2016, by its Chief Executive Officer and Secretary pursuant to prior action taken by the Board.

**FOSSIL GROUP, INC.**

By: /s/ KOSTA N. KARTSOTIS

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Name: Kosta N. Kartstotis  
Title: *Chairman and Chief Executive Officer*

Attest:

/s/ RANDY S. HYNE

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A-26

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**PROXY**

**FOSSIL GROUP, INC.**

**Annual Meeting of Stockholders**

**May 25, 2016 at 9:00 a.m., local time**

**This proxy is solicited by the Board of Directors**

The undersigned hereby appoints Randy S. Hyne and Heather Foster, or either of them, as proxies, each with the power to appoint his or her substitute, and hereby authorizes them to represent and vote, as designated on the reverse side of this proxy card, all of the shares of common stock of Fossil Group, Inc. that the undersigned is entitled to vote at the Annual Meeting of Stockholders to be held at 9:00 a.m., local time, on May 25, 2016, and any adjournment or postponement thereof.

This proxy, when properly executed, will be voted in the manner directed herein. If no such direction is made, this proxy will be voted in accordance with the Board of Directors' recommendations.

**(Continued and to be marked, dated and signed on other side)**

**PLEASE DETACH ALONG PERFORATED LINE AND MAIL IN THE ENVELOPE PROVIDED.**

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:**

**The Notice and Proxy Statement, Annual Report and Form 10-K are available at <http://viewproxy.com/fossil/2016>**

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**The Board of Directors recommends that you vote FOR each of the following 11 Director nominees**

**Please mark your votes like this X**

1. Election of Directors

	<b>FOR</b>	<b>AGAINST</b>	<b>ABSTAIN</b>
01 Elaine B. Agather	0	0	0
02 Jeffrey N. Boyer	0	0	0
03 William B. Chiasson	0	0	0
04 Mauria A. Finley	0	0	0
05 Kosta N. Kartsotis	0	0	0
06 Diane L. Neal	0	0	0
07 Thomas M. Nealon	0	0	0
08 Mark D. Quick	0	0	0
09 Elysia Holt Ragusa	0	0	0
10 James E. Skinner	0	0	0
11 James M. Zimmerman	0	0	0

**The Board of Directors recommends that you vote FOR proposals 2, 3 and 4:**

2 Proposal to approve, on an advisory basis, the compensation of the Company's named executive officers.

**FOR**  **AGAINST**  **ABSTAIN**

3 Proposal to approve the Fossil Group, Inc. 2016 Long-Term Incentive Plan.

**FOR**  **AGAINST**  **ABSTAIN**

4 Proposal to ratify the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2016.

**FOR**  **AGAINST**  **ABSTAIN**

**NOTE:** Such other business that may properly come before the meeting.

Date

Signature

Signature

(Joint Owners)

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Address Change/Comments: (If you noted any Address Changes and/or Comments above, please mark box.)

Please indicate if you plan to attend this meeting

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name, by authorized officer.

**CONTROL NUMBER**

**PLEASE DETACH ALONG PERFORATED LINE AND MAIL IN THE ENVELOPE PROVIDED.**

**CONTROL NUMBER**

### **PROXY VOTING INSTRUCTIONS**

Please have your 11-digit control number ready when voting by Internet or Telephone

#### **INTERNET**

**Vote Your Proxy on the Internet:**

**Go to [www.cesvote.com](http://www.cesvote.com)**

Have your proxy card available when you access the above website. Follow the prompts to vote your shares.

#### **TELEPHONE**

**Vote Your Proxy by Phone:**

**Call 1 (888) 693-8683**

Use any touch-tone telephone to vote your proxy. Have your proxy card available when you call. Follow the voting instructions to vote your shares.

#### **MAIL**

**Vote Your Proxy by Mail:**

Mark, sign, and date your proxy card, then detach it, and return it in the postage-paid envelope provided.

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HOW TO VOTE

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OTHER BUSINESS

DATE FOR RECEIPT OF STOCKHOLDER PROPOSALS

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