

bebe stores, inc.  
Form DEF 14A  
October 09, 2012

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A**

(Rule 14a-101)

**INFORMATION REQUIRED IN PROXY STATEMENT**

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of**

**the Securities Exchange Act of 1934 (Amendment No.     )**

Filed by the Registrant ☒

Filed by a Party other than the Registrant ☐

Check the appropriate box:

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

**bebe stores, inc.**

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- ☒ No fee required.
- ☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

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  - (1) Amount Previously Paid:
  - (2) Form, Schedule or Registration Statement No.:
  - (3) Filing Party:
  - (4) Date Filed:

**400 Valley Drive**

**Brisbane, California 94005**

**415-715-3900**

October 10, 2012

Dear Fellow Shareholders:

You are cordially invited to attend the Annual Meeting of Shareholders to be held on October 22, 2012 at 9:30 a.m. local time, at our executive offices located at 400 Valley Dr., Brisbane, California, 94005. I hope you will be able to attend and participate in the Annual Meeting, at which time we will have the opportunity to review the business and operations of our company.

The formal Notice of Annual Meeting of Shareholders and Proxy Statement are attached and describe the matters to be acted upon by our shareholders.

It is important that your shares be represented and voted at the Annual Meeting. Accordingly, after reading the attached Proxy Statement, please complete, date, sign and return the accompanying form of proxy. Your vote is important, regardless of the number of shares you own.

Sincerely yours,

Manny Mashouf

*Chief Executive Officer and*

*Chairman of the Board*

**400 Valley Drive**

**Brisbane, California 94005**

**415-715-3900**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**TO BE HELD OCTOBER 22, 2012**

**TO OUR SHAREHOLDERS:**

Notice is hereby given that the 2012 Annual Meeting of Shareholders (the "Annual Meeting") of bebe stores, inc., a California corporation ( "we", "bebe" or the "Company" ), will be held on October 22, 2012, at 9:30 a.m. local time, at our principal executive offices located at 400 Valley Drive, Brisbane, California 94005 for the following purposes:

1. To elect the five directors named in the Proxy Statement to hold office until the Company's 2013 Annual Meeting of Shareholders and until their successors are duly elected and qualified, or until their earlier resignation or removal;
2. To ratify the appointment of Deloitte and Touche LLP as our independent registered public accounting firm for the fiscal year ending July 6, 2013; and

3. To transact such other business as may properly come before the meeting.

Your board of directors recommends that you vote **FOR** the election of the director nominees listed in the Company's Proxy Statement for the Annual Meeting under the section caption "Election of Directors" and 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 July 6 2013. Shareholders of record at the close of business on September 26, 2012 are entitled to notice of, and to vote at, the meeting and adjournments or postponements of the meeting.

Sincerely yours,

Manny Mashouf

*Chief Executive Officer and*

*Chairman of the Board*

PLEASE COMPLETE, DATE AND SIGN THE ACCOMPANYING FORM OF PROXY AND RETURN IT IN THE ENVELOPE PROVIDED AS PROMPTLY AS POSSIBLE, WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING. IF YOU LATER DECIDE TO REVOKE YOUR PROXY FOR ANY REASON, YOU MAY DO SO IN THE MANNER DESCRIBED IN THE ATTACHED PROXY STATEMENT. IF YOU HOLD YOUR SHARES THROUGH AN ACCOUNT WITH A BROKERAGE FIRM, BANK, OR OTHER NOMINEE, PLEASE FOLLOW THE INSTRUCTIONS YOU RECEIVE FROM THE HOLDER OF RECORD TO VOTE YOUR SHARES.

400 Valley Drive

Brisbane, California 94005

## PROXY STATEMENT FOR ANNUAL MEETING OF SHAREHOLDERS

The accompanying proxy is solicited by the board of directors of bebe stores, inc., a California corporation, for use at our Annual Meeting of Shareholders to be held on October 22, 2012, or any adjournments or postponements of the meeting, for the purposes set forth in the accompanying Notice of Annual Meeting of Shareholders.

### GENERAL INFORMATION

#### *Annual Report*

Our annual report on Form 10-K for the fiscal year ended June 30, 2012 is enclosed with this proxy statement.

#### *Voting Securities*

Only shareholders of record as of the close of business on September 26, 2012 will be entitled to vote at the meeting and any adjournments or postponements of the meeting. As of that date, we had 84,392,464 shares of common stock outstanding, all of which are entitled to vote with respect to all matters to be acted upon at the

Annual Meeting of Shareholders. Shareholders may vote in person or by proxy. Each shareholder of record is entitled to one vote for each share of stock held by him, her, or it. Our bylaws provide that a majority of all of the shares of the stock entitled to vote, whether present in person or represented by proxy, shall constitute a quorum for the transaction of business at the meeting. Votes for and against, abstentions and broker non-votes will each be counted as present for purposes of determining the presence of a quorum.

We are mailing this proxy statement, the accompanying proxy card and the accompanying annual report on Form 10-K for the fiscal year ended June 30, 2012 on or about October 10, 2012 to all shareholders entitled to vote at the Annual Meeting.

#### *Shares Held in street name, Broker Non-Votes and Routine Matters*

If your shares are held of record by a broker, brokerage firm, broker-dealer, bank, or other nominee in a fiduciary capacity (typically referred to as being held in street name), you should review the information provided to you by the holder of record. This information will describe the procedures you must follow in instructing the holder of record how to vote your street name shares and how to revoke your previous instructions.

A broker non-vote occurs when a broker submits a proxy card with respect to shares held in street name but declines to vote on a particular matter because the broker has not received voting instructions from the beneficial owner. Under the rules that govern brokers who are voting with respect to shares held in street name, brokers have the discretion to vote such shares on routine matters even if they have not received voting instructions from the beneficial owner, but not on non-routine matters. The only proposal this year which is considered a routine matter is the ratification of the appointment of the Company's independent registered public accounting firm. The election of directors is considered non-routine, so your broker can only vote your shares if it receives voting instructions from you.

#### *Solicitation of Proxies*

We will bear the cost of soliciting proxies. In addition to soliciting shareholders by mail through our employees, we will request banks, brokers and other custodians, nominees and fiduciaries to solicit customers for whom they hold our stock and will reimburse them for their reasonable, out-of-pocket expenses. We may use the services of our officers, directors and others to solicit proxies, personally or by telephone, without additional compensation.



***Voting of Proxies***

All shares represented by a valid proxy received prior to the meeting will be voted, and where a shareholder specifies a choice with respect to any matter to be acted upon, the shares will be voted according to the specification made. If no choice is indicated on the proxy, except in the case of a broker non-vote, the shares will be voted as recommended by the board, and as follows: **FOR** the election of each of the director nominees listed under the caption **PROPOSAL 1 ELECTION OF DIRECTORS** and **FOR** the ratification of the appointment of Deloitte & Touche, LLP as the Company's independent public accounting firm for the year ending July 6, 2013, as described in **PROPOSAL 2 RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.**

A shareholder giving a proxy has the power to revoke his, her or its proxy, at any time prior to the time it is voted, by delivering to our Legal Department, at our principal offices located at 400 Valley Drive, Brisbane, California 94005, a written instrument revoking the proxy or a duly executed proxy with a later date, or by attending the meeting and voting in person.

***Delivery of Proxy Statement***

To reduce the expense of delivering duplicate voting materials to our shareholders who may have more than one bebe stock account in one household, with your consent and unless otherwise requested, we will only deliver one set of voting materials, which includes the proxy statement, proxy cards and the 2012 annual report on Form 10-K, to shareholders who share the same address.

If you share an address with another shareholder and have received only one set of voting materials, you may write or call us to request a separate copy of these materials at no cost to you. For future annual meetings, you may request separate voting materials, or request that we send only one set of voting materials to you if you are receiving multiple copies, by calling our Legal Department at: (415) 715-3900, or by writing to us at: bebe stores, inc., 400 Valley Drive, Brisbane, California 94005.

**NOTICE REGARDING INTERNET AVAILABILITY OF PROXY MATERIALS**

**Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to be Held on October 22, 2012: This proxy statement and our 2012 Annual Report on Form 10-K are available on the Investors Relations page at <http://www.bebe.com/b/2288217011>.**

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**PROPOSAL NO. 1****ELECTION OF DIRECTORS**

Our board of directors currently consists of five directors. At the recommendation of the board of directors Nominating and Corporate Governance Committee, the board of directors has designated five director nominees for election at the Annual Meeting of Shareholders. If elected, the nominees will serve as directors until our Annual Meeting of Shareholders in 2013 and until their respective successors are duly elected and qualified, or until their earlier resignation or removal. If a nominee declines to serve or becomes unavailable for any reason, or if another vacancy occurs before the election, although management knows of no reason to anticipate that this will occur, the proxies may be voted for such substitute nominee the board of directors may designate.

***Vote Required and Board of Directors Recommendation***

If a quorum representing a majority of all outstanding shares of common stock is present, either in person or by proxy, the five nominees for director receiving the highest number of votes for will be elected. If no choice is indicated, the shares will be voted in favor of election. Broker non-votes will be counted as present for purposes of determining the presence of a quorum, but will not have an effect on the outcome of the vote.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE NOMINEES LISTED BELOW.**

***Director Nominees***

The table below sets forth our director nominees to be elected at this meeting, along with their age and current position, followed by a summary of background and business experience for each. The information set forth in the table has been furnished to the Company by each nominee.

<b>Name</b>	<b>Age</b>	<b>Position</b>
Manny Mashouf	74	Chairman and Chief Executive Officer
Barbara Bass	61	Director
Cynthia Cohen	59	Lead Independent Director
Corrado Federico	71	Director
Caden Wang	60	Director

*Manny Mashouf* founded bebe stores, inc. and has served as Chairman of the Board since our incorporation in 1976. Mr. Mashouf served as our Chief Executive Officer from 1976 to February 2004 and reassumed the position in January 2009 and continues to serve in this capacity. As founder of the Company, and after serving as its Chief Executive Officer for 32 years, Mr. Mashouf has extensive knowledge of the Company's history, management, operations, and core customers. Mr. Mashouf has served on the board of Eternal Brands since 2012. Mr. Mashouf's wealth of industry and Company-specific knowledge, strategic vision and global approach to the business are instrumental in helping the board oversee the overall business and direction of the Company and make him uniquely qualified to sit on our board.

*Barbara Bass* has served as a director since February 1997. Ms. Bass has also served on the following boards of directors: DFS Group Limited, a worldwide luxury retailer catering to the traveling public (1994 until 2012); Starbucks Corporation (1996-2011); and UCSF Foundation which is the giving, receiving and investing arm for the University (1996-present, serving as Chair from 2001-2005). From 1989 to 1992, Ms. Bass was President and Chief Executive Officer of the Emporium Weinstock's division of Carter Hawley Hale Stores, Inc., a department store chain. From 1993 to approximately 2007, Ms. Bass has served as President of the Gerson Bakar Foundation, a charitable organization focusing primarily on the arts, medicine and education, and since 2007 has held the position of Chief Executive Officer. Since 2007, she has also been Chief Executive Officer of the



Achieve Foundation, which focuses primarily on education. Ms. Bass' significant industry experience, including serving as Chief Executive Officer of a nationally recognized retailer, and her extensive experience serving on numerous boards, including that of a multinational, Fortune 500 company, provides the Company with valuable management, operational and strategic insights. Her work with, and commitment to, non-profit organizations also provides the Company with a perspective of social awareness. We believe Ms. Bass' significant executive management, retail and board experience qualifies her to sit on our board.

*Cynthia Cohen* has served as a director since December 2003 and Lead Independent Director since January 2009. She also currently serves on the boards of directors of Steiner Leisure Ltd. and Equity One, Inc., as well as several boards of privately held companies. Ms. Cohen serves on the Executive Advisory Board for the Center for Retailing Education and Research at the University of Florida and is founder and President of Strategic Mindshare, a strategy consulting firm. Prior to founding Strategic Mindshare in 1990, she was a Partner in Management Consulting with Deloitte & Touche LLP. Ms. Cohen has extensive consulting experience in retail strategy and brand management, along with a strong financial background, and has served on numerous boards of directors. We believe her strong, multi-faceted experience provides the Company with a valuable and highly relevant perspective and qualifies Ms. Cohen to sit on our board.

*Corrado Federico* has served as a director since November 1996. From approximately 1997 through 2008, Mr. Federico served on the board of directors for Hot Topic, a publicly traded retail company. Mr. Federico was President of Solaris Properties, a real estate leasing company, until December 2008 and has served as the President of Corado, Inc., a land development firm, since 1991. From 1986 to 1991, Mr. Federico held the position of President and Chief Executive Officer of Esprit de Corp. Inc., a wholesaler and retailer of junior and children's apparel, footwear and accessories. We believe Mr. Federico is qualified to sit on our board because of his executive management experience, including successfully serving as Chief Executive Officer of a prominent and multi-national apparel company, as well as his board experience, which provide the Company with valuable insights into operations, management, and brand focus.

*Caden Wang* has served as a director since October 2003. Since 2005, Mr. Wang has also served on the board of directors of Leapfrog Enterprises, Inc. From 1999 to 2001, Mr. Wang served as Executive Vice President and Chief Financial Officer of LVMH Selective Retailing Group, which included international retail holdings such as DFS, Sephora, and Miami Cruise Line Services. Mr. Wang previously served on the board of directors of Fossil, Inc. and as Chief Financial Officer for travel retailer DFS and retail companies Gumps and Cost Plus. Mr. Wang has significant strategic, international and finance experience, serving as Chief Financial Officer for multinational companies. He has also served on numerous boards of directors. Mr. Wang is our board's financial expert and provides valuable managerial, accounting and audit guidance, which we believe qualifies him to sit on our Board.

### ***Independence***

The board has reviewed, considered and discussed each director's relationships, both direct and indirect, with the Company and its subsidiaries in order to determine whether such director is independent for purposes of the Nasdaq Listing Rules, and has determined that, throughout the fiscal year ended June 30, 2012, four out of the five members of the board were independent for purposes of the Nasdaq Listing Rules. Specifically, the board has determined that Barbara Bass, Cynthia Cohen, Caden Wang, and Corrado Federico each qualified as independent under the applicable Nasdaq Listing Rules.

The fifth board member and Chairman, Mr. Mashouf, does not qualify as independent because he is an executive officer of the Company. In addition, Mr. Mashouf's nephew is employed by the Company as its Chief Information Officer (see *Certain Relationships and Related Transactions* below).

### ***Director Compensation***

Our non-employee directors are paid a fee of \$4,000 for each meeting of the board of directors that they attend in person and \$750 for the third and subsequent telephonic meetings of the board of directors that they

attend during a fiscal year. For each meeting attended of the Audit Committee, committee members are paid \$1,250 and the Chairman of the committee is paid \$3,000. For each meeting attended of the Compensation and Management Development Committee and the Nominating and Corporate Governance Committee, committee members are paid \$1,250 and the Chairman of the committee is paid \$2,500. For each meeting attended of a Special Committee, the Chairman and committee members are each paid \$1,250. In January 2009, the Company appointed a Lead Independent Director, who was paid \$1,000 per month until June 2010, \$5,000 per fiscal quarter from June 2012 through mid-August 2012 and \$10,000 per month from mid-August 2012 and thereafter. We also reimburse all directors for their expenses incurred in attending meetings and, up to \$2,000 per year, for their expenses incurred toward continuing board education.

In fiscal 2012, each of our non-employee directors received a restricted stock unit award of 3,384 shares. The number of shares was calculated in advance using the Black-Scholes value methodology, to represent approximately \$25,000 in value based on the closing price of our common stock on the date of the 2011 Annual Meeting of Shareholders and was awarded that same day. These awards vest on the date of the 2012 Annual Meeting of Shareholders, approximately one year after award, if the director remains a board member through the end of the day prior to the 2012 meeting. Each restricted stock unit represents a right to receive a share of stock on a date determined in accordance with the provisions of our 1997 Stock Plan, as amended, and the participant's restricted stock unit agreement.

In addition, during fiscal 2012, we granted each non-employee director an option to purchase 53,252 shares of our common stock, the number of shares was calculated to represent approximately \$150,000 in value based on the closing price on the day of the 2011 Annual Meeting of Shareholders and was awarded that same day. These awards vest over four years, with 20% of the award vesting on each of the first and second anniversaries of the date of grant and 30% of the award vesting on each of the third and fourth anniversaries of the date of grant.

#### Fiscal 2012 Total Director Compensation

Name(1)	Fees Earned or Paid in Cash	Stock Awards (\$) (2)	Option Awards (\$) (3)	Total (\$)
Barbara Bass	\$ 42,064	\$ 25,380	\$ 147,039	\$ 214,483
Cynthia Cohen	\$ 69,500	\$ 25,380	\$ 147,039	\$ 241,919
Corrado Federico	\$ 44,955	\$ 25,380	\$ 147,039	\$ 217,374
Caden Wang	\$ 50,000	\$ 25,380	\$ 147,039	\$ 222,419

- (1) We compensate our Chairman of the Board and Chief Executive Officer, Manny Mashouf, in his capacity as our Chief Executive Officer; he receives no compensation in his capacity as director. For further information about executive officer compensation, see **COMPENSATION DISCUSSION AND ANALYSIS** and accompanying tables and charts.
- (2) Amounts represent the aggregate grant date fair values of the restricted stock unit awards granted by us in fiscal 2012, determined in accordance with FASB ASC Topic 718. Assumptions used to calculate the values of the stock awards are set forth under footnote 13 in our Form 10-K filing for the fiscal year ended June 30, 2012. In fiscal 2012, each non-employee director was granted a restricted stock unit award of 3,384 shares with a grant date fair value of \$25,380 (or \$7.50 per unit). At the end of fiscal 2012, each listed director held 3,384 restricted stock units, all of which will vest, assuming continuing board member status, within 60 days of October 1, 2012.
- (3) The amounts listed in this column are the aggregate grant date fair values of all options granted by us in fiscal 2012, determined in accordance with FASB ASC Topic 718. Assumptions used to calculate the values of the stock option awards are set forth under footnote 13 in our Form 10-K filing for the fiscal year ended June 30, 2012. In fiscal 2012, each non-employee director was granted options to purchase 53,252 shares of our common stock with a grant date fair value of \$147,039 (or \$2.76 per share). The number of stock options held by each listed director at the end of fiscal 2012 are as follows: Barbara Bass 141,603 (vested) and 154,136 (unvested, which include options which are scheduled to vest within 60 days of October 1, 2012); Cynthia Cohen 166,915 (vested) and 154,136 (unvested, which include options which are scheduled to vest within 60 days of October 1, 2012); Corrado Federico 141,603 (vested) and 154,136 (unvested, which include options which are scheduled to vest within 60 days of October 1, 2012); and Caden Wang 158,175 (vested) and 154,136 (unvested, which include options which are scheduled to vest within 60 days of October 1, 2012).

**CORPORATE GOVERNANCE MATTERS****Committees of the Board**

The Board has three standing committees - the Audit Committee, the Compensation and Management Development Committee (sometimes also referred to herein as Compensation Committee ) and the Nominating and Corporate Governance Committee (sometimes also referred to herein as Governance Committee ). The Board can also appoint a Special Committee (sometimes referred to herein as Special Committee ) at its discretion and as circumstances may warrant (see below, Special Committee). The current members of the standing committees are identified in the following table.

**Committees of the Board**

<b>Director</b>	<b>Audit</b>	<b>Compensation</b>	<b>Nominating and Corporate Governance</b>
Caden Wang	Chair	-	X
Cynthia Cohen	X	X	Chair
Barbara Bass	-	Chair	X
Corrado Federico	X	X	X
Fiscal 2012 Meetings	6	4	12

**Board Meetings**

During the fiscal year ended June 30, 2012, the board of directors held 10 meetings. Each director serving on our board in fiscal year 2012 attended at least 80% of the meetings of the board of directors and the committees on which he or she serves.

**Audit Committee**

The members of the Audit Committee are Cynthia Cohen, Corrado Federico, and Caden Wang (Chairman). Our board of directors has determined that Mr. Wang is an audit committee financial expert as defined by the rules of the SEC and that each member of the Audit Committee qualifies as being independent for purposes of the Nasdaq Listing Rules.

The Audit Committee is organized and conducts its business pursuant to a written charter, a copy of which is posted on the Corporate Governance page of the Investor Relations section of the Company's website at [www.bebe.com](http://www.bebe.com). Annually, the Audit Committee, in consultation with the Nominating and Corporate Governance Committee, reviews and reassesses the adequacy of its charter and recommends any proposed changes to the full board as necessary to reflect changes in regulatory requirements, authoritative guidance, and evolving practices. The Audit Committee's duties and responsibilities are set forth in its charter and are summarized as follows.

The primary purpose of the Audit Committee is the oversight of the integrity of the financial reports and other financial information provided by us to any governmental body or to the public and the oversight of our compliance with legal and regulatory requirements. The Audit Committee is responsible for the engagement, retention, compensation and oversight of our independent registered public accounting firm, including (1) the review of their qualifications, independence and performance, and (2) the review and approval of the fee arrangements and terms of engagement, including the planned scope of the audit as well as any non-audit services that may be performed by them. The Audit Committee is responsible for reviewing with management and our auditors the adequacy of internal financial controls, reviewing our critical accounting policies and the application of accounting principles, reviewing and approving any related party transactions and preparing any related report required by the rules of the SEC.

During the fiscal year ended June 30, 2012, the Audit Committee held six meetings.

#### ***Compensation and Management Development Committee***

The members of the Compensation and Management Development Committee ( Compensation Committee ) are Barbara Bass (Chairperson), Cynthia Cohen and Corrado Federico. Our board of directors has determined that each member of the Compensation Committee is independent for purposes of the Nasdaq Listing Rules.

The Compensation Committee is organized and conducts its business pursuant to a written charter which was most recently reviewed and approved by the Committee in January 2012, a copy of which is posted on the Corporate Governance page of the Investor Relations section of the Company's website at [www.bebe.com](http://www.bebe.com). Annually, the Compensation Committee reviews and reassesses the adequacy of its charter, in consultation with the Nominating and Board Governance Committee, and recommends any proposed changes to the full board as necessary to reflect changes in regulatory requirements, authoritative guidance and evolving practices. The Compensation Committee's charter sets forth the duties and responsibilities of the Compensation Committee and is summarized as follows. The Compensation Committee is responsible for discharging the board of directors' responsibilities relating to compensation and benefits of our Chief Executive Officer, our other named executive officers and certain other of our employees as may be determined by the Compensation Committee. It is also responsible for overseeing and approving our compensation policies and practices and preparing any related report required under the rules and regulations of the SEC. In carrying out these responsibilities, the Committee reviews all components of executive officer compensation in the context of its compensation philosophy. In addition, the Compensation Committee is responsible for overseeing the development and implementation of management development plans and succession practices to ensure that we have sufficient management depth to support our continued growth and the talent needed to execute long term strategies in the event that one or more members of senior management retire or otherwise leave bebe.

During the fiscal year ended June 30, 2012, the Compensation Committee held four meetings.

#### ***Compensation Committee Interlocks and Insider Participation***

No member of the Compensation Committee is, or was during fiscal 2012, an officer or employee of ours or of any of our subsidiaries or was formerly an officer of ours or of any of our subsidiaries. No member of the Compensation Committee is, or was during fiscal 2012, an executive officer of another Company whose board of directors has a comparable committee on which one of our executive officers serves.

#### ***Nominating and Corporate Governance Committee***

The members of the Nominating and Corporate Governance Committee are Barbara Bass, Cynthia Cohen (Chairperson), Corrado Federico and Caden Wang. Our board of directors has determined that each member of the Nominating and Corporate Governance Committee is independent for purposes of the Nasdaq Listing Rules.

The Nominating and Corporate Governance Committee is organized and conducts its business pursuant to a written charter, a copy of which is posted on the Corporate Governance page of the Investor Relations section of the Company's website at [www.bebe.com](http://www.bebe.com). Annually, the Nominating and Corporate Governance Committee reviews and reassesses the adequacy of its charter and recommends any proposed changes to the full board as necessary to reflect changes in regulatory requirements, authoritative guidance and evolving practices. The Nominating and Corporate Governance Committee's duties and responsibilities are set forth in its charter and are summarized as follows.

The responsibilities of the Nominating and Corporate Governance Committee are to: identify individuals qualified to become members of our board of directors; recommend to our board of directors director nominees for each election of directors; develop and recommend to our board of directors criteria for selecting qualified director candidates; consider committee member qualifications, appointment and removal; recommend corporate governance principles, codes of conduct and compliance mechanisms applicable to bebe; and provide oversight in the evaluation of our board of directors and each of its committees.

The Nominating and Corporate Governance Committee is also charged with the responsibility, in conjunction with the Compensation Committee, of evaluating the performance of the Chief Executive Officer and providing feedback to the Chief Executive Officer with respect to such evaluation. The Nominating and Corporate Governance Committee is also to perform any other activities consistent with its charter, the Company's bylaws, and governing law, as the Committee or the board deems necessary or appropriate.

During the fiscal year ended June 30, 2012, the Nominating and Corporate Governance Committee held twelve meetings.

#### ***Special Committee***

The board can appoint a Special Committee, and assemble any number of board members who will comprise such committee, in order to address any particular issue the board determines warranted. An example of an issue that might generate a call for such committee is an initial review of a potential company acquisition target.

During the fiscal year ended June 30, 2012, no Special Committee was appointed and no Special Committee meetings took place.

#### ***Director Nominees, Qualification, and Consideration***

Consistent with its charter, the Nominating and Corporate Governance Committee will evaluate and recommend to our board of directors director nominees for each election of directors.

#### ***Director Qualifications***

In fulfilling its responsibilities, the Nominating and Corporate Governance Committee considers the following factors in reviewing possible candidates for nomination as director:

the appropriate size and composition of our board of directors and its committees;

the perceived needs of our board of directors for particular skills, background and business experience;

the skills, background, reputation and business experience of nominees compared to the skills, background, reputation and business experience already possessed by other members of our board;

nominees' independence from management;

applicable regulatory and listing requirements, including independence requirements and legal considerations, such as antitrust compliance;

the benefits of a constructive working relationship among directors; and

the desire to balance the considerable benefit of continuity with the periodic injection of the fresh perspective provided by new members.

The Nominating and Corporate Governance Committee's goal is to look at a pool of candidates who are diverse in quality work experience, skills, background, perspective, and profession in order to help ensure a board of directors derived from high quality business and professional experience and varied in perspectives, backgrounds, and skills. Directors should possess the highest personal and professional ethics, integrity and values, and be committed to representing the best interests of our shareholders. They must also have an inquisitive nature, objective perspective and mature judgment.



Board members are expected to prepare for, attend, and participate in all board and applicable committee meetings. They are also expected to visit our stores regularly and keep abreast of industry trends. Director candidates must be willing and have sufficient time available, in the judgment of the Nominating and Corporate Governance Committee, to perform all board and committee responsibilities.

The Company has no formal policy regarding diversity on the board. The Nominating and Corporate Governance Committee seeks candidates without regard to race, color, gender, or national origin. While not implying a diversity policy in any area, the Company notes that, regarding calendar years 2008, 2009, 2010 and 2011, UC Davis Graduate School of Management recognized bebe stores, inc. as being one of the Top 5 companies in California regarding percentage of women as executives and directors, with the Company ranking number one as of calendar year-end 2010 and 2011 (during our fiscal year 2012).

Other than the foregoing, there is no stated minimum criterion for director nominees, although the Nominating and Corporate Governance Committee may also consider such other factors as it may deem, from time to time, are in the best interests of bebe and its shareholders. Depending on the current needs of the board, the Nominating and Board Governance Committee may weigh certain factors more or less heavily. The Nominating and Corporate Governance Committee believes that it is preferable that at least one member of the board should meet the criteria for an audit committee financial expert as defined by SEC rules. The Nominating and Corporate Governance Committee also believes is appropriate for one or more key members of bebe's management to participate as members of the board.

#### ***Identifying and Evaluating Candidates for Nomination as Director***

The Nominating and Corporate Governance Committee annually evaluates the current members of our board of directors whose terms are expiring and who are willing to continue in service against the criteria set forth above in determining whether to recommend these directors for election. The Nominating and Corporate Governance Committee regularly assesses the optimum size of the board and its committees and the needs of the board for various skills, background and business experience in determining if the board requires additional candidates for nomination.

Candidates for nomination as director come to the attention of the Nominating and Corporate Governance Committee from time to time through incumbent directors, management, shareholders, or third parties. These candidates may be considered at meetings of the Nominating and Corporate Governance Committee at any point during the year. Such candidates are evaluated against the criteria set forth above. If the Nominating and Corporate Governance Committee believes at any time that it is desirable that the board consider additional candidates for nomination, the Nominating and Corporate Governance Committee may poll directors and management for suggestions or conduct research to identify possible candidates and may engage, if the Nominating and Corporate Governance Committee believes it is appropriate, a third party search firm to assist in identifying qualified candidates.

In addition, our bylaws permit shareholders to nominate directors for consideration at an annual meeting. In order to be evaluated in connection with the Nominating and Corporate Governance Committee's established procedures for evaluating potential director nominees as it pertains to the next annual meeting of shareholders, such shareholder's recommendation must be sent in writing to the Corporate Secretary, bebe stores, inc., 400 Valley Drive, Brisbane, CA 94005, at least 120 days prior to the anniversary of the date the proxy statement was mailed to shareholders in connection with the prior year's annual meeting of shareholders, and should contain the following information:

the candidate's name, age, contact information and present principal occupation or employment; and  
a description of the candidate's qualifications, skills, background and business experience during, at a minimum, the last five years, including his/her principal occupation and employment and the name and principal business of any corporation or other organization in which the candidate was employed or served as a director.

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For more information, see **SHAREHOLDER PROPOSALS TO BE PRESENTED AT NEXT ANNUAL MEETING** below.

All directors and director nominees submit a completed directors' and officers' questionnaire as part of the nomination process. The evaluation process may also include interviews and additional background and reference checks for non-incumbent nominees, at the discretion of the Nominating and Corporate Governance Committee.

The Nominating and Corporate Governance Committee will evaluate incumbent directors, as well as candidates for director nominees submitted by directors, management and shareholders consistently using the criteria stated above and will select for recommendation to the board the nominees that, in the Nominating and Corporate Governance Committee's judgment, best suit the needs of the board of directors at that time.

#### ***Committee Charters and Other Corporate Governance Materials***

Our board of directors has adopted charters for its Audit, Compensation and Management Development, and Nominating and Corporate Governance Committees. Our board of directors has also adopted a Code of Business Conduct and Ethics that applies to all of our employees, officers and directors. In addition, it has adopted Corporate Governance Principles and Practices for the board of directors that address the composition of the board, criteria for board membership and other board matters, in order to help promote the effective functioning of the board and its Committees and to reflect the Company's commitment to high standards of corporate governance. Links to these materials are available on our website, [www.bebe.com](http://www.bebe.com), under Corporate Governance.

The Company intends to satisfy any disclosure requirements regarding any amendment of, or waiver from, a provision of the Code of Business Conduct and Ethics by posting such information on the Corporate Governance page of the Company's website at [www.bebe.com](http://www.bebe.com).

#### ***Board Leadership Structure***

##### ***Combination of roles of Chairman of the Board and Chief Executive Officer***

During our 2012 fiscal year, the Company was led by Mr. Mashouf, who served both as Chairman of the Board and Chief Executive Officer. We believe that the dual role was beneficial to the Company and appropriate during 2012, given the Chairman and Chief Executive Officer's extensive experience in the industry and unsurpassed knowledge of our Company culture and bebe's customers. This structure allowed Mr. Mashouf to effectively apply his industry knowledge, talent, and experience to the oversight of the business' day-to-day management. This combination also served to provide clear Company leadership and a consistent message throughout the organization, thus avoiding the confusion, which sometimes occurs where there are multiple sources of direction.

The board consists of Mr. Mashouf, as Chairman, and four well qualified, non-management directors, each of whom are independent and have significant industry experience, having managed on an executive level and/or served on boards of significant, industry-related companies. In order to further strengthen the governance structure, we established a Lead Independent Director in 2009, and appointed Ms. Cohen to that position. Ms. Cohen held that position throughout our 2012 fiscal year. Additionally, each board committee is charged with overseeing our operations, risks, strategies, and performance and is chaired by an experienced, independent director. Lastly, the independent directors meet separately and frequently in executive sessions without the presence of the Chief Executive Officer or representatives of management. Each such meeting is chaired by the Lead Independent Director and may be called by any independent director.

For the reasons stated above, the board believes that its strong governance practices, including its majority of independent members, frequent meetings of the independent board members, active use of a Lead Independent



Director and having Mr. Mashouf fill both board Chairman and Chief Executive Officer roles, provide an effective and appropriate balance among specific knowledge and experience, strategy development, day-to-day operational execution and independent and effective oversight of our business affairs.

#### ***Board and Management Role in Risk Oversight***

The board and its committees have overall responsibility in overseeing management's identification, assessment, and mitigation of risks that are material to us.

As discussed above under **CORPORATE GOVERNANCE MATTERS** *Audit Committee*, the Audit Committee assists the board in its oversight responsibility relating to our systems of internal controls, legal and regulatory compliance, and audit, accounting and financial reporting processes.

As discussed below in **CORPORATE GOVERNANCE MATTERS** *Risk Assessment in Compensation Programs*, the Compensation Committee oversees the management of risks relating to our compensation programs.

As described above in **CORPORATE GOVERNANCE MATTERS** *Nominating and Corporate Governance Committee*, the Nominating and Corporate Governance Committee oversees risks associated with corporate governance, business conduct, and ethics.

Throughout the year, and based on management presentation or reports or other information gathered by the board and its committees, the board and its committees will identify, assess and discuss with management planning for risk control.

Management is responsible for identifying risk and risk controls which are material to the business and related to its significant business activities, assessing the severity, likelihood, and timing of a potential risk, assessing the costs and potential benefits in addressing the potential risk and developing control and mitigation strategies, as appropriate. Such strategies include enacting programs individually tailored for a certain risk and inserting remedial measures within individual executives' yearly performance goals and objectives.

In addition to addressing risk issues as described above during fiscal 2012, during the fiscal fourth quarter of 2012, the board asked management to update the Enterprise Risk Assessment management completed in 2011 and report the findings back to the board for its review and comment. Management, led by its Legal Department and its Senior Manager, Business Processes, conducted interviews with leaders from all our critical departments with the goal of identifying what material risks existed for the Company. It then compared those risks to those management identified in 2011 and to those disclosed by our competitors in the industry. Management completed the review, identified the material risks to the business, organized them by both severity and likelihood, noted which risks from the previous year continued to exist (and to what extent) and which risks had been addressed and to what extent may have been ameliorated during fiscal 2011, Management then presented its findings at the August 2012 board meeting. The board reviewed and assessed the results and risks and provided its thoughts and recommendations to management to consider and implement, through various means, as appropriate.

The board, its committees and management continue to monitor our enterprise risk management program and continue to produce and review periodic risk management reports and updates as well as gather additional information related to potential risks and enterprise risk management from other sources.

#### ***Risk Assessment in Compensation Programs***

After a thorough review of our compensation practices, and based on all the facts and circumstances available to us at the time of the filing of this Proxy Statement, the Compensation Committee has concluded that our compensation practices do not include risk-taking incentives and are not reasonably likely to have a material adverse effect on us.

In reaching this conclusion, we reviewed the compensation of all of our associates in light of the specific potential areas of risk: any business unit that carries a significant portion of our risk portfolio; any business unit whose compensation structure is significantly different than other business units; any business unit that is significantly more profitable than other business units; and any business unit whose compensation expense is a significant percentage of the business unit's revenue. The Compensation Committee does not believe that any of these specific areas of risk exist for us or apply to our compensation policies and practices in any meaningful manner.

Specifically, the Compensation Committee advocates for, and we enact, practices that serve to encourage longer term goals and provide less incentive for short-term risk-taking, such as:

- (1) aligning compensation potential with longer-term Company and shareholder interests through the use of stock options which: (a) vest over a relatively long period, (b) vest at an increasing yearly rate and encourage well-deliberated, long-term planning and execution and (c) are awarded in multiple grants with overlapping vesting periods, ensuring that one period is not significantly more important to an individual than another;
- (2) providing incentives based on achieving profit rather than sales targets or contract signings; and
- (3) a mix of cash and longer-term equity compensation components.

#### ***Certain Relationships and Related Transactions***

As part of complying with SEC disclosure obligations, our Audit Committee monitors, reviews and directs for the disclosure, where appropriate, of related party transactions for potential conflicts of interest and other potential improprieties. In doing so, the Audit Committee applies our Code of Business Conduct and Ethics, which is posted on our website at [www.bebe.com](http://www.bebe.com), under the Governance Section, and which provides that directors, officers and all other employees are expected to avoid any situation in which personal, family or financial interests conflict or even appear to conflict with our interests. The Corporate Governance Principles and Practices of our board of directors also requires that a director who has any concerns about a potential conflict of interest will consult with the board in advance of taking any action, position or interest which might conflict with his or her duties to us.

Specifically, the Audit Committee is interested in any transaction, arrangement or relationship, or series of similar transactions, arrangements or relationships, in which we or one of our subsidiaries participates or will participate, the amount involved exceeds or is expected to exceed \$120,000, and a related person had, has or will have a direct or indirect interest. Pursuant to applicable SEC guidelines, a related person is any person who is or was an executive officer, a director or a director nominee of the Company, or an immediate family member of any such individual, and any time since the beginning of the Company's last fiscal year; or who, at the time of the occurrence or at any time during the existence of the transaction, is the beneficial owner of more than 5% of the Company's outstanding shares of Common Stock, or an immediate family member of a beneficial owner of more than 5% of the Company's outstanding Common Stock.

Each director, director nominee, and executive officer also completes a questionnaire on an annual basis designed to elicit information about potential related person transactions. In addition, any related person transaction proposed to be entered into by us or one of our subsidiaries must be reported by our management to our General Counsel. Any potential related person transaction that is raised will be analyzed by our General Counsel, in consultation with management and with outside counsel, as appropriate, to determine whether the transaction, arrangement or relationship does, in fact, constitute a related person transaction requiring assessment by the Audit Committee.

The Code of Business Conduct and Ethics adopted by the board also addresses the potential conflicts of interest which may arise when a director, officer, or associate has an interest in a transaction to which we or one of our subsidiaries is a party. If a potential conflict of interest arises concerning one of our officers or directors, all information regarding the issue is to be reported to our General Counsel for review and, if appropriate or required under our policies (including our Related Person Transaction Policy), submitted to the Audit Committee for review and disposition.

All related person transactions will be referred to the Audit Committee for approval (or disapproval), ratification, revision or termination.

Manny Mashouf is the uncle of Hamid Mashouf, our Chief Information Officer. In fiscal 2012, Hamid Mashouf received a salary of \$288,846 and received a bonus for his 2012 services of \$187,750. In addition Hamid Mashouf is eligible to receive stock options in accordance with our compensation policies for our officers.

Except as disclosed above or otherwise disclosed in this proxy statement, during the fiscal year ended June 30, 2012, there was not any, nor is there any currently proposed transaction or series of similar transactions to which we were or are to be a party in which the amount involved exceeds \$120,000, and in which any executive officer, director or holder of more than 5% of any class of our voting securities, or members of that person's immediate family, had or will have a direct or indirect material interest.

We have entered into indemnification agreements with each of our executive officers and directors. Such indemnification agreements require us to indemnify these individuals to the fullest extent permitted by law.

### ***Communications with Directors***

The Company believes it is important to provide shareholders with the ability to communicate with the board. Accordingly, shareholders may communicate with any and all of our directors by transmitting correspondence by mail, facsimile or email, addressed as follows:

Board of Directors

c/o Corporate Secretary

bebe stores, inc.

400 Valley Drive

Brisbane, CA 94005

Facsimile: 415-657-4424

Email: lsmith@bebe.com

The Corporate Secretary will maintain a log of such communications and transmit as soon as practicable such communications to the identified director addressee(s), unless there are safety or security concerns that mitigate against further transmission of the communication or the communication relates to commercial matters not related to the shareholder's stock ownership, as determined by the Corporate Secretary in consultation with legal counsel. The board of directors or individual directors so addressed shall be advised of any communication withheld for safety, security, or other reasons as soon as practicable.

We will make every effort to schedule our annual meeting of shareholders at a time and date to maximize attendance by directors taking into account the directors' schedules. We believe that annual meetings provide an opportunity for shareholders to communicate with directors. Last year, all of our directors attended our annual meeting of shareholders.

## **COMPENSATION DISCUSSION AND ANALYSIS**

### ***Overview***

This Compensation Discussion and Analysis provides important information regarding our executive compensation program, including the Company's compensation philosophy, the process by which executive compensation is set and specific compensation values taken from our fiscal 2012 year, as shown in the executive compensation tables that follow

### ***Named Executive Officers***

In this Proxy Statement, the term named executive officers (sometimes referred to as NEOs) means the following five individuals who served as executive officers of the Company during our entire fiscal year 2012, and who meet the criteria set out by the rules of the SEC regarding the identity of NEOs:

Manny Mashouf	Chairman and Chief Executive Officer ( CEO );
Walter Parks	Chief Operating Officer ( COO ) and Chief Financial Officer ( CFO )
Emilia Fabricant	President, bebe
Susan Powers	Senior Vice President, Stores
Larry Smith	Senior Vice President, General Counsel and Secretary

*Ms. Fabricant resigned from the company on August 17, 2012.*

### ***Compensation Philosophy***

The Compensation Committee's compensation philosophy is to pay its executives for performance, to align Total Direct Compensation (as defined below) to shareholder value, to offer and maintain competitive compensation packages in order to attract and retain well qualified executives and to offer long-term incentives designed to retain productive executives.

The Compensation Committee evaluates the overall competitiveness of our executive compensation program in order to assist in the objective of attracting and retaining well-qualified executives. Accordingly, an executive's cash compensation components (made up of Base Salary and Incentive Cash Compensation (or Bonus)) are generally targeted at approximately the median of salaries among our peer competitive companies within our industry (see **Peer Group Companies**, below). Long-term compensation is awarded in the form of Stock Options and/or Restricted Stock Units (or RSUs) and is used to bring an executive's Total Direct Compensation to approximately the median of Total Direct Compensation levels among such peer companies. While the competitive market data is an important factor to the Compensation Committee's approval process, it is just one of several factors considered by the Compensation Committee in approving executive compensation and the Committee retains discretion in determining the nature and extent of its use and sets the total compensation either lower or higher than the target as the circumstances may warrant. Further, a significant portion of our executives' Total Direct Compensation is tied to both meeting performance targets and to encourage long-term employment commitments, thus aligning with shareholder interest. Specifically, the opportunity to receive Incentive Cash Compensation is tied to meeting performance targets; stock options and/or RSUs are typically offered with longer-term vesting and, in many cases, RSUs are tied to meeting performance targets.

Total Direct Compensation and each of its components are defined and discussed below under ***Compensation Components***.

### ***Compensation Committee Action***

As stated above in **CORPORATE GOVERNANCE MATTERS, Compensation, Management and Development Committee**, the Compensation Committee meets to consider, establish and/or approve the compensation of our Chief Executive Officer and other executive officers on an annual basis, or at the time of hire, promotion or other change in responsibilities.

### ***Compensation Consultant***

In order to assist the Compensation Committee in carrying out its responsibility to determine appropriate levels of compensation for our executive officers, the Compensation Committee engages an independent compensation consultant, who provides the Committee with certain compensation surveys. These surveys

identify and analyze compensation awarded to CEOs and other executive officers at peer competitive companies and also compare our one and three year financial performance against that of our peer competitive companies, generated over generally the same period.

For each of fiscal years 2010, 2011 and 2012, the Compensation Committee engaged the compensation consultant Towers Watson & Co or its predecessor firms (cumulatively referred to as Towers Watson ) for assisting it with compensation analysis and determination purposes. In assisting the Compensation Committee in its review of industry data and setting fiscal 2012 compensation levels, Towers Watson provided compensation and performance information from sixteen (16) companies doing business within the apparel and specialty retail industry that are comparable to us in terms of size, as measured by revenues and market capitalization. These companies are referred to throughout this section as **Peer Group Companies** and include: Buckle, Inc., Cache, Inc., Casual Male Retail Group, Inc., Cato Corp., Christopher & Banks Corporation, Citi Trends, Coldwater Creek, Inc., Destination Maternity Corporation, Hot Topic, Inc., Jos. A. Bank Clothiers, Inc., Pacific Sunwear of California, Inc., rue21, Inc., Shoe Carnival, Inc., Syms Corp., Wet Seal Inc. and Zumiez, Inc. For 2012 review and compensation setting purposes, and in an effort to improve the quality of comparative analysis, Towers Watson modified the list of Peer Group Companies presented for 2011 purposes so as to include only companies reflecting similar size revenue (from .5 times to 2 times our revenue). Accordingly, as compared to the previous year, Towers Watson excluded Dress Barn, Inc., Finish Line, Inc., Gymboree Corp., New York & Company, Inc., Stage Stores, Inc., Stein Mart, Inc. and The Talbots, Inc. and added Citi Trends, Syms Corp. and Zumiez, Inc.

At the end of the Peer Group Companies' most recently reported years (most ending approximately in January and February 2011, with the exception of Destination Maternity Corporation, whose fiscal year ended in September, 2010, the revenues for this group ranged from \$207 million to \$981 million and, as of June 30, 2011, the market capitalization for this group ranged from \$63 million to \$1.526 billion. At the end of our fiscal 2011, the Company, at \$509 million in revenue, placed at approximately the 31st percentile of the Peer Group Companies in the revenue metric and, at \$514 million in market capitalization, placed at approximately the 68th percentile in the market capitalization metric.

The Compensation Committee then compared each of our executive officer's base, bonus, long-term compensation and Total Direct Compensation to those components awarded to similar positions at the Peer Group Companies, as available. The Compensation Committee used the surveys for guidance only and did not apply them rigidly.

In assessing and setting fiscal 2012 compensation for our executives, the most applicable survey provided by our compensation consultant compared our financial results and performance from fiscal year 2011, as well as over a three year period, in categories of net sales, net income, total shareholder return and market value to the most comparable publicly available numbers in the same categories taken from the Peer Group Companies. Due to the fact that Peer Group Companies and bebe publicly report their results and compensation details at different times throughout any given year, it is not possible to compare numbers for the identical periods of time.

When comparing our fiscal year 2011 numbers to those reported closest in time by the Peer Group Companies, our numbers compared and ranked as follows:

	<b>bebe results yr. ended 7/3/11</b>	<b>Percentile Rank</b>	<b>Percentile 1-Yr Growth Rank</b>	<b>Percentile 3-Yr Growth Rank</b>
Total sales	\$ 509	31		