

SHOE CARNIVAL INC

Form DEF 14A

May 09, 2018

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934**

**(Amendment No. \_\_\_\_)**

Filed by the Registrant  [ X ]

Filed by a Party other than the Registrant  [ ]

Check the appropriate box:

[ ] Preliminary Proxy Statement

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[X] Definitive Proxy Statement

[ ] Definitive Additional Materials

[ ] Soliciting Material Pursuant to §240.14a-12

SHOE CARNIVAL, INC.

(Name of Registrant as Specified In Its Charter)

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

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[X] No fee required.

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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

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4) Date Filed:

May 9, 2018

Dear Shareholder:

On behalf of the Board and management, we wish to extend an invitation to you to attend our 2018 annual meeting of shareholders to be held on Thursday, June 14, 2018 at the corporate headquarters for Shoe Carnival, Inc. located at 7500 East Columbia Street, Evansville, Indiana. The meeting will begin promptly at 9:00 a.m. C.D.T.

In addition to the matters described in the Notice of Annual Meeting of Common Shareholders and Proxy Statement, I will be providing a report on the financial position of the Company and opening the floor for questions from shareholders.

The members of the Board and management look forward to your attendance. However, whether or not you plan to attend personally, and regardless of the number of shares you own, it is important that your shares be represented. Please be sure you are represented at the meeting by signing, dating and mailing your proxy card promptly. A postage-paid return envelope is enclosed for your convenience.

Thank you for your ongoing support of and continued interest in Shoe Carnival.

Sincerely,

Clifton E. Sifford

President and Chief Executive Officer



**SHOE CARNIVAL, INC.**

**NOTICE OF ANNUAL MEETING OF COMMON SHAREHOLDERS  
TO BE HELD ON JUNE 14, 2018**

The annual meeting of common shareholders of Shoe Carnival, Inc. (the “Company”) will be held at the Company's corporate headquarters located at 7500 East Columbia Street, Evansville, Indiana, on Thursday, June 14, 2018, at 9:00 a.m., C.D.T., for the following purposes:

- (1) To elect three directors to serve until the 2021 annual meeting of shareholders and until their successors are elected and have qualified, as set forth in the accompanying proxy statement;
- (2) To approve, in an advisory (non-binding) vote, the compensation paid to the Company's named executive officers;
- (3) To ratify the appointment of Deloitte & Touche LLP as the independent registered public accounting firm for the Company for fiscal 2018; and
- (4) To transact such other business as may properly come before the meeting.

All common shareholders of record at the close of business on April 13, 2018 will be eligible to vote.

It is important that your stock be represented at this meeting. Whether or not you expect to be present, please fill in, date, sign and return the enclosed proxy form in the accompanying addressed, postage-paid envelope. If you attend the meeting, your proxy will be canceled at your request.

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Common Shareholders to be Held on June 14, 2018**

In accordance with the rules of the Securities and Exchange Commission, we are advising our shareholders of the availability on the Internet of our proxy materials related to the annual meeting described above. These rules allow companies to provide access to proxy materials in one of two ways. Because we have elected to utilize the “full set delivery” option, we are delivering to all shareholders paper copies of all of the proxy materials, as well as providing access to those proxy materials on a publicly accessible website.

The notice of annual meeting of common shareholders, proxy statement, form of proxy card and annual report to shareholders are available at <http://www.shoecarnival.com/Investors/ProxyInformation.aspx>.

Sean M. Georges, Secretary

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**SHOE CARNIVAL, INC.**

**7500 East Columbia Street  
Evansville, Indiana 47715**

**PROXY STATEMENT**

**Annual Meeting of Common Shareholders**

**June 14, 2018**

**Why am I receiving these proxy materials?**

We are providing these proxy materials to you in connection with the solicitation by the Board of Directors (the “Board”) of Shoe Carnival, Inc. (the “Company,” “we”, “us” or “our”) for proxies to be voted at our annual meeting of common shareholders. We are holding this annual meeting at 9:00 a.m., C.D.T., on Thursday, June 14, 2018, at our corporate headquarters located at 7500 East Columbia Street, Evansville, Indiana. The approximate date on which these proxy materials are first being sent to shareholders is on or about May 9, 2018.

In accordance with the rules of the Securities and Exchange Commission (the “SEC”), in addition to mailing a full set of the proxy materials to our shareholders, we are also providing access to our proxy materials on a publicly accessible website. Our notice of annual meeting of common shareholders, proxy statement, form of proxy card and annual report to shareholders are available at <http://www.shoecarnival.com/Investors/ProxyInformation.aspx>.

**What proposals will be voted on at the annual meeting?**

There are three proposals scheduled to be voted on at the annual meeting:

To elect three directors to serve until the 2021 annual meeting of shareholders and until their successors are elected and have qualified;



To approve, in an advisory (non-binding) vote, the compensation paid to our Executives (as defined below under “Executive and Director Compensation – Compensation Discussion and Analysis”), as disclosed in the Compensation Discussion and Analysis, the compensation tables and the related narratives in this proxy statement; and

To ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for fiscal 2018.

In addition, any other business that may properly come before the annual meeting will be considered and voted on. The Board currently knows of no additional business that is to be brought before the meeting. However, if other matters properly come before the meeting, the persons indicated on the enclosed proxy will vote that proxy based on their judgment on such matters.

**How does the Board recommend that I vote on the proposals?**

The Board recommends that you vote your shares:

FOR the election of each of Mr. Kleeberger, Mr. Wood and Mr. Tomm as directors (Proposal 1);

FOR the approval, on an advisory basis, of the compensation paid to our Executives, as disclosed in the Compensation Discussion and Analysis, the compensation tables and the related narratives in this proxy statement (Proposal 2); and

FOR the ratification of Deloitte & Touche LLP as our independent registered public accounting firm for fiscal 2018 (Proposal 3).

### **Who may vote?**

You may vote at the annual meeting or by proxy if you were a shareholder of record at the close of business on April 13, 2018, the record date for the meeting. As of April 13, 2018, there were 16,170,461 shares of our common stock outstanding and entitled to vote at the meeting. On all matters, including the election of the directors, each common shareholder will have one vote for each share held.

### **What constitutes a quorum for the annual meeting?**

In order to constitute a quorum, a majority of the votes entitled to be cast at the annual meeting must be present either in person or by proxy. Abstentions and broker non-votes will be considered as present for determining a quorum.

It is possible that a proxy would indicate that not all shares represented by it are being voted for specific proposals. For example, a broker cannot vote shares held in street name on certain proposals when the owner of those shares has not provided instructions on how he or she would like them to be voted, which are called “broker non-votes.” The election of directors and the proposal relating to executive compensation fall into this category. Accordingly, if you hold your shares in street name and wish your shares to be voted on Proposals 1 and 2, you must give your broker voting instructions.

### **What vote is required for each of the proposals to be approved?**

For Proposal 1, to be elected, a director nominee must receive the affirmative vote of a majority of the votes cast with respect to such director, which for this proposal means that the number of shares voted “FOR” that director’s election must exceed the number of shares voted “AGAINST” that director’s election. Shareholders will not be allowed to cumulate their votes in the election of directors. Abstentions and broker non-votes will not be considered as votes cast on this proposal and therefore will not affect the outcome of this proposal.

Proposals 2 and 3 will be approved if more shares are voted “FOR” each proposal than “AGAINST.” Neither abstentions nor broker non-votes will affect the outcome of these proposals.

**How do I vote my shares?**

*Voting of Shares Registered Directly in the Name of the Shareholder.* If you hold shares of our common stock in your own name as the holder of record, you may vote your shares by signing, dating and mailing the proxy card in the postage-paid envelope that has been provided to you. Shares held directly in your name as the shareholder of record may also be voted in person at the annual meeting. If you choose to vote in person at the annual meeting, please bring proof of identification. Even if you plan to attend the annual meeting, we recommend that you vote your shares in advance so that your vote will be counted if you later decide not to attend the meeting.

*Voting of Shares Registered in the Name of a Brokerage Firm or Bank.* If your shares of our common stock are held in “street name” through a brokerage account or by a bank or other nominee, you will receive instructions from your nominee, which you must follow in order to have your shares voted. If you are a “street name” shareholder and you wish to vote in person at the annual meeting, you must obtain a legal proxy from your nominee giving you the right to vote the shares. Even if you plan to attend the annual meeting, we recommend that you vote your shares in advance so that your vote will be counted if you later decide not to attend the meeting.

**What if I return my proxy card but do not provide voting instructions?**

Your shares will be voted in accordance with your instructions as specified on your proxy card. If you sign and return your proxy card but do not give voting instructions, your shares will be voted “FOR” the election of the nominees listed under Proposal 1 and “FOR” Proposals 2 and 3. If any other matters properly come before the meeting, the persons indicated on the enclosed proxy will vote that proxy based on their judgment on such matters.

**May I revoke my proxy?**

If you have executed and submitted your proxy, you may still revoke it at any time as long as it has not been exercised. Your proxy may be revoked by giving written notice of revocation to us, executing a subsequently dated proxy that is delivered to us, or attending the annual meeting and voting in person.

**How are votes counted?**

Votes cast by proxy or in person at the annual meeting will be counted and certified by representatives of our transfer agent, Computershare Trust Company, N.A.

**Where can I find the voting results of the annual meeting?**

We will announce preliminary voting results at the annual meeting and publish the voting results in a Current Report on Form 8-K to be filed with the SEC within four business days of the annual meeting.

**Who pays for the cost of proxy preparation and solicitation?**

The cost of this solicitation of proxies will be borne by us. Proxies may also be solicited personally or by telephone, facsimile transmission or other electronic means of communication by our employees acting without additional compensation.

## **PROPOSAL NO. 1**

### **ELECTION OF DIRECTORS**

#### **Nominee and Director Information**

Our Board is divided into three classes, and generally, each director holds office for a three-year term expiring at the annual meeting of shareholders held in the year that is three years after the director's election and thereafter until his or her successor is elected and qualified.

At our 2018 annual meeting, our shareholders will be asked to elect three directors. Kent A. Kleeberger, Joseph W. Wood and Charles B. Tomm have been nominated by the Board, upon the recommendation of the Nominating and Corporate Governance Committee, for election as directors for a term to expire at the 2021 annual meeting of shareholders and until their successors are elected and qualified. Mr. Kleeberger has served as a director since 2003. Mr. Wood has served as a director since 2012. Mr. Tomm is standing for re-election for the first time since joining the Board on September 12, 2017.

To be elected, a director nominee must receive the affirmative vote of a majority of the votes cast with respect to such director, which means that the number of shares voted "for" that director's election must exceed the number of shares voted "against" that director's election. This majority vote standard is in effect because this is an uncontested election of directors (i.e., the number of nominees for director does not exceed the number of directors to be elected as of the record date of the annual meeting). For any contested election, the directors would be elected by a plurality of the votes cast by the shares entitled to vote on the election of directors.

If a director nominee who is serving as a director is not elected at the annual meeting, under Indiana law the director would continue to serve on the Board as a "holdover director." However, under our by-laws, any incumbent director who fails to be elected must immediately tender his or her resignation to the Board, subject to acceptance by the Board. The Nominating and Corporate Governance Committee would then make a recommendation to the Board on whether to accept or reject the resignation, or whether other action should be taken. The Board, taking into account the recommendation of the Nominating and Corporate Governance Committee, would determine the appropriate responsive action with respect to the tendered resignation. The director who tenders his or her resignation may not participate in the Board's decision. If a nominee who was not already serving as a director is not elected at the annual meeting, under Indiana law that nominee would not become a director and would not serve on the Board as a "holdover director." The nominees for election as directors at the annual meeting are all currently serving on the Board.

The Nominating and Corporate Governance Committee is responsible for recommending to the Board the director nominees that collectively have the complementary experience, qualifications, skills and attributes to guide us and

function effectively as a Board. Each nominee for election as a director is selected based on his or her experience, judgment, integrity, ability to make independent inquiries, an understanding of our business environment and a willingness to devote adequate time to Board duties. It is the Nominating and Corporate Governance Committee's general view to re-nominate an incumbent director who continues to satisfy the criteria for membership on the Board, continues to make important contributions to the Board and consents to continue his or her service on the Board.

Set forth below are the current nominees for director as well as our continuing directors and information regarding each person's service as a director, business experience, director positions held currently or at any time in the last five years, and the experiences, qualifications, attributes or skills that caused the Nominating and Corporate Governance Committee and the Board to recommend the director nominee and to determine that the continuing directors should serve as members of our Board. Unless otherwise indicated, the principal occupation of each director has been the same for the last five years. There is no family relationship between any of our directors or executive officers.

NOMINEES FOR DIRECTOR

Kent A. Kleeberger

Mr. Kleeberger presently is a self-employed consultant. From February 2011 until March 2015, Mr. Kleeberger served as Executive Vice President, Chief Operating Officer of Chico's FAS Inc., a publicly traded specialty apparel retailer. Prior to that, from November 2007 until January 2011, Mr. Kleeberger served as Executive Vice President, Chief Financial Officer and Treasurer of Chico's FAS Inc. From July 2004 until October 2007, Mr. Kleeberger served as Senior Vice President and Chief Financial Officer for Dollar Tree Stores, Inc., a publicly traded single price-point retailer. From April 1998 until June 2004, he served in various positions with Tween Brands, Inc. (formerly Too, Inc.), a publicly traded apparel retailer, including as Executive Vice President, Chief Operating Officer, Chief Financial Officer, Treasurer and Secretary and also served as a director from February 2000 until March 2004. Mr. Kleeberger has served as a director of Christopher & Banks Corporation, a publicly traded specialty apparel retailer, since June 2016 and as Chair of its Board of Directors since January 2017. Mr. Kleeberger also served as a director of Aéropostale, Inc., a publicly traded apparel retailer, from August 2015 until February 2016.

Mr. Kleeberger's areas of relevant experience include tax, financial reporting, accounting and controls, insurance and risk management, economic indicators and issues, marketing/branding and government regulation.

Term: Director nominee for a three-year term to expire at the annual meeting of shareholders in 2021

Director since: 2003

Age: 66

Joseph W. Wood

Mr. Wood presently is a self-employed footwear industry consultant. Since July 2010, he has participated in various consulting engagements in the footwear industry.

From January 2008 until July 2010, Mr. Wood served as Division President – Retail of Brown Shoe Company, Inc. (now Caleres, Inc.), a global wholesale and retail footwear company. Prior to that, from January 2002 until December 2007, Mr. Wood served as President of Famous Footwear, a division of Brown Shoe Company, Inc.

Term: Director nominee for a three-year term to expire at the annual meeting of shareholders in 2021

Director since: 2003

Age: 70

Charles B. Tomm

Mr. Tomm has served as a Managing Partner and Chief Executive Officer of Pablo River Partners LLC, retail automotive, since January 2017 and also as a principal at the investment banking and financial advisory firm Oaklins Heritage Capital Group since October 2016. Prior to that, he was President and Chief Executive Officer of Brumos Automotive, Mercedes-Benz, Porsche and Lexus dealerships, from January 2009 until its sale in April 2016. He started in the retail automotive business with Coggin Automotive Group in April 1994 and was named company President in 1997. After a 1998 merger with Asbury Automotive Group, Inc. and a subsequent merger with Courtesy Automotive Group in 2003, Mr. Tomm became President and Chief Executive Officer of Asbury's Coggin/Courtesy subsidiary, with 27 automotive dealerships. His prior business experience was in investment banking, oil field services, trucking, as an adjunct law professor and in the private practice of law with Winthrop, Stimson, Putnam & Roberts (now Pillsbury Winthrop Shaw Pittman). From 1968 to 1972, Mr. Tomm was a diver and officer on the US Navy's only troop-carrying submarine. Mr. Tomm is a trustee of the Mayo Clinic and chair of its Audit and Compliance Committee, a trustee and board chair of Jacksonville University, a trustee of The Bolles School and a former trustee of Washington & Lee University. Mr. Tomm served as a director of Florida Bank Group, Inc. from September 2007 until its merger with IberiaBank Corporation in February 2015, and as a director of Asbury Automotive Group, Inc. from 2000 to January 2002 and from May 2005 until September 2007.

Mr. Tomm's areas of relevant experience include strategic planning, corporate governance and leadership, risk management, capital markets and mergers and acquisitions.

Term: Director nominee for a three-year term to expire at the annual meeting of shareholders in 2021

Director since: 2017

Age: 72

#### DIRECTORS CONTINUING IN OFFICE

James A. Aschleman

Mr. Aschleman retired from the law firm Baker & Daniels LLP (now Faegre Baker Daniels LLP) in December 2011. As a partner in the firm since 1976, Mr. Aschleman advised public and private companies on a wide range of issues, including corporate governance, executive compensation, mergers and acquisitions and compliance with SEC rules and regulations. Additionally, Mr. Aschleman previously served on our Board from 2001 until 2006 and has extensive knowledge of our operations.

Mr. Aschleman's areas of relevant experience include strategic planning, capital markets and corporate finance, corporate governance and legal and regulatory analysis.

Term: Director with term expiring at the annual meeting of shareholders in 2019

Director since: 2012

Age: 73

Andrea R. Guthrie

Ms. Guthrie co-founded Gyde Travel, LLC, a private guide travel service, in February 2015. From August 2009 to January 2014, Ms. Guthrie served as Senior Vice President, Strategic New Businesses at Claire's Stores, Inc., one of



the world's leading specialty retailers of fashionable jewelry and accessories for young women, teens, tweens, and kids. Prior to that, Ms. Guthrie was a Principal at The Boston Consulting Group, where she led client projects and addressed strategic and operational issues, with a particular emphasis on the retail and consumer industries, from January 2002 to August 2009. She held merchandising roles with AIX Armani Exchange and Saks Fifth Avenue from 1993 to 1999.

Ms. Guthrie's areas of relevant experience include strategic planning, competitive analysis, financial modeling and analytics, market analysis and mergers and acquisitions.

Term: Director with term expiring at the annual meeting of shareholders in 2019

Director since: 2015

Age: 46

Clifton E. Sifford, President and Chief Executive Officer

Mr. Sifford has served as our President and Chief Executive Officer since October 2012 and also served as our Chief Merchandising Officer from October 2012 to March 2016. From June 2001 to October 2012, Mr. Sifford served as our Executive Vice President, General Merchandising Manager and from April 1997 until May 2001, he served as our Senior Vice President, General Merchandising Manager.

Mr. Sifford, as our President and Chief Executive Officer and a long-standing member of our senior management team, brings to the Board an in-depth knowledge of our company and the retail industry. Mr. Sifford's areas of relevant experience include detailed knowledge and experience in executive leadership and retail merchandising, encompassing merchandise procurement, building brand awareness, proprietary brand development and consumer behavior.

Term: Director with term expiring at the annual meeting of shareholders in 2019  
Director since: 2012  
Age: 64

J. Wayne Weaver, Chairman of the Board

From 1993 until January 2012 when the franchise was sold, Mr. Weaver served as Chairman and Chief Executive Officer of the Jacksonville Jaguars, LTD, a professional football franchise. From 1978 until February 2, 1993, Mr. Weaver's principal occupation was as President and Chief Executive Officer of Nine West Group, Inc., a designer, developer and marketer of women's footwear. Mr. Weaver previously served two terms as a director of Stein Mart, Inc., a publicly traded chain of off-price retail stores, from June 2014 until March 2016 and from November 2000 until April 2008.

Mr. Weaver's areas of relevant experience include strategic planning, marketing/branding, economic indicators and issues, and industry trends.

Term: Director with term expiring at the annual meeting of shareholders in 2020  
Director since: 1988  
Age: 83

Jeffrey C. Gerstel

Mr. Gerstel has served as the Chief Marketing Officer of B&H Foto & Electronics Corp., a specialty retailer offering electronics, since February 2017. Prior to that, he served as President of The Dress Barn, Inc., a leading specialty retailer offering clothing, shoes, and accessories for misses and plus-size women, from December 2011 to August 2016 and as Chief Executive Officer from July 2015 to August 2016. Mr. Gerstel joined The Dress Barn, Inc. in 2006 and held a variety of senior executive positions during his tenure with the company, including Executive Vice President and Chief Operating Officer and Senior Vice President of Operations. Prior to that, he was Executive Vice President Operations of A.C. Moore, a specialty retailer offering arts, crafts and floral merchandise, from 2004 to 2006. From 1990 to 2004, he was President of Rag Shops, Inc., a specialty retailer offering fabrics and crafts, Chief Operating and Financial Officer of Parts Plus, a specialty retailer offering premium auto parts and accessories, and Executive Vice President of Operations of Factory 2-U Stores, Inc., a closeout retailer that offered apparel and closeout merchandise.

Mr. Gerstel's areas of relevant experience include strategic planning, merchandising, marketing and brand positioning, real estate, store operations, e-commerce, human resources, information systems, corporate finance and mergers and acquisitions.

Term: Director with term expiring at the annual meeting of shareholders in 2020

Director since: 2015

Age: 54

**The Board recommends a vote FOR the director nominees listed above.**

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## **INFORMATION REGARDING THE BOARD OF**

### **DIRECTORS AND COMMITTEES**

The primary functions of our Board are:

- To oversee management performance on behalf of our shareholders;
- To ensure that the long-term interests of our shareholders are being served; and
- To monitor adherence to and the effectiveness of our internal standards and policies.

### **Board Meetings**

During fiscal 2017, the Board held four meetings. During fiscal 2017, each of our directors attended at least 75% of the aggregate of the Board meetings and the meetings of the respective committees on which he or she served that were held during the period for which he or she was a director or committee member. Additionally, our directors are expected to attend the annual meeting of shareholders each year. Each of our directors then in office attended our 2017 annual meeting of shareholders.

### **Board Leadership Structure**

Our Corporate Governance Guidelines provide that the Board should be free to choose its Chairman based upon the Board's view of what is in the best interests of the Company at a particular point in time, based on the recommendation of the Nominating and Corporate Governance Committee. Our Board does not have a policy on whether the role of Chairman and Chief Executive Officer should be separate or combined and, if separate, whether the Chairman should be selected from the non-employee directors or be an employee.

The Board has determined at this time that the separation of the offices of Chairman of the Board and President and Chief Executive Officer enhances Board independence and oversight. Moreover, the separation of these positions allows the President and Chief Executive Officer to better focus on his responsibilities of running the Company, enhancing shareholder value and expanding and strengthening our brand while allowing the Chairman of the Board to

lead the Board in its fundamental role of providing advice to and independent oversight of management.

A majority of our directors are “independent directors” as defined by the listing standards of The Nasdaq Stock Market LLC (“Nasdaq”), and the Board has determined that such independent directors have no relationship with us that would interfere with the exercise of their independent judgment in carrying out the responsibilities of a director. The independent directors are Messrs. Aschleman, Gerstel, Kleeberger, Tomm, and Wood and Ms. Guthrie. In addition, none of our directors are a party to any agreement or arrangement that would require disclosure pursuant to Nasdaq Rule 5250(b)(3). To facilitate communication between our management and our non-employee directors, Mr. Kleeberger has been designated as the Lead Independent Director and presides at all executive sessions of the non-employee directors. Following an executive session, the Lead Independent Director discusses any issues or requested actions to be taken with the President and Chief Executive Officer. The Lead Independent Director is also responsible for disseminating information to the rest of the Board in a timely manner, for scheduling and preparing agendas for meetings of our non-employee directors and, together with our Chairman of the Board and President and Chief Executive Officer, for scheduling and preparing agendas for meetings of our Board.

The Board evaluates its leadership structure on an ongoing basis and may change it as circumstances warrant.

### **Board Committees**

The Board has an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. Each of the committees operates pursuant to a written charter, which can be viewed on our website at [www.shoecarnival.com](http://www.shoecarnival.com) under Investors–Governance Documents.

### Audit Committee

The Audit Committee is solely responsible for the selection and hiring of the independent registered public accounting firm to audit our financial statements and records and pre-approves audit and permitted non-audit services undertaken by the independent registered public accounting firm. It is also responsible for the review of our (i) financial reports and other financial information, (ii) systems of internal controls regarding finance, accounting, legal compliance and ethics, (iii) auditing, accounting and financial reporting processes, and (iv) financial and enterprise risk exposures. See “Board and Committee Role in Risk Oversight.” The Audit Committee approves all related person transactions and meets with management and our independent registered public accounting firm as necessary.

The Audit Committee consists of five non-employee directors: Messrs. Kleeberger (Chair), Aschleman, Gerstel, Tomm and Wood. The Board and the Audit Committee believe the current member composition satisfies Nasdaq’s listing standards governing audit committee composition, including the requirement that the audit committee members all be “independent” directors, as that term for audit committee members is defined in Nasdaq’s listing standards and Rule 10A-3 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). The Board has also determined that Mr. Kleeberger qualifies as an “audit committee financial expert” as defined by the SEC rules adopted pursuant to the Sarbanes-Oxley Act of 2002. The Audit Committee met seven times during fiscal 2017, with three of these meetings being conducted via teleconference.

### Compensation Committee

The Compensation Committee is responsible for evaluating and approving our director and officer compensation plans, policies and programs. The committee also administers our equity compensation and retirement plans and reviews the risks related to our compensation policies and programs. For a detailed description of the roles of the Compensation Committee and management in setting compensation, see “Executive and Director Compensation – Compensation Discussion and Analysis.”

In addition, during fiscal 2017, the Compensation Committee engaged Frederic W. Cook & Co., Inc. (“FW Cook”) as its independent compensation advisor to assist in the evaluation of our Executive and director compensation, as authorized under its charter. FW Cook reports directly to the Compensation Committee, attends meetings of the Compensation Committee, as requested, communicates with the Chair of the Compensation Committee between meetings, and advises the Compensation Committee with respect to compensation trends and best practices, plan design and the reasonableness of individual compensation awards. FW Cook does not provide any other services to the Company. The Compensation Committee assessed the independence of FW Cook pursuant to SEC rules and Nasdaq’s listing standards and concluded that no conflicts of interest exist. For more information regarding FW Cook’s services, see “Executive and Director Compensation—Compensation Discussion and Analysis—Determination of Compensation Amounts.”

The Compensation Committee consists of our six non-employee directors: Messrs. Aschleman (Chair), Gerstel, Kleeberger, Tomm, and Wood, and Ms. Guthrie. Each of the members meets the independence requirements of Nasdaq's listing standards and Rule 10C-1(b)(1) promulgated under the Exchange Act. Each member is a "Non-Employee Director" as defined in Rule 16b-3 under the Exchange Act and each is an "Outside Director" as defined by the regulations under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"). During fiscal 2017, none of the members were involved in a relationship requiring disclosure as an interlocking executive officer/director or as a former officer or employee. In addition, none of the members were involved in a relationship requiring disclosure under Item 404(a) of Regulation S-K. The Compensation Committee held six meetings during fiscal 2017, with two of these meetings being conducted via teleconference.

#### Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee exercises a leadership role in shaping our corporate governance and recommends to the Board corporate governance principles on a number of topics, including (i) Board organization, membership and function, (ii) committee structure and membership, and (iii) oversight of the annual performance evaluation of the Board, the committees of the Board and individual directors. As the nominating body of the Board, the committee also interviews, evaluates, nominates and recommends individuals for membership on the Board and on the various committees of the Board. Nominees will be evaluated based on

their experience, judgment, integrity, ability to make independent inquiries, understanding of our business environment and willingness to devote adequate time to Board duties.

Our Corporate Governance Guidelines provide that in identifying potential director nominees, our Nominating and Corporate Governance Committee is to take into account geographic, occupational, gender, race and age diversity. Broadly defined, diversity means diversity of viewpoints, background, experience and other demographics. The committee implements that policy, and assesses its effectiveness, by examining the diversity of all of the directors on the Board when it selects nominees for directors. The diversity of directors is one of the factors that the Nominating and Corporate Governance Committee considers, along with the other selection criteria described above.

Director candidates may come to the attention of the Nominating and Corporate Governance Committee through current Board members, management, professional search firms or other persons. The Nominating and Corporate Governance Committee also will consider director candidates recommended by shareholders. A shareholder who wishes to recommend a director candidate for consideration should send such recommendation to our Secretary at 7500 East Columbia Street, Evansville, Indiana 47715, who will forward it to the Nominating and Corporate Governance Committee. Any such recommendation should include a description of the candidate's qualifications for board service, the candidate's written consent to be considered for nomination and to serve if nominated and elected, and addresses and telephone numbers for contacting the shareholder and the candidate for more information. A shareholder who wishes to nominate an individual as a director candidate at an annual meeting of shareholders, rather than recommend the individual to the Nominating and Corporate Governance Committee as a nominee, must comply with the advance notice requirements set forth in our by-laws, a copy of which may be obtained from our Secretary. A summary of such requirements is provided in this proxy statement under "Shareholder Proposals for 2019 Annual Meeting." The Nominating and Corporate Governance Committee's process for identifying and evaluating nominees for director will be the same whether the nominee is from the Nominating and Corporate Governance Committee's search for a candidate, or whether the nominee was recommended by a shareholder.

The Nominating and Corporate Governance Committee consists of four non-employee directors: Ms. Guthrie (Chair), and Messrs. Kleeberger, Wood and Aschleman. Each member is "independent," as such term for nominating committee members is defined in Nasdaq's listing standards. The Nominating and Corporate Governance Committee met four times during fiscal 2017.

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

While the Board has the ultimate oversight responsibility for the risk management process, various committees assist in fulfilling its oversight responsibilities in certain areas of risk. In particular, the Audit Committee focuses on financial and enterprise risk exposures, including internal controls. The Audit Committee discusses with management, internal audit, and the independent registered public accounting firm our major financial risk exposures, including risks related to fraud, liquidity and regulatory compliance, our policies with respect to risk assessment and risk management, and the steps management has taken to monitor and control such exposures. The Board also periodically



receives information about our risk management activities and the most significant risks we face. This is principally accomplished through Audit Committee reports to the Board and summary briefings provided by management. The Audit Committee members, as well as each other director, also have access to our Chief Financial Officer and any other members of our management for discussions between meetings as warranted. For a description of the Compensation Committee's role in overseeing compensation related risks, see "Executive and Director Compensation—Compensation-Related Risk Assessment" in this proxy statement.

## Code of Business Conduct and Ethics

We have adopted a Code of Business Conduct and Ethics (the “Code of Ethics”) that applies to all of our directors, officers and employees, including our principal executive officer, principal financial officer, and principal accounting officer. The Code of Ethics is posted on our website at [www.shoecarnival.com](http://www.shoecarnival.com) under Investors–Governance Documents. We intend to disclose any amendments to the Code of Ethics by posting such amendments on our website. In addition, any waivers of the Code of Ethics for our directors or executive officers will be disclosed in a Current Report on Form 8-K.

## Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our executive officers and directors, and persons who own more than 10% of our common stock, to file initial reports of ownership and reports of changes in ownership with the SEC. Such persons are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file.

Based solely on a review of the copies of such forms furnished to us and written representations from certain reporting persons, we believe that during fiscal 2017 all filing requirements applicable to our executive officers, directors and greater than 10% shareholders were timely satisfied, other than one Form 4 filed by Mr. Tomm reporting the grant of restricted stock upon his appointment to our Board, and one Form 4 filed by each of Messrs. Sifford, Jackson and Baker reporting the forfeiture of shares of performance-based restricted stock that expired without the performance target being achieved.

## Proposal No. 2

### Advisory Vote on the Compensation Paid to our Executives

As we did the last several years, pursuant to Section 14A of the Exchange Act, we are asking our shareholders to approve the compensation paid to our Executives, as disclosed pursuant to the compensation disclosure rules of the SEC, including the Compensation Discussion and Analysis, the compensation tables and the related narratives in this proxy statement. This proposal, commonly known as a “say-on-pay” proposal, gives our shareholders the opportunity to express their views on the compensation of our Executives.

Our compensation philosophy seeks to closely align the interests of Executives with the interests of our shareholders. Our compensation programs are designed to reward our Executives for the achievement of short-term and long-term strategic and operational goals and the attainment of increased total shareholder return. Additionally, it is important in

the current retail climate that management emphasizes financial stability and liquidity while working to increase operating income and comparable store sales growth.

The Compensation Committee and our Board believe that our fiscal 2017 Executive compensation aligned with our philosophy and corporate performance and was effective in fulfilling the Compensation Committee's compensation objectives. An Executive Summary is provided at the beginning of the Compensation Discussion and Analysis section followed by a more detailed discussion of our Executive compensation programs, how they reflect our philosophy and are linked to Company performance and the impact of our 2017 say-on-pay vote on Executive compensation decisions. We encourage our shareholders to read the Compensation Discussion and Analysis section, along with the compensation tables and narrative discussion contained in this proxy statement.

We are asking our shareholders to indicate their support for the compensation paid to our Executives as described in this proxy statement. This vote is not intended to address any specific item of compensation but rather the overall compensation of our Executives and the philosophy, policies and practices described in this proxy statement. Accordingly, we recommend that our shareholders vote "FOR" the following resolution at the annual meeting:

"RESOLVED, that the Company's shareholders approve, on an advisory basis, the compensation of the Executives, as disclosed in the Company's Proxy Statement for the 2018 Annual Meeting of Shareholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the compensation tables and the other related disclosure."

As an advisory vote, this proposal will not be binding upon us or our Board or Compensation Committee. However, our Board and Compensation Committee value the opinion of our shareholders, and to the extent that there is any significant vote against the Executives' compensation as disclosed in this proxy statement, we will consider our shareholders' concerns and the Compensation Committee will evaluate whether any actions are necessary to address those concerns.

**The Board recommends that our shareholders vote FOR the approval, on an advisory basis, of the compensation paid to our Executives, as disclosed in this proxy statement.**

## **EXECUTIVE AND DIRECTOR COMPENSATION**

### **Compensation Discussion and Analysis**

#### Overview

The "Compensation Discussion and Analysis" section of this proxy statement is intended to help our shareholders understand our overall executive compensation programs, objectives, framework and elements and to discuss and analyze the basis for, and the decisions of our Compensation Committee (the "Committee") and our Board of Directors with respect to, the compensation paid to our named executive officers shown in the Summary Compensation Table and in the other tables and narrative discussion that follow. Our named executive officers (the "Executives") for fiscal 2017 were:

#### Officer Name and Position

Clifton E. Sifford, President and Chief Executive Officer

J. Wayne Weaver, Chairman of the Board

W. Kerry Jackson, Senior Executive Vice President – Chief Operating and Financial Officer and Treasurer

Timothy T. Baker, Executive Vice President – Store Operations

Carl N. Scibetta, Executive Vice President – Chief Merchandising Officer

#### Executive Summary

We seek to closely align the interests of our Executives with the interests of our shareholders. Our compensation programs are designed to reward our Executives for the achievement of short-term and long-term strategic and operational goals and the attainment of increased total shareholder return. Additionally, it is important in the current

retail climate that management emphasizes financial stability and liquidity while working to increase operating income and comparable store sales growth.

Total compensation for our Executives is primarily comprised of a mix of base salary, annual cash incentives and long-term equity based compensation in the form of service-based and performance-based restricted stock awards, or, for fiscal 2018, service-based restricted stock units and performance stock units. We believe our management team continues to be driven to a higher level of performance by the pay-for-performance compensation philosophy of our compensation programs.

The following table highlights the year-over-year comparison of some of the key financial metrics that we use in evaluating our performance for the purposes of making compensation decisions (\$ amounts in thousands except per share data).

Key Financial Metrics	Fiscal 2017	Fiscal 2016	Fiscal 2015
Net Sales	\$1,019,154	\$1,001,102	\$983,968
Comparable Store Sales Increase	0.3% (1)	0.5%	3.0%
Gross Profit Percentage	29.1%	28.9%	29.5%
Operating Income	\$37,701	\$37,912	\$46,633
Net Income	\$18,933	\$23,517	\$28,767
Earnings per share, diluted	\$1.15	\$1.28	\$1.45

The 53<sup>rd</sup> week in fiscal 2017 caused a one-week shift in our fiscal calendar. To minimize the effect of this fiscal (1) calendar shift on comparable store sales, our reported annual comparable store sales results for fiscal 2017 compare the 52-week period ended January 27, 2018 to the 52-week period ended January 28, 2017.

Net sales increased \$18.1 million to \$1.019 billion for fiscal 2017, a 1.8% increase, from net sales of \$1.001 billion for fiscal 2016. Of the \$18.1 million increase in net sales, approximately \$23.3 million was attributable to the 38 new stores we opened since the beginning of fiscal 2016 and \$16.1 million was attributable to the stores in our comparable store sales base. The \$18.1 million increase in net sales was partially offset by the loss of \$21.3 million in sales from the 35 stores closed since the beginning of fiscal 2016. Comparable store sales for the 52-week period ended January 27, 2018 increased 0.3%. Despite a mid-single digit decline in store traffic, we experienced increases in our conversion rate, average sales per transaction, average units per transaction and average unit retail. Similar to other retailers, we follow the retail 4-5-4 reporting calendar, which included an extra week in the fourth quarter of fiscal 2017 (the 53<sup>rd</sup> week). Net sales of approximately \$13.0 million were recorded in this extra week, which is included in the total net sales increase of \$18.1 million described above.

Net income for fiscal 2017 was \$18.9 million, or \$1.15 per diluted share, compared to net income of \$23.5 million, or \$1.28 per diluted share, in fiscal 2016. The decline in fiscal 2017 net income was primarily due to non-cash impairment charges for underperforming stores of \$0.13 per diluted share, net of tax, and additional stock-based compensation expense and income tax expense associated with the U.S. Tax Cuts and Jobs Act (the "Tax Act") enacted in December 2017 totaling \$0.35 per diluted share, net of tax, partially offset by a gain on insurance proceeds related to hurricane affected stores of \$0.13 per diluted share, net of tax. Fiscal 2016 net income included non-cash impairment charges of \$0.12 per diluted share, net of tax, for seven of our stores located in Puerto Rico.

Our gross profit margin increased to 29.1% in fiscal 2017 from 28.9% in the prior year. Our merchandise margin increased 0.2% while buying, distribution and occupancy costs, as a percentage of sales, remained flat compared to the prior year. Our merchandise margin increased primarily due to the \$3.3 million gain on insurance proceeds recorded to cost of sales related to hurricane affected stores. This gain was partially offset by an increase in shipping expense related to our multi-channel sales initiatives.

We focused on effectively managing inventory levels throughout the year, ending fiscal 2017 with inventories down \$19.1 million, or 5.2% on a per store basis.

We opened 19 stores, relocated three stores and closed 26 stores during fiscal 2017, ending the year with 408 stores.

We continued our cash dividend payments to shareholders during fiscal 2017, paying four quarterly cash dividends. The first quarter dividend amount was \$0.07 per share, while the dividends paid for each of the remaining three quarters were increased to \$0.075 per share, or an aggregate of \$4.8 million. During fiscal 2017, we returned additional capital to our shareholders through the repurchase of approximately 1.3 million shares of our common stock at an average price of \$23.66, or an aggregate of \$29.8 million. In total during fiscal 2017, we returned \$34.6 million to our shareholders.

Our Shoe Perks membership increased by 5.8 million in fiscal 2017, with members accounting for approximately 70% of net sales in fiscal 2017.

In fiscal 2017 we continued to focus on key initiatives that we believe will help maximize customer opportunities and manage customer relationships. During the year, we relaunched our e-commerce and mobile storefronts on a new platform, which is designed to improve our customer journey and will allow us to provide more relevant and personalized shopping experiences for our customers. We also continued to invest in our Customer Relationship Management strategy, which is intended to focus our entire organization on a more customer-centric model.

Our fiscal 2017 financial results, along with our financial results from fiscal 2016 and fiscal 2015, are more fully described in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for fiscal 2017.

We believe our fiscal 2017 Executive compensation aligned well with the objectives of our pay-for-performance compensation philosophy and with our performance. Messrs. Sifford, Jackson, Baker and Scibetta were eligible to earn a bonus payment under our 2016 Executive Incentive Compensation Plan (the “Executive Incentive Compensation Plan”) based on achieving a defined amount of operating income, as determined in accordance with U.S. generally accepted accounting principles (“GAAP”) in fiscal 2017. Our GAAP operating income was \$37.7 million in fiscal 2017, which was below the established bonus threshold. As a result, no bonuses were paid under our Executive Incentive Compensation Plan for fiscal 2017. In prior years, the Committee had utilized pre-bonus operating income for our annual cash incentive program. The following chart provides a historical perspective on our performance-based annual cash incentive component.

We utilize both performance-based and service-based restricted stock awards, or, for fiscal 2018, service-based restricted stock units and performance stock units, as our primary forms of equity based incentive compensation. Since fiscal 2005, the performance-based incentive awards granted to our Executives vest with the attainment of specified annual earnings per diluted share. The performance-based equity awards granted in fiscal 2017 have a two-year performance period and may be earned based on cumulative earnings per diluted share for fiscal 2017 and fiscal 2018. Earnings per diluted share achieved in fiscal 2017 did not result in the vesting of any shares of restricted stock granted prior to fiscal 2017 because our fiscal 2017 earnings per diluted share results were below the performance vesting hurdles for each of those unvested performance-based equity awards.



We encourage you to read the complete Compensation Discussion and Analysis for the detailed discussion and analysis of our Executive compensation program.

### Compensation Philosophy and Objectives of the Overall Compensation Program

Our compensation philosophy is to design programs to attract, retain and motivate the finest talent possible for all levels of the organization. In addition, the programs are designed to maintain a performance and achievement-oriented environment, be cost-competitive, treat all employees fairly, maximize the tax deductibility of employee compensation and consider the appropriate proportions of rewarding management and our shareholders. All programs have the following characteristics:

Compensation is based on the level of job responsibility, the individual's level of performance and the Company's overall performance. As employees assume greater responsibility, a larger portion of their total compensation should be "at risk" incentive compensation (both annual and long-term), subject to corporate and individual performance metrics.

A combination of short-term compensation in the form of base salaries and annual cash incentives and long-term equity based compensation in the form of service-based and performance-based restricted stock awards, or, for fiscal 2018, service-based restricted stock units and performance stock units, are utilized to provide incentive to Executives to create shareholder value through the attainment of both short-term and long-term goals.

Compensation also takes into consideration the value of the job in the marketplace. To retain a highly-skilled workforce, we strive to remain competitive with the pay of employers who compete with us for talent.

The Committee, along with management, recognizes that the challenges faced by a retail organization require that compensation programs remain flexible to meet the prevailing market conditions for key management roles. Determination of appropriate compensation for our Executives is based on the Committee's in-depth knowledge of our operations and the competitive environment in which we operate, along with the accumulated business expertise of the members of the Committee. This process is subjective because we do not believe that a purely formula-driven approach to compensation can adequately take into account all of the various aspects that will lead to our long-term success.

### What the Compensation Program is Designed to Reward

The Committee emphasizes the relationship of compensation to performance. In evaluating the Company's performance and the contribution of the Executives, the Committee generally considers sales, operating income, net

earnings and earnings per share as compared to both the financial plan for the fiscal year and the prior fiscal year performance. The Committee also evaluates free cash flow generated by the Company, management's success in managing merchandise inventories and the impact of prevailing economic conditions. In the current retail climate, management emphasizes, and the Committee seeks to reward, financial stability and liquidity while working to increase operating income and comparable store sales growth.

Compensation Program Components, Why Each Component is Chosen and How Each Component Relates to Our Compensation Philosophy and Objectives

The basic components of our Executive compensation program consist of base salary, annual cash incentives, long-term equity based incentives and other benefits, which include retirement plans, health and welfare benefits, limited perquisites and other fringe benefits.

Base Salary

The base salary component provides for fixed compensation and rewards the core competencies of each Executive relative to skill set, experience, tenure and individual performance. Base salary serves as the base amount from which other compensation elements are determined, such as target annual cash incentives. In general, executive

officers with higher levels of responsibility have a lower percentage of their compensation fixed as base salary and a higher percentage of their compensation at risk.

#### Annual Cash Incentives

We utilize a performance-based cash incentive program, which is designed to reward the Executives for meeting annual financial goals that will lead to our long-term success. Under our Executive Incentive Compensation Plan, which was approved by our shareholders in 2016, performance targets may be based on one or more of the following business criteria: annual return to shareholders, net sales, net income, net income before nonrecurring items, operating income, return on equity, return on assets, EPS, EBITDA, EBITDA before nonrecurring items, comparable store sales, average sales per square foot or average sales per square foot for new stores. Each of the foregoing business criteria may also be calculated before bonus expense and/or before any store closing costs and impairment charges recognized in the fiscal year.

The Committee annually selects the business criteria that performance targets will be based on, determines the threshold, target and maximum performance goals and sets the percentage of salary each Executive can earn for achievement of the performance goals. The Committee utilizes financial projections prepared by management in setting the performance goals. These projections incorporate various assumptions related to targeted comparable store sales increases, merchandise gross margin, new store openings, store closings and selling, general and administrative expense levels. These projections attempt to incorporate the known risk factors inherent with the current economic retail climate and reflect both the challenges and opportunities facing the Company. Mr. Weaver, Chairman of our Board of Directors, did not participate in the Executive Incentive Compensation Plan in fiscal 2017 and will not participate in fiscal 2018.

We may also award discretionary cash bonuses to Executives for their work on special projects, for significant accomplishments, for promotions, as new hire sign-on bonuses, when the Committee seeks to align compensation levels more closely to market conditions or when the Committee otherwise determines.

#### Long-Term Equity Based Incentives

We consider equity compensation to be an important element in the overall compensation of our Executives and other key employees. Equity based incentive awards that typically vest over time, or upon the attainment of long-term goals, help to retain Executives and encourage them to manage through difficult periods and to improve our long-term performance. This philosophy serves to more closely align the interests of our Executives with the interests of our shareholders.

In fiscal 2017 and prior years, we utilized both performance-based and service-based restricted stock awards, and in fiscal 2018, we are utilizing both service-based restricted stock units and performance stock units, as our primary forms of equity based incentive compensation. The vesting of performance-based awards is tied to the attainment of defined earnings per diluted share and rewards each Executive for the creation of shareholder value. For awards granted in fiscal 2015 and prior years, up to 100% of the number of shares of restricted stock may be earned if certain performance goals are achieved within a six-year window of time. For the performance-based restricted stock granted for fiscal 2016, up to 100% of the number of shares of restricted stock may vest if certain performance goals are achieved within the three-year performance period. For the performance-based restricted stock granted for fiscal 2017, 50% to 150% of the target number of shares of restricted stock may be earned if certain performance goals are achieved for the two-year performance period. In fiscal 2016 and 2017, approximately 25% of the total dollar value of the long-term equity based incentive awards granted to our Executives was in the form of service-based restricted stock, which we believe aligns the interests of management with those of shareholders and promotes retention.

All outstanding equity based awards granted prior to our 2017 annual meeting of shareholders were issued pursuant to the terms and conditions of the 2000 Stock Option and Incentive Plan, as amended (the “2000 Stock Plan”). In June 2017, our shareholders approved the 2017 Equity Incentive Plan (the “2017 Equity Plan”) at the annual meeting of shareholders. Future equity based awards will be issued pursuant to the terms and conditions of the 2017 Equity Plan. Mr. Weaver does not receive long-term equity based incentive awards.

## Other Benefits

We provide the Executives with health and welfare programs, a 401(k) retirement plan and employee benefit plans, programs and arrangements generally available to all employees. We also provide the Executives, along with all of our other officers, other executive benefit programs and perquisites in order to provide a competitive executive compensation program and to foster executive retention.

The additional levels of benefits available to the Executives (other than Mr. Weaver, who does not participate in any of our sponsored benefit plans) include an executive life insurance program, an executive long-term disability program, additional medical benefits and a nonqualified deferred compensation plan. The life insurance and long-term disability programs provide the Executives with life and disability benefits greater than the benefits available under our standard broad-based life insurance and long-term disability programs. The additional medical benefits serve to supplement our standard health benefits program and provide additional reimbursement of out-of-pocket expenses, including co-payments and deductibles. The nonqualified deferred compensation plan is offered to our Executives who, due to Internal Revenue Service limitations, cannot defer an adequate level of replacement income for their retirement planning. Further details on the nonqualified deferred compensation plan can be found under “Nonqualified Deferred Compensation – Non-Equity Based Compensation – Narrative Discussion.” In addition to the benefits described above, we currently offer certain other limited perquisites, including an automobile allowance to each Executive other than Mr. Weaver and, for Mr. Sifford, limited personal utilization of the Company-provided aircraft. Details of our perquisites are contained in footnote 4 to the Summary Compensation Table.

## Stock Ownership Guidelines

Under our stock ownership guidelines, which were adopted by our Board effective in June 2013 and amended by our Board in March 2017, our non-employee directors are required to own shares valued at five times their annual Board cash retainer. Our Chairman of the Board and our Chief Executive Officer are each required to own shares valued at three times their annual base salary, with all other executive officers required to own shares valued at two times their annual base salary. For the purposes of these guidelines, shares directly owned without any restrictions (excluding shares offered as a new hire inducement), shares owned through our Employee Stock Purchase Plan and shares owned directly by members of the non-employee director’s or executive officer’s immediate family who share the same household or any trust for the benefit of the non-employee director’s or executive officer’s immediate family members count toward the ownership requirements.

Unless otherwise determined by the Committee, until an executive officer or non-employee director has reached his or her ownership requirement described above, he or she must retain 50% of the net-after tax shares received upon the exercise of any stock option, the vesting of any shares of restricted stock or the receipt, vesting or settlement of any other form of equity based compensation award. This retention requirement does not apply to any restricted stock awarded as an inducement to a newly hired executive officer.

The value of stock holdings is determined based on the average daily closing price of our common stock during the 30-day period ending on the date of the valuation determination. The Committee is responsible for monitoring the application of the stock ownership guidelines and evaluating whether each executive officer and non-employee director has met his or her ownership goal annually. The Committee reviewed the current ownership valuation for each of our executive officers and non-employee directors at its March 2018 meeting. Of our Executives and Directors, Messrs. Weaver, Kleeberger, Tomm and Sifford have met the ownership requirements, as amended.

We believe the stock ownership guidelines further serve to align the interests of our Executives and Directors with those of our shareholders.

### Policy on Hedging and Pledging of Common Stock

Pursuant to our Corporate Governance Guidelines, directors and executive officers are prohibited from (a) buying or selling puts, calls, collars, swaps, options, warrants, forward contracts or other derivative securities or similar financial instruments based on our securities; (b) conducting short sales of our securities; and (c) holding our securities in a margin account or otherwise pledging our securities as collateral for a loan.

### Impact of Say-on-Pay Vote on Executive Compensation Decisions

Over the past five years, between 98% and 99% of our shareholders have voted in favor of our say-on-pay vote, with approximately 99% of the shareholder votes cast voting in favor of the 2017 say-on-pay vote.

At its meetings since June 2017, the Committee has reviewed our compensation programs and the results of the 2017 say-on-pay vote. The Committee determined that our compensation programs are fundamentally sound, support the needs of our business, are aligned with the trends in the market and, taking into account the results of our 2017 say-on-pay vote, are strongly supported by our shareholders. As a result, the Committee decided to retain our fiscal 2017 executive compensation philosophy, objectives and components for fiscal 2018 compensation purposes. The performance targets for our annual cash incentive component were updated to conform to our fiscal 2018 financial projections. For fiscal 2018, base salaries, target annual cash incentives and target long-term equity based incentives were reviewed and adjusted to ensure appropriate competitive positioning.

When determining how often to hold say-on-pay votes, the Board took into account the strong preference for an annual vote expressed by our shareholders at our 2017 annual meeting. Accordingly, the Board determined that we will hold say-on-pay votes on an annual basis until the next say-on-pay frequency vote, which will be held no later than our 2023 annual meeting.

### Determination of Compensation Amounts

The Committee is responsible for establishing our compensation philosophy and strategies and has overall responsibility for approving and evaluating the director and officer compensation plans, policies and programs. Annually, the Committee reviews and approves corporate goals and objectives relevant to Executive compensation, evaluates each Executive's individual performance as well as their collective performance in light of these goals and objectives, and sets compensation levels based on this evaluation. The Committee believes its obligation is to structure programs that best serve the Company's interests and the interests of our shareholders. The Committee currently consists of six directors, none of whom is a current or former employee and each of whom is deemed independent as

defined in Nasdaq's listing standards.

Regarding most compensation matters, including Executive and director compensation, management provides recommendations to the Committee; however, the Committee does not delegate any of its functions to others in setting compensation.

It is the Committee's intention to set total Executive compensation at a level to attract and retain a talented and motivated leadership team and balance the perception of other stakeholders that Executive compensation is reasonably competitive. In making compensation decisions, the Committee reviews executive compensation practices within the retail and footwear industries with consideration given to, among other factors, differences in sales, growth rates and total market capitalization.

The Committee does not have a specific policy for the allocation of compensation between short-term and long-term components or cash and equity based compensation. The Committee establishes all performance targets associated with compensation program components in a manner to encourage achievement of increases in shareholder value. In setting total compensation, the Committee applies a consistent approach for all Executives, including appropriate business judgment as to how the standard approach is applied to the facts and circumstances associated with each Executive.

The Committee also utilizes a tally sheet to review the total compensation packages provided to the Executives for the current and prior four fiscal years, as applicable. The tally sheet sets forth the dollar amounts of all components including base salary, annual cash incentives, long-term equity based incentives, the incremental expense related



to the additional level of benefits provided to Executives and perquisites. The tally sheet is supplemented by a summary of stock ownership and other equity interests (both vested and unvested) in the Company as well as a summary of accumulated wealth for each Executive derived from the vesting or exercise of equity incentives. The stock ownership and accumulated wealth of the Executives did not influence the Committee's decision on equity based compensation awards in fiscal 2017 or fiscal 2018.

In April 2016, the Committee engaged FW Cook as its independent compensation advisor for Executive and director compensation matters. FW Cook reports directly to the Committee and does no work for management that is not under the Committee's purview. The Committee assessed the independence of FW Cook pursuant to SEC rules and Nasdaq's listing standards and concluded that no conflicts of interest exist.

During fiscal 2016 and fiscal 2017, FW Cook advised the Committee with respect to compensation trends and best practices, plan design and the reasonableness of individual compensation awards. At the request of the Committee, a representative of FW Cook participated in certain Committee meetings and communicated with the Committee Chair between meetings. FW Cook also reviewed our peer groups and made recommendations for changes to ensure the peer companies would be closer in size to us in terms of total annual sales and market cap. FW Cook recommended using a single group of similarly-sized retailers, with an emphasis on footwear retailers. With advice from FW Cook, the Committee selected the companies set forth in the following table as our peer group utilized in evaluating fiscal 2017 executive compensation levels and practices.

**Fiscal 2017 Peer Companies**

Caleres, Inc.	New York & Company, Inc.
Citi Trends, Inc.	Oxford Industries, Inc.
Crocs, Inc.	Sportsman's Warehouse Holdings, Inc.
Deckers Outdoor Corporation	Steven Madden, Ltd.
DSW Inc.	Tilly's, Inc.
The Finish Line, Inc.	West Marine, Inc.
Hibbett Sports, Inc.	

At the time the companies were selected, annual revenues for the peer companies above ranged from approximately \$550 million to \$2.65 billion, and market cap values ranged from approximately \$100 million to \$2.1 billion. The Committee utilized the same peer group in setting fiscal 2018 compensation.

Although the Committee reviewed the compensation data of the above peer group companies in setting fiscal 2017 compensation, it did not benchmark the compensation of the Executives utilizing the peer group data. Instead, the Committee only utilized the peer group data to determine whether the types and amount of Executive compensation were reasonable and competitive in view of the peer group data.

Fiscal 2017 Compensation Decisions

Base Salary

The Committee reviews and approves salaries for the Chief Executive Officer and other Executives on an annual basis or at other times as necessary to accommodate the hiring of new employees, a change in responsibilities, promotions, or other considerations. The Chief Executive Officer provides recommendations to the Committee for the Executives other than himself and Mr. Weaver. Recommended base salaries are reviewed and set based on a number of factors, including job responsibilities, individual industry experience, position, changes in responsibilities, individual performance, the Company's overall performance and industry data for comparable positions. No predetermined weight is given to any of the above factors.

The fiscal 2017 base salary for each Executive was approved as follows:

<b>Compensation Decisions – Base Salary Fiscal 2017</b>		
Name	Fiscal 2017	Percentage Increase
Clifton E. Sifford	\$675,000	8.0 %
J. Wayne Weaver	\$300,000	0.0 %
W. Kerry Jackson	\$550,000	2.7 %
Timothy T. Baker	\$530,000	2.9 %
Carl N. Scibetta	\$500,000	11.1 %

These salary increases represented merit-based increases based on the Committee’s assessment of the individual’s performance and, in the case of Messrs. Sifford and Scibetta, were made to keep each of their salaries competitive with executives in comparable positions at the peer group companies, as described in “Determination of Compensation Amounts.”

Mr. Weaver’s salary remained at \$300,000 for fiscal 2017.

#### Annual Cash Incentives

A portion of the annual cash compensation our Executives (other than Mr. Weaver) could earn for fiscal 2017 consisted of a performance-based bonus payment pursuant to the Executive Incentive Compensation Plan. The Committee could also award discretionary cash bonuses to the Executives for their work on special projects, for significant accomplishments, for promotions, as a new hire sign-on bonus or as the Committee otherwise determined.

For fiscal 2017, at a special meeting held in April 2017, the Committee selected our operating income, calculated in accordance with GAAP (“GAAP Operating Income”), as the business criteria for all officers included in the Executive Incentive Compensation Plan. In prior years, the Committee had utilized operating income before officer bonus expense as the performance measure under the annual cash incentive compensation plan. For fiscal 2017, the Committee determined that operating income remained appropriate for evaluating performance, but determined not to make any adjustments for officer bonus expense or otherwise and to instead use GAAP Operating Income.

The Committee established the threshold, target and maximum GAAP Operating Income performance levels, as well as the applicable percentage of annual salary that officers could earn for attainment of each performance level. Payout

for performance between threshold and target, and between target and maximum GAAP Operating Income was to be interpolated. The performance goals for each level attempted to incorporate the known risk factors inherent with the current retail economic climate and reflect the challenges and opportunities facing the Company.

In setting the payout percentages for fiscal 2017, the Committee, with the assistance of FW Cook, reviewed the bonus information for executives in comparable positions at the peer group companies. As a result of that review, the Committee approved several changes to the payout percentages under the Executive Incentive Compensation Plan. In prior years, performance at the threshold level resulted in no payout under the Executive Incentive Compensation Plan. For fiscal 2017, performance at the threshold level would result in a payout of 15% of the Executive's target bonus amount. Performance below the threshold level would continue to result in no payout. In addition, for fiscal 2017, the percentage of salary Mr. Sifford could earn based upon the attainment of the target and maximum levels of GAAP Operating Income was increased from 80% at the target level of performance to 100% and from 125% at the maximum level of performance to 200%. For the other Executives, the percentage of salary each could earn based upon the attainment of the target level of GAAP Operating Income remained at 60%, but the amount each could earn based upon the attainment of the maximum level of GAAP Operating Income was increased from 100% to 120%.

The following table sets forth the percentage of salary each Executive (other than Mr. Weaver) could earn based upon the attainment of the various levels of GAAP Operating Income.

Name	Percentage of Annual Salary			
	Threshold	Target	Maximum	
Clifton E. Sifford	15 %	100 %	200 %	%
W. Kerry Jackson	9 %	60 %	120 %	%
Timothy T. Baker	9 %	60 %	120 %	%
Carl N. Scibetta	9 %	60 %	120 %	%

The Committee determined that the target GAAP Operating Income should be set at 110% of the fiscal 2016 GAAP Operating Income. Upon the attainment of the target GAAP Operating Income for fiscal 2017, or \$41.6 million, each Executive would earn their target bonus. In setting the target, the Committee considered our financial results in fiscal 2016, financial projections prepared by management for fiscal 2017, the uncertainty of the U.S. and global economies and the challenges facing the retail industry generally. The Committee then set the threshold for fiscal 2017 at 95% of the target GAAP Operating income, or \$39.5 million. If the threshold was met, the Executives would earn an escalating bonus, as a percentage of their base salary, as the fiscal 2017 GAAP Operating Income exceeded the threshold amount. With the attainment of 130% of the target GAAP Operating Income, or \$54.1 million, a 42.7% increase over fiscal 2016 GAAP Operating Income, each Executive would earn their maximum allowable bonus under the Executive Incentive Compensation Plan.

In fiscal 2017, our GAAP Operating Income was \$37.7 million, which did not exceed the established bonus threshold. As a result, no bonuses were paid under our Executive Incentive Compensation Plan for fiscal 2017.

#### Long-Term Equity Based Incentives

Prior to June 13, 2017, incentive awards were granted pursuant to the 2000 Stock Plan, and on and after June 13, 2017, incentive awards are granted pursuant to the 2017 Equity Plan, at the discretion of the Committee. The Committee relies in large part on the recommendation of our Chairman and our Chief Executive Officer in determining the value of incentive awards to be granted to Executives. For fiscal 2017, the Committee also considered the recommendations of FW Cook with respect to the allocation between service-based and performance-based equity awards and the design of the equity awards. With the exception of new employees and promotions, equity incentive awards are typically granted on an annual basis during the first quarter of the fiscal year after the Committee has reviewed financial projections for the fiscal year prepared by management at the Committee's request.

For fiscal 2017, to align our Executives' interests with our shareholders and to promote retention, the Committee decided to grant a combination of performance-based and service-based restricted stock to our Executives (other than

Mr. Weaver who did not receive an equity grant in fiscal 2017). The Committee wanted to ensure that the majority of the grants to Executives would be subject to performance-vesting conditions, so they determined that approximately 25% of the total dollar value of the restricted stock awards granted to the Executives would be service-based and approximately 75% of the total dollar value would be performance-based (at the target level of performance). For other employees, the Committee determined that equity awards granted for fiscal 2017 would be one-third service-based and two-thirds performance-based restricted stock awards, consistent with prior years.

On April 18, 2017, the Committee, based on the recommendation of our Chairman and our Chief Executive Officer (for Executives other than himself), granted the following number of shares of service-based restricted stock to our Executives:

Name	Number of Shares of Service-Based Restricted Stock
Clifton E. Sifford	8,022
W. Kerry Jackson	5,064
Timothy T. Baker	4,061
Carl N. Scibetta	4,061

The service-based restricted stock granted to our Executives vests in three equal annual installments on the first three anniversaries of the grant date, provided that each recipient maintains continuous service with us through such dates. Our Executives are entitled to receive any regular cash dividends paid on these shares of service-based restricted stock during the restricted period.

An additional 34,459 shares of service-based restricted stock were granted to other members of management.

For fiscal 2017, after taking into account the recommendations of FW Cook, the Committee modified the design of the performance-based restricted stock awards in the following two ways:

The Committee decided to measure earnings per diluted share over a two-fiscal-year period instead of just one fiscal year. Accordingly, the fiscal 2017 performance-based restricted stock may be earned based on cumulative earnings per diluted share for fiscal 2017 and fiscal 2018.

The Committee established the following range of goals at threshold, target, and maximum levels for which 50% to 150% of the target number of shares may be earned, rather than the “all or nothing” approach used in prior years.

2017-2019 Performance-Based Restricted Stock Payout Schedule			
	<i>Threshold</i>	<i>Target</i>	<i>Maximum</i>
Cumulative FY 2017 and FY 2018 EPS	\$ 3.32	\$ 3.49	\$ 4.01
	95%	100%	115%

% of  
 Target  
 Payout (%  
 of Target  
 Number of  
 Shares)    50%        100% 150%

Payout for performance between threshold and target, and between target and maximum cumulative earnings per diluted share will be interpolated. Performance below the threshold level will result in forfeiture of all of the shares of performance-based restricted stock and any deferred dividends on such shares. If our cumulative earnings per diluted share for fiscal 2017 and fiscal 2018 is between \$3.32 and \$4.01, any shares of performance-based restricted stock that are determined by the Committee to not be earned, and any deferred dividends on such shares, will be forfeited and returned to the Company on March 31, 2019.

Two-thirds of any earned shares will vest on March 31, 2019 and the remaining one-third will vest on March 31, 2020, provided that the recipient maintains continuous service with us through such dates, which further promotes retention of the Executives and other members of management receiving the performance-based restricted stock awards.



On April 18, 2017, the Committee, based on the recommendation of our Chairman and our Chief Executive Officer (for Executives other than himself), approved the following target and maximum number of shares of performance-based restricted stock that could be earned by our Executives:

Name	Target Number of Shares of Performance-Based Restricted Stock	Maximum Number of Shares of Performance-Based Restricted Stock
Clifton E. Sifford	24,068	36,102
W. Kerry Jackson	15,193	22,790
Timothy T. Baker	12,184	18,276
Carl N. Scibetta	12,184	18,276

The Committee approved an additional 68,905 target number of shares and 103,367 maximum number of shares of performance-based restricted stock that could be earned by other members of management. The number of shares of performance-based restricted stock granted on April 18, 2017 to each Executive and other member of management was the maximum number of shares that could be earned.

In recommending equity awards to all participants for fiscal 2017, including non-Executives, our Chairman and our Chief Executive Officer based their recommendations on a total of approximately 1% of our then outstanding shares (at the target level of performance for the performance-based restricted stock awards), with consideration given to the dilutive effect of the proposed grant. Recommendation of the allocation of shares amongst members of management was made based on the individual's potential for making significant contributions in the future and the relative importance of the individual's position to others in our organization.

#### Other Benefits

The other executive benefit programs and perquisites described above under "Compensation Program Components, Why Each Component Is Chosen and How Each Component Relates to Our Compensation Philosophy and Objectives - Other Benefits" were not changed from fiscal 2016.

#### Fiscal 2018 Executive Compensation Decisions

On April 9, 2018, the Committee completed its review and approval of the fiscal 2018 corporate goals and objectives relevant to Executive compensation, evaluated each Executive's individual performance as well as their collective performance in light of the prior year internal goals and objectives and set Executive compensation levels for fiscal

2018 based on this evaluation. This process was consistent with that performed in March and April 2017.

The Committee established the following with respect to Executive compensation for fiscal 2018:

1. The base salary for each Executive was set as follows:

Name	Base Salary	Percentage Increase
Clifton E. Sifford	\$695,250	3.0 %
W. Kerry Jackson	\$566,500	3.0 %
Timothy T. Baker	\$546,000	3.0 %
Carl N. Scibetta	\$515,000	3.0 %

These salary increases were made to keep each of their salaries competitive with executives in comparable positions at the peer group companies and were based on the Committee's review and assessment of the overall performance of the retail industry.

Mr. Weaver's salary remained at \$300,000 for fiscal 2018.

Performance-based bonuses for fiscal 2018 will be awarded pursuant to the Executive Incentive Compensation Plan. The Committee selected our GAAP Operating Income as the business criteria for all officers included in the Executive Incentive Compensation Plan, as the Committee determined that GAAP Operating Income remains appropriate for evaluating performance. The Committee established the threshold, target and maximum performance levels. Payout for performance between threshold and target, and between target and maximum GAAP Operating Income will be interpolated. These goals attempt to incorporate the known risk factors inherent with the current economic retail climate and reflect the challenges and opportunities facing the Company. The Committee, at its March 2019 meeting, will review our financial results against these goals.

In setting the payout percentages for fiscal 2018, the Committee reviewed bonus information for executives in comparable positions at the peer group companies provided by FW Cook and also took into account the threshold, target and maximum performance levels set for fiscal 2018. As a result, the Committee decided to reduce the payout percentages at the maximum level of performance from 200% of the target payout to 150% of the target payout. The following table sets forth the percentage of salary each Executive (other than Mr. Weaver) could earn in fiscal 2018 based upon the attainment of the various levels of GAAP Operating Income.

Name	Percentage of Annual Salary		
	Threshold	Target	Maximum
Clifton E. Sifford	15 %	100 %	150 %
W. Kerry Jackson	9 %	60 %	90 %
Timothy T. Baker	9 %	60 %	90 %
Carl N. Scibetta	9 %	60 %	90 %

For fiscal 2018 annual equity grants, the Committee reviewed the flexibility provided by our 2017 Equity Plan and determined to grant a combination of service-based restricted stock units (“RSUs”) and performance stock units (“PSUs”), rather than service-based restricted stock and performance-based restricted stock, to members of our management, including our Executives. The Committee wanted to ensure that the majority of the grants to our Executives would be subject to performance-vesting conditions; therefore, consistent with fiscal 2017, the Committee determined that approximately 75% of the total dollar value of the equity awards granted to the Executives would be PSUs and approximately 25% would be service-based RSUs. In April 2018, the Committee granted the following PSUs (at the target level) and service-based RSUs to the following Executives:

Name	Target Number of PSUs	Number of Service-Based RSUs
Clifton E. Sifford	22,723	7,574
W. Kerry Jackson	14,700	4,900
Timothy T. Baker	12,030	4,010
Carl N. Scibetta	12,030	4,010

The fiscal 2018 PSUs may be earned based on earnings per diluted share for fiscal 2018. Given the volatility in the retail industry, the Committee decided to measure earnings per diluted share over a one-fiscal-year period instead of the two-fiscal-year period utilized in fiscal 2017. After taking into consideration the potential dilutive effect of the PSUs on our shareholders, the Committee decided to continue to provide a range of goals at threshold, target, and

maximum levels, but decreased the percentage of the target number of PSUs that may be earned from 50% to 25% at the threshold level of performance and from 150% to 125% at the maximum level of performance. Payout for performance between threshold and target, and between target and maximum earnings per diluted share will be interpolated. Performance below the threshold level will result in forfeiture of all of the PSUs. One-half of any earned PSUs will vest on March 31, 2019 and the remaining one-half will vest on March 31, 2020, provided that the recipient maintains continuous service with us through such dates.

One-third of the service-based RSUs granted to our Executives vests on each of March 31, 2019, 2020 and 2021, provided that the recipient maintains continuous service with us through such dates.

In recommending equity awards to all participants, including non-Executives, our Chairman and our Chief Executive Officer based their recommendations for fiscal 2018 on a total of approximately 1% of our then outstanding shares (at the target level of performance for the PSUs), with consideration given to the dilutive effect of the proposed grant. Recommendation of the allocation of shares amongst members of management was made based on the individual's potential for making significant contributions in the future and the relative importance of the individual's position to others in our organization. No other forms of equity based compensation have been awarded to the Executives for fiscal 2018 performance.

The other executive benefit programs and perquisites described above under "Compensation Program Components, 4. Why Each Component Is Chosen and How Each Component Relates to Our Compensation Philosophy and Objectives - Other Benefits" were not changed from fiscal 2017.

#### Termination and Change in Control Arrangements

We have entered into an employment and noncompetition agreement with each of our Executives (other than Mr. Weaver), which specifies various payments to be made to the Executive in the event their employment is terminated, including upon a qualifying termination following a change in control. The type and amount of payments vary by Executive and the nature of the termination. We believe the severance benefits payable under these agreements are competitive with general industry practices and that these agreements serve to ensure the continued dedication of the Executive team and minimize the likelihood of the transfer of trade secrets to our direct competitors.

Each of Messrs. Sifford, Jackson and Baker entered into an Amended and Restated Employment and Noncompetition Agreement with us dated December 11, 2008. Mr. Scibetta entered into an Employment and Noncompetition Agreement, similar in form and content to those of the other Executives, on December 4, 2012.

Further information on termination and change in control arrangements is contained under the section "Termination and Change in Control Arrangements" below.

#### Deductibility of Compensation and Other Related Issues

Section 162(m) of the Internal Revenue Code, as in effect prior to the enactment of the Tax Act in December 2017, generally disallowed a tax deduction to public companies for compensation of more than \$1 million paid in any taxable year to each "covered employee," consisting of the chief executive officer and the three other highest paid executive officers employed for the taxable year (other than the chief financial officer). Performance-based compensation was exempt from this deduction limitation if the company met specified requirements set forth in the

Internal Revenue Code and applicable treasury regulations. As a general matter, in making its prior Executive compensation decisions, the Committee was mindful of the benefit to the Company of the full deductibility of compensation, but had exercised its discretion to provide base salaries, service-based restricted stock or other compensation that may not have been fully tax deductible to us.

The Tax Act retained the \$1 million deduction limit, but repealed the performance-based compensation exemption from the deduction limit and expanded the definition of “covered employees,” effective for taxable years beginning after December 31, 2017. Consequently, compensation paid in fiscal 2018 and later years to our Executives in excess of \$1 million will not be deductible unless it qualifies for transitional relief applicable to certain binding, written performance-based compensation arrangements that were in place as of November 2, 2017.

The Committee generally intends to continue to comply with the requirements of Section 162(m) as it existed prior to the Tax Act with respect to performance-based compensation payable under outstanding awards granted before November 2, 2017 under the 2000 Stock Plan in order to qualify them for the transitional relief. However, no assurance can be given that the compensation associated with these awards will qualify for the transitional relief, due to ambiguities and uncertainties as to the application and interpretation of newly revised Section 162(m) and the related requirements for transitional relief.

Section 409A of the Internal Revenue Code provides certain requirements for deferred compensation arrangements. Those requirements, among other things, limit flexibility with respect to the time and form of payment of deferred compensation. If a payment or award constitutes deferred compensation subject to Section

409A and the applicable requirements are not satisfied, the recipient could be subject to tax on the award and all other deferred compensation of the same type, and an additional 20% tax and interest at the underpayment rate plus 1%, at the time the legally binding right to the payment or award arises or, if later, when that right ceases to be subject to a substantial risk of forfeiture. We have made modifications to our plans and our employment and noncompetition agreements with our Executives such that payments or awards under those arrangements either are intended to not constitute “deferred compensation” for Section 409A purposes (and will thereby be exempt from Section 409A’s requirements) or, if they constitute “deferred compensation,” are intended to comply with the Section 409A statutory provisions and final regulations.

The Sarbanes-Oxley Act of 2002 subjects our Chief Executive Officer and our Chief Financial Officer to forfeiture of incentive compensation and profits from the sale of stock in the event of an accounting restatement associated with non-compliance, as a result of misconduct, with any financial reporting requirement under the securities laws. Our Committee has not adopted at this time any additional forfeiture provisions for incentive compensation relating to accounting restatements.

### **Compensation Committee Report**

We have reviewed and discussed with Company management the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K under the Exchange Act. Based on the review and discussion referred to above, we recommended to the Board that the Compensation Discussion and Analysis be included in our Annual Report on Form 10-K for the fiscal year ended February 3, 2018 and in our proxy statement for the 2018 annual meeting of shareholders for filing under the Exchange Act.

Compensation Committee

James A. Aschleman (Chair)

Jeffrey C. Gerstel

Andrea R. Guthrie

Kent A. Kleeberger

Charles B. Tomm

Joseph W. Wood

### **Compensation-Related Risk Assessment**

In March 2018, our Compensation Committee reviewed our compensation policies and practices for all employees, including our Executives, and the risks that could arise from our compensation policies and practices. As part of the Compensation Committee's review, it specifically noted the following factors that reduce the likelihood of excessive risk-taking:

- Our overall compensation levels are competitive with the market.
- There is a balanced mix of cash and equity and annual and longer-term incentive compensation.

While the performance criteria used under our Executive Incentive Compensation Plan and historically used under our predecessor executive incentive compensation plan has been operating income achieved in a particular fiscal year, the overall compensation of our Executives is not overly weighted toward this annual measurement period.

Our Executive Incentive Compensation Plan has payouts at multiple levels of performance. Assuming achievement of at least a minimum level of performance, payouts under the plan results in some compensation at levels below full target achievement, rather than an "all-or-nothing" approach. The maximum bonus percentage payable under the Executive Incentive Compensation Plan is also currently capped at percentages ranging from 90% to 150% of the Executives' annualized base salary to protect against disproportionately large shorter-term incentives.

The Compensation Committee has the discretion to reduce performance-based awards when it determines that such adjustments would be appropriate based on our interests and the interests of our shareholders.

- We currently do not grant stock options to our Executives.



The performance-based equity awards granted to our Executives vest based on our attainment of certain earnings per diluted share targets, aligning the interests of our Executives with those of our shareholders. Our PSUs granted in fiscal 2018 and certain performance-based restricted stock awards granted in prior fiscal years are earned at multiple levels of performance, rather than an “all-or-nothing” approach.

Stock ownership guidelines applicable to all non-employee directors and all executive officers further align the interests of our Executives with those of our shareholders.

Pursuant to our Corporate Governance Guidelines, directors and executive officers are prohibited from (a) buying or selling puts, calls, collars, swaps, options, warrants, forward contracts or other derivative securities or similar financial instruments based on our securities; (b) conducting short sales of our securities; and (c) holding our securities in a margin account or otherwise pledging our securities as collateral for a loan.

Some of our non-executive employees are eligible to receive bonus and equity awards. With respect to the non-executive employees who receive bonus awards or performance-based equity awards, the performance criteria and targets are not unreasonable or clearly unattainable without excessive risk-taking. For those non-executive employees who are eligible to receive service-based equity awards, the equity awards typically vest either ratably over a three-year period or in full after two years.

Based on these factors, the Compensation Committee believes that our compensation policies and practices encourage behaviors that are aligned with the Company’s long-term interests, and that any short-term incentives do not make up a significant portion of compensation and do not encourage our employees to take risks for short-term gain. As a result, the Compensation Committee determined that any risks arising from our compensation policies and practices are not reasonably likely to have a material adverse effect on the Company.

### Summary Compensation Table

The following table sets forth a summary of the compensation paid by us for services rendered in all capacities to us by each of our Executives for fiscal 2017, fiscal 2016 and fiscal 2015.

Name and Principal Position	Fiscal Year (1)	Salary	Bonus	Stock Awards (2)	Option Awards (3)	Non-Equity Incentive Plan Compensation (4)	All Other Compensation	Total
Clifton E. Sifford, President and Chief Executive Officer	2017	\$ 675,000	\$ -	\$ 488,765	\$ -	\$ -	\$ 145,820	\$ 1,309,585
	2016	625,000	-	972,835	-	-	138,891	1,736,726
	2015	575,000	-	748,858	-	86,785	142,223	1,552,866

						\$ -		
		\$ 300,000	\$ -				\$ -	300,000
J. Wayne Weaver, Chairman of the Board	2017	300,000	-	\$ -	-	-	-	300,000
	2016	-	-	-	-	-	-	\$300,000
	2015	300,000	-	-	-	-	-	
				\$ 308,549	\$ -	\$ -		
W. Kerry Jackson, Senior Executive Vice President - Chief Operating and Financial Officer and Treasurer	2017	\$ 550,000	\$ -	628,014	-	-	\$ 61,297	919,846
	2016	535,600	-	499,247	-	52,323	65,912	\$ 1,229,526
	2015	520,000	-	-	-	-	60,247	\$ 1,131,817
				\$ 247,429	\$ -	\$ -		
Timothy T. Baker, Executive Vice President - Store Operations	2017	\$ 530,000	\$ -	508,876	\$ -	-	\$ 55,076	832,505
	2016	515,000	-	399,392	-	50,310	61,640	1,085,516
	2015	500,000	-	-	-	-	59,417	\$1,009,119
				\$ 247,429	\$ -	\$ -		
Carl N. Scibetta, Executive Vice President – Chief Merchandising Officer	2017	\$ 500,000	\$ -	\$ 247,429	\$ -	\$ -	\$ 45,955	793,384
	2016	450,000	-	523,166	-	-	48,357	\$1,021,523
	2015	399,423	-	399,392	-	40,248	40,486	879,549

(1) Our fiscal year is a 52/53 week year ending on the Saturday closest to January 31. Fiscal year 2017 was a 53-week year. Fiscal years 2016 and 2015 were each 52-week years.

Amounts reflect the aggregate grant date fair value of performance-based and service-based restricted stock awards computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718 (“ASC 718”). The grant date fair value of each performance-based award was computed based on the level of performance that was deemed probable on the grant date, which was the threshold level of performance for the (2) performance-based restricted stock awards granted in fiscal 2017 and the target level of performance for the performance-based restricted stock awards granted in fiscal 2016 and fiscal 2015. The table below sets forth the grant date fair value of the service-based restricted stock awards granted in fiscal 2017 and the performance-based restricted stock awards granted in fiscal 2017 at the threshold level of performance and the maximum level of performance.

Name	Service-Based Restricted Stock	Performance-Based Restricted Stock	
		Threshold	Maximum
Clifton E. Sifford	\$ 195,496	\$293,269	\$ 879,806
W. Kerry Jackson	\$ 123,410	\$185,139	\$ 555,392
Timothy T. Baker	\$ 98,967	\$148,462	\$ 445,386
Carl N. Scibetta	\$ 98,967	\$148,462	\$ 445,386

Disclosure of the relevant assumptions related to the valuation of awards is provided in the Notes to the Consolidated Financial Statements as contained in Part II, Item 8 of our Annual Report on Form 10-K for the year ended February 3, 2018.

GAAP Operating Income achieved for fiscal 2017 was \$37.7 million, which did not exceed the established bonus threshold. As a result, no Executive earned a bonus for fiscal 2017.

Operating income before officer bonus expense achieved for fiscal 2016 was \$37.9 million, which did not exceed (3) the established bonus threshold. As a result, no Executive earned a bonus for fiscal 2016.

Operating income before officer bonus expense achieved for fiscal 2015 was \$47.2 million, or 7.0% above threshold. Under the provisions of our Executive Incentive Compensation Plan, this achievement entitled Mr. Sifford to receive a bonus of 15.1% of his base salary and Messrs. Jackson, Baker and Scibetta to receive a bonus of 10.1% of each of their respective base salaries for fiscal 2015.

(4) We provide Executives (other than Mr. Weaver) with health and welfare programs, a 401(k) retirement plan, and employee benefit plans, programs and arrangements generally available to all employees. We also provide Executives (other than Mr. Weaver) with other executive benefit programs and perquisites. Perquisites and personal benefits received by the Executives in fiscal 2017 included:

- Reimbursements under our Executive medical plan, except for Mr. Weaver;
- An automobile allowance, except for Mr. Weaver; and

· For Mr. Sifford, limited personal utilization of the Company-provided aircraft, which value is based on incremental cost of utilization.

In fiscal 2017, one Executive received an individual perquisite in excess of \$25,000. For Mr. Sifford, the incremental cost for his utilization of the Company-provided aircraft totaled \$83,433.

The amounts in this column for fiscal 2017 also include matching contributions made by us under our 401(k) and deferred compensation plans, the discount on the Executive's purchases under the Employee Stock Purchase Plan, premiums on the Executive's life and long-term disability insurance and cash dividends paid to our Executives on the shares of unvested restricted stock that they held on the record date for each such dividend, which cash dividends were subject to applicable federal, state and local income tax withholdings. These amounts are detailed in the following table:

	401(k) Match	Deferred Compensation Plan Match	Discount under the Employee Stock Purchase Plan	Life Insurance Premiums	Long-term Disability Insurance Premiums	Cash Dividends on Unvested Restricted Stock
Clifton E. Sifford	\$2,450	\$ 28,490	\$ 882	\$ 594	\$ 1,000	\$ 12,948
J. Wayne Weaver	\$-	\$ -	\$ -	\$ -	\$ -	\$ -
W. Kerry Jackson	\$5,598	\$ 21,646	\$ -	\$ 594	\$ 1,000	\$ 10,808
Timothy T. Baker	\$3,015	\$ 19,986	\$ 882	\$ 594	\$ 1,000	\$ 8,647
Carl N. Scibetta	\$5,456	\$ 21,220	\$ -	\$ 594	\$ 1,000	\$ 1,626

**Grants of Plan-Based Awards**

The following table sets forth information with respect to the non-equity and equity grants of plan-based awards made during the last fiscal year to each Executive.

Name	Grant Date	Estimated Possible 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 Units (3)	Grant Date Fair Value of Stock and Option Awards (4)
		Threshold	Target	Maximum	Threshold	Target	Maximum		
Clifton E. Sifford	04/18/17				12,034	24,068	36,102		\$293,269
	04/18/17							8,022	\$195,496
		\$101,250	\$675,000	\$1,350,000					
J. Wayne Weaver	-	\$-	\$-	\$-	-	-	-	-	\$-
W. Kerry Jackson	04/18/17				7,597	15,193	22,790		\$185,139
	04/18/17							5,064	\$123,410
		\$49,500	\$330,000	\$660,000					
Timothy T. Baker	04/18/17				6,092	12,184	18,276		\$148,462
	04/18/17							4,061	\$98,967
		\$47,700	\$318,000	\$636,000					
Carl N. Scibetta	04/18/17				6,092	12,184	18,276		\$148,462
	04/18/17							4,061	\$98,967
		\$45,000	\$300,000	\$600,000					

Represents the amount each Executive could have earned based upon the attainment of various target levels of GAAP Operating Income under the Executive Incentive Compensation Plan. The material terms of the Executives' bonus awards under the Executive Incentive Compensation Plan are described in the section "Compensation Discussion and Analysis - Fiscal 2017 Compensation Decisions - Annual Cash Incentives." For fiscal 2017, no Executive earned a bonus under the Executive Incentive Compensation Plan, as the Company did not achieve GAAP Operating Income in excess of the defined threshold.

(2) Represents shares of performance-based restricted stock granted to the Executives on April 18, 2017 under the 2000 Stock Plan. The material terms of these restricted stock grants are described in the section "Compensation Discussion and Analysis - Fiscal 2017 Compensation Decisions - Long-Term Equity Based Incentives."

Represents shares of service-based restricted stock granted to the Executives on April 18, 2017 under the 2000 Stock Plan. The material terms of these restricted stock grants are described in the section “Compensation (3) Discussion and Analysis - Fiscal 2017 Compensation Decisions - Long-Term Equity Based Incentives.”

(4) The grant date fair value assigned to these shares was calculated in accordance with ASC 718, using the closing market price of our common stock on the grant date, which was \$24.37. The grant date fair value of each performance-based award was computed based on the threshold level of performance being achieved, which was the level of performance that was deemed probable on the grant date.

**Outstanding Equity Awards at Fiscal Year-End**

The following table sets forth information with respect to the outstanding equity awards for each Executive at the end of the fiscal year ended February 3, 2018.

Name	Grant Date	Stock Awards		Market Value of Shares or Units of Stock That Have Not Vested (2)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (3)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (2)
		Number of Shares or Units of Stock That Have Not Vested (1)	Units of Stock That Have Not Vested (2)			
Clifton E. Sifford	03/19/12			8,500		\$ 189,210
	03/27/13			30,000		\$ 667,800
	03/17/14			30,000		\$ 667,800
	03/16/15			30,868		\$ 687,122
	03/15/16			30,281		\$ 674,055
	04/18/17	178,022		\$ 178,570		
	04/18/17				12,034	
J. Wayne Weaver	-		\$-	-		\$-
W. Kerry Jackson	03/19/12			8,500		\$ 189,210
	03/27/13			20,000		\$ 445,200
	03/17/14			20,000		\$ 445,200
	03/16/15			20,579		\$ 458,089
	03/15/16			20,187		\$ 449,363
	04/18/17	175,064		\$ 112,725		
	04/18/17				7,597	
Timothy T. Baker	03/19/12			8,500		\$ 189,210
	03/27/13			15,000		\$ 333,900

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	03/17/14		16,500	\$ 367,290
	03/16/15		16,463	\$ 366,466
	03/15/16		16,150	\$ 359,499
	04/18/174,061	\$90,398		
	04/18/17		6,092	\$ 135,608
Carl N. Scibetta				
	03/27/13		15,000	\$ 333,900
	03/17/14		16,500	\$ 367,290
	03/16/15		16,463	\$ 366,466
	03/15/16		16,150	\$ 359,499
	04/18/174,061	\$90,398		
	04/18/17		6,092	\$ 135,608

(1) On April 18, 2017, the Compensation Committee granted Messrs. Sifford, Jackson, Baker and Scibetta shares of service-based restricted stock. One-third of these shares vested on April 18, 2018, one-third will vest on April 18, 2019, and the remaining shares will vest on April 18, 2020, provided the Executive maintains continuous service with us through such dates.

(2) The value of the shares that have not vested was computed utilizing \$22.26, the closing price of our common stock on Friday, February 2, 2018.



- (3)· On March 19, 2012, 240,000 shares of restricted stock were awarded under the 2000 Stock Plan and of these restricted shares, 122,250 were awarded to the Executives and the balance was awarded to other key employees. One-third of these restricted shares vest upon the attainment of each of three different levels of annual earnings per diluted share. Annual earnings per diluted share achieved for fiscal 2012 resulted in the vesting of two-thirds of the shares on March 31, 2013. The remaining one-third of these shares were forfeited and returned to us on April 1, 2018.
- On March 27, 2013, 205,000 shares of restricted stock were awarded under the 2000 Stock Plan and of these restricted shares, 87,500 were awarded to the Executives and the balance was awarded to other key employees. One-third of these restricted shares vest upon the attainment of each of three different levels of annual earnings per diluted share. All shares of this award have yet to vest. Any restricted shares that are unvested after six years will be forfeited and returned to us.
  - On March 17, 2014, 191,300 shares of restricted stock were awarded under the 2000 Stock Plan and of these restricted shares, 157,704 were performance-based and 33,596 were service-based. The Executives were awarded 90,500 shares of the performance-based restricted stock and the balance of the restricted stock was awarded to other key employees. One-third of the performance-based restricted shares vest upon the attainment of each of three different levels of annual earnings per diluted share. All shares of this award have yet to vest. Any performance-based restricted shares that are unvested after six years will be forfeited and returned to us.
  - On March 16, 2015, 191,389 shares of restricted stock were awarded under the 2000 Stock Plan and of these restricted shares, 158,461 were performance-based and 32,928 were service-based. The Executives were awarded 92,605 shares of the performance-based restricted stock, and the balance of the restricted stock was awarded to other key employees. One-third of the performance-based restricted shares vest upon the attainment of each of three different levels of annual earnings per diluted share. All shares of this award have yet to vest. Any performance-based restricted shares that are unvested after six years will be forfeited and returned to us.
  - On March 15, 2016, 210,543 shares of restricted stock were awarded under the 2000 Stock Plan and of these 210,543 restricted shares, 152,746 were performance-based and 57,797 were service-based. The Executives were awarded 82,768 shares of the performance-based restricted stock and 22,801 shares of service-based restricted stock (which service-based restricted stock was fully vested as of February 3, 2018), and the balance of the restricted stock was awarded to other key employees. The performance-based restricted shares vest on March 31, 2019 if the Company achieves annual earnings per diluted share of \$1.65 in any of fiscal 2016, fiscal 2017 or fiscal 2018 and the Executive maintains continuous service with us through March 31, 2019. All shares of this award have yet to vest. Any performance-based restricted shares that are not earned in fiscal 2016, fiscal 2017 or fiscal 2018 will be forfeited and returned to us.
  - On April 18, 2017, 233,270 shares of restricted stock were awarded under the 2000 Stock Plan in addition to those described in footnote 1 above, and of these 233,270 restricted shares, 198,811 were performance-based and 34,459 were service-based. The Executives were awarded 95,444 shares of the performance-based restricted stock and the balance of the restricted stock was awarded to other key employees. If the Company achieves cumulative earnings per diluted share of \$4.01 for fiscal 2017 and fiscal 2018 (the maximum level of performance), all of the performance-based restricted shares will be earned. If the Company achieves cumulative earnings per diluted share of \$3.49 for fiscal 2017 and fiscal 2018, the target number of performance-based restricted shares will be earned. If the Company's cumulative earnings per diluted share for fiscal 2017 and fiscal 2018 is less than \$3.32, all of the performance-based restricted shares will be forfeited and returned to us. If the Company's cumulative earnings per diluted share for fiscal 2017 and fiscal 2018 is between \$3.32 and \$3.49 or between \$3.49 and \$4.01, the number of performance-based restricted shares that will be earned will be interpolated. Two-thirds of any earned performance-based restricted shares will vest on March 31, 2019 and the remaining one-third will vest on March

31, 2020, if the Executive maintains continuous service with us through such dates.

In accordance with the instructions to Item 402 of Regulation S-K, the amount of shares reported in the “Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested” column for this award is based on achieving the threshold cumulative earnings per diluted share of \$3.32 for fiscal 2017 and fiscal 2018. Based on our actual earnings per diluted share in fiscal 2017, we do not expect that any shares will be earned for these performance-based restricted stock awards granted in fiscal 2017.

### Option Exercises and Stock Vested in Fiscal 2017

The following table sets forth for each Executive information with respect to the value realized upon the exercise of options or the vesting of stock during the fiscal year ended February 3, 2018.

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)
Clifton E. Sifford	-	\$	- 37,763	\$ 805,534
J. Wayne Weaver	-	\$	- -	\$ -
W. Kerry Jackson	-	\$	- 31,697	\$ 674,915
Timothy T. Baker	-	\$	- 23,027	\$ 490,636
Carl N. Scibetta	-	\$	- 2,414	\$ 53,736

(1) Amount was calculated by multiplying the number of shares vesting by the closing price of our common stock on the vesting date or, if not a trading day, the last trading day preceding the vesting date.

**Equity Compensation Plan Information**

The following table sets forth information regarding outstanding grants and shares available for grant under our existing equity compensation plans, including our 2017 Equity Plan, the 2000 Stock Plan and the Employee Stock Purchase Plan. All information is as of February 3, 2018.

Plan Category	Number of Securities To be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance (Excluding Securities Reflected in the First Column)
Equity compensation plans approved by security holders (1)	4,000 (2)	\$ - (3)	1,093,347 (4)
Equity compensation plans not approved by security holders (5)	-	\$ -	-
Total	4,000	\$ -	1,093,347

(1) Includes the 2017 Equity Plan, the 2000 Stock Plan and the Employee Stock Purchase Plan.

(2) Represents shares that may be issued pursuant to outstanding restricted stock units granted under the 2017 Equity Plan. We also had 915,925 shares of restricted stock granted under the 2000 Stock Plan outstanding as of February 3, 2018, which are not included in the “Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights” column.

(3) The restricted stock units, once vested, convert into shares of our common stock on a one-for-one basis for no additional consideration.

(4) Includes 1,009,684 shares available for future issuance under the 2017 Equity Plan and 83,663 shares available for future issuance under the Employee Stock Purchase Plan.

(5) We do not maintain any equity compensation plans that have not been approved by our shareholders.

Equity Based Compensation – Narrative Discussion

Our Board and shareholders approved the 2000 Stock Plan, effective June 8, 2000. Subsequent to its initial approval, the following amendments were made:

The 2000 Stock Plan initially reserved 1,000,000 shares of our common stock for stock option and restricted stock grants, and on June 11, 2004, the 2000 Stock Plan was amended to increase the number of shares reserved for issuance to 1,500,000 (subject to adjustment for subsequent stock splits, stock dividends and certain other changes in the common stock).

On June 14, 2005, the 2000 Stock Plan was amended to include our non-employee directors as individuals eligible to receive awards; to stipulate that the exercise price of all options granted may not be less than the fair market value of our common stock on the date that the option is granted; and to delete the provision permitting loans to participants.

On June 12, 2008, the 2000 Stock Plan was further amended to increase the number of shares of our common stock reserved for issuance from 1,500,000 to 2,000,000 and to extend the term of the plan until the later of ten years from the date of adoption of the plan by our shareholders or the approval of any amendment of the plan by our shareholders.

On October 8, 2008, the Board adopted and approved an amendment to the 2000 Stock Plan to modify the change in control provisions and to provide that upon a change in control, any shares of restricted stock, including restricted stock intended to qualify as “performance-based compensation” under Section 162(m) of the Internal Revenue Code, will become fully vested in the participants.

On December 9, 2010, the 2000 Stock Plan was further amended by the Board to modify the definition of a change in control.

Pursuant to the provisions of the 2000 Stock Plan, in connection with, and to give effect to, the three-for-two stock split of the shares of our common stock, which was effected in the form of a stock dividend during April 2012, the Compensation Committee adjusted (1) the total number of shares of our common stock reserved and available for issuance under the 2000 Stock Plan from 2,000,000 to 3,000,000 and (2) the total number of shares which may be granted to a participant in any calendar year under all forms of awards under the 2000 Stock Plan from 300,000 to 450,000.

On June 14, 2012, the 2000 Stock Plan was amended to increase the number of shares reserved for issuance from 3,000,000 to 3,900,000 (subject to adjustment for subsequent stock splits, stock dividends and certain other changes in the common stock). The 2000 Stock Plan was also amended to modify the definition of a change in control and revise the provision governing the payment of dividends on shares of restricted stock.

On March 17, 2015, the Board adopted and approved an amendment to the 2000 Stock Plan to provide that participants receiving awards under the plan must adhere to certain confidentiality and non-solicitation terms set forth in the plan. If a participant violates any of the confidentiality, non-solicitation terms or other restrictive covenant obligations set forth in the 2000 Stock Plan or otherwise, any unvested restricted stock or unexercised options will automatically be forfeited and cancelled, and we have the sole discretion to claw back any value received by the participant from any restricted stock that vested or any options that were exercised within one year of the time of the violation.

On March 22, 2017, our Board of Directors approved the 2017 Equity Plan, subject to shareholder approval, and on June 13, 2017, our shareholders approved the 2017 Equity Plan. Upon approval of the 2017 Equity Plan by our shareholders, no further awards were permitted to be made under the 2000 Stock Plan. The Compensation Committee administers and grants equity incentive awards under the 2017 Equity Plan. The 2017 Equity Plan provides for the grant of incentive awards in the form of stock options, stock appreciation rights (“SARs”), restricted stock, stock units and other stock-based awards to our employees, consultants, advisors and non-employee directors. A maximum of 1,000,000 shares of our common stock are available for issuance under the 2017 Equity Plan. Any shares of our common stock subject to an award under the 2017 Equity Plan, or to an award granted under the 2000 Stock Plan that was outstanding on June 13, 2017, that expires, is cancelled or forfeited, or is settled for cash will, to the extent of such cancellation, forfeiture, expiration or cash settlement, automatically become available for future awards under the 2017 Equity Plan. However, any shares tendered or withheld to pay the exercise price of an option award or to satisfy a tax withholding obligation in connection with any award, any shares repurchased by us using option exercise proceeds and any shares subject to a SAR award that are not issued in connection with the stock settlement of the SAR award on its exercise may not be used again for future awards under the 2017 Equity Plan. Each share of common stock that again becomes available for awards will correspondingly increase the share reserve by the same number of shares by which the share reserve was decreased upon the grant of the applicable award.

The 2017 Equity Plan also provides that participants receiving awards under the plan must adhere to certain confidentiality and non-solicitation terms set forth in the plan. If a participant violates any of the confidentiality, non-solicitation terms or other restrictive covenant obligations set forth in the 2017 Equity Plan or otherwise, any unvested equity awards will automatically be forfeited and cancelled, and we have the sole discretion to claw back any value received by the participant from any restricted stock, stock units or other stock-based awards that vested or any options or SARs that were exercised within one year of the time of the violation.

**Nonqualified Deferred Compensation**

The following table sets forth, for each Executive, information on the nonqualified deferred compensation plan with respect to deferrals, our match, earnings and distributions made during fiscal 2017, along with the ending account balance at February 3, 2018.

	Executive Contributions in Last Fiscal Year (1)	Registrant Contributions in Last Fiscal Year (2)	Aggregate Earnings in Last Fiscal Year (3)	Aggregate Withdrawals and Distributions	Aggregate Balance at Last Fiscal Year End
Clifton E. Sifford	\$ 129,808	\$ 28,490	\$ 223,041	\$ -	\$ 2,134,707
J. Wayne Weaver	\$ -	\$ -	\$ -	\$ -	\$ -
W. Kerry Jackson	\$ 142,986	\$ 21,646	\$ 21,478	\$ -	\$ 1,469,276
Timothy T. Baker	\$ 92,304	\$ 19,986	\$ 210,476	\$ (983,037)	\$ 1,126,215
Carl N. Scibetta	\$ 43,638	\$ 21,220	\$ 39,270	\$ -	\$ 339,511

(1) These amounts deferred are included in the Summary Compensation Table in the Salary column for fiscal 2017.

(2) These amounts are included in the All Other Compensation column in the Summary Compensation Table for fiscal 2017.

(3) The amounts shown in this column are not reported as compensation in the Summary Compensation Table, as they do not represent above-market or preferential earnings on deferred compensation.

**Non-Equity Based Compensation – Narrative Discussion**

The Pension Benefits Table has been excluded, as we do not have a defined benefit plan. On February 24, 1994, our Board approved the Shoe Carnival Retirement Savings Plan. The primary savings mechanism is a 401(k) plan. Further information regarding the Shoe Carnival Retirement Savings Plan can be found in Note 9 of the Notes to the Consolidated Financial Statements included in Part II, Item 8 of our Annual Report on Form 10-K for the fiscal year ended February 3, 2018.

In fiscal 2000, we established a nonqualified deferred compensation plan for highly compensated employees who, due to Internal Revenue Service limitations, cannot defer an adequate level of replacement income for their retirement planning.

Features of the plan include:

On a calendar year basis, participants elect to defer, on a pre-tax basis, a specific portion of their base salary and/or bonus earned up to a maximum of \$150,000 per calendar year.

Deferrals on a participant's bonus are credited to the plan year in which the bonus was earned, which, in most cases, is the plan year preceding the year in which the bonus was paid. As a result, the amounts included in the "Executive Contributions in Last Fiscal Year" column in the Nonqualified Deferred Compensation table may exceed the maximum deferral amount per calendar year described in the preceding bullet point.

The compensation deferred under this plan is credited with earnings or losses on a daily basis and measured by the rate of return on investments elected by plan participants similar to those available under our 401(k) plan. These services are provided by a third-party provider.

While not required to, we can match a portion of the participant's contributions, which are then subject to immediate, one-year or two-year vesting requirements depending on the length of service of the participant.

Benefits are paid out upon death, disability, retirement, financial hardship or termination of employment based on each participant's pre-selected payout schedule.

Designated future in-service distributions may be taken two years after the year of deferral and must be requested a minimum of two years in advance. The amount of the distribution is restricted to the maximum of the actual deferral amount and vested employer match if elected for the specific year, adjusted by any investment gain or loss.

The plan is currently unfunded.

## Termination and Change in Control Arrangements

### Clifton Sifford, Kerry Jackson, Timothy Baker and Carl Scibetta

On December 11, 2008, we entered into Amended and Restated Employment and Noncompetition Agreements with Clifton Sifford, Kerry Jackson and Timothy Baker. The Agreements amended and restated similar agreements entered into with these individuals as of December 31, 2006. On December 4, 2012, we entered into an Employment and Noncompetition Agreement with Carl Scibetta. Mr. Scibetta's agreement is similar in form and content, except that it does not include any tax gross-up provisions. These documents hereinafter are referred to collectively as the "Agreements."

The terms of the Agreements are through January 31, 2019 (such terms, including any extension, are referred to as the "Terms"). The Agreements are subject to early termination as provided in the Agreements. The Agreements shall be renewed automatically for successive terms of one year each unless either party provides written notice of non-renewal to the other party not more than 90 days and not less than 30 days before the end of the then current Term. No such notification was given by any party prior to January 31, 2018.

The Agreements provide for an annual base salary and entitle Messrs. Sifford, Jackson, Baker and Scibetta to participate in our Executive Incentive Compensation Plan, and in any successor plan adopted by us from time to time. Such Executives are also entitled to participate in any and all welfare and health benefit plans and other employee benefit plans. Under each of the Agreements, employment will terminate upon death, and may be terminated by us upon the disability of such Executive, or by us for cause or without cause. Each such Executive may terminate employment voluntarily or with good reason.

Under the Agreements, "cause" is defined as any one or more of the following actions by the respective Executive:

- conviction for a felony or other crime involving moral turpitude;
- engaging in illegal conduct or gross misconduct which is injurious to us;
- engaging in any fraudulent or dishonest conduct in their dealings with, or on behalf of, us;
- failure or refusal to follow the lawful and reasonable instructions of our Chief Executive Officer, President, or other executive officer to whom each Executive reports, and for Mr. Sifford our Board, if such failure or refusal continues



for a period of 10 days after we deliver to such Executive a written notice stating the instructions which such Executive has failed or refused to follow;

- material breach of any of his obligations under the Agreement;

- material breach of our policies;

- use of alcohol or drugs which interferes with the performance of his duties for us or which compromises our integrity or reputation; or

- engaging in any conduct tending to bring us into public disgrace or disrepute.

In addition, “good reason” is defined as the occurrence, without the Executive's written consent, of a material reduction by us in the Executive's base salary.

The following tables set forth the estimated payout each such Executive would receive from us under each of the specific triggering events and assumes that the triggering event took place on February 3, 2018, the last day of our most recently completed fiscal year.

## Clifton Sifford

Description of Payout and/or Accelerated Vesting	Death or Disability	Without Cause or by Employee for Good Reason	For Cause or by Employee Without Good Reason	Qualifying Termination Following a Change in Control
Bonus for year of separation (1)	\$-	\$371,250	\$-	\$-
Cash severance (2)	-	1,012,500	-	2,092,500
Out-placement services (3)	-	-	-	2,500
Medical and dental benefits (4)	-	38,400	-	38,400
Restricted stock, accelerated vesting (5) (6) (7)	86,987	178,570	-	3,064,556
Excise tax, including gross up (8)	-	-	-	2,235,552
Total	\$86,987	\$1,600,720	\$-	\$7,433,508

## Kerry Jackson

Description of Payout and/or Accelerated Vesting	Death or Disability	Without Cause or by Employee for Good Reason	For Cause or by Employee Without Good Reason	Qualifying Termination Following a Change in Control
Bonus for year of separation (1)	\$-	\$302,500	\$-	\$-
Cash severance (2)	-	825,000	-	1,705,000
Out-placement services (3)	-	-	-	2,500
Medical and dental benefits (4)	-	38,400	-	38,400
Restricted stock, accelerated vesting (5) (6) (7)	54,912	112,725	-	2,099,786
Excise tax, including gross up (8)	-	-	-	1,631,752
Total	\$54,912	\$1,278,625	\$-	\$5,477,438

## Timothy Baker

Description of Payout and/or Accelerated Vesting	Death or Disability	Without Cause or by Employee for Good Reason	For Cause or by Employee Without Good Reason	Qualifying Termination Following a Change in Control
Bonus for year of separation (1)	\$-	\$291,500	\$-	\$-
Cash severance (2)	-	795,000	-	1,643,000
Out-placement services (3)	-	-	-	2,500
Medical and dental benefits (4)	-	38,400	-	38,400
Restricted stock, accelerated vesting (5) (6) (7)	44,041	90,398	-	1,706,763
Excise tax, including gross up (8)	-	-	-	1,388,114
Total	\$44,041	\$1,215,298	\$-	\$4,778,777

## Carl Scibetta

Description of Payout and/or Accelerated Vesting	Death or Disability	Without Cause or by Employee for Good Reason	For Cause or by Employee Without Good Reason	Qualifying Termination Following a Change in Control
Bonus for year of separation (1)	\$-	\$ 275,000	\$-	\$-
Cash severance (2)	-	750,000	-	1,550,000
Out-placement services (3)	-	-	-	2,500
Medical and dental benefits (4)	-	38,400	-	38,400
Restricted stock, accelerated vesting (5) (6) (7)	44,041	90,398	-	1,517,553
Total	\$44,041	\$1,153,798	\$-	\$3,108,453

The bonus for year of separation would be paid in a lump sum within 30 days of termination in an amount equal to 55% of each Executive's current base salary for the fiscal year in which the termination occurs, multiplied by a fraction, the numerator of which is the number of days elapsed in such fiscal year through the termination date and the denominator of which is 365. In this table, the annual base salary is equivalent to the Executive's base salary as of February 3, 2018.

The cash severance for termination without cause or by the Executive for good reason would be paid in a lump sum within 30 days of termination in an amount equal to 150% of each Executive's current base salary for the fiscal year in which the termination occurs. If within two years following a change in control, the Executive is terminated without cause or he terminates for good reason (a "qualifying termination"), a lump sum cash severance would be paid within 30 days of termination in an amount equal to 310% of each Executive's current base salary for the fiscal year in which the qualifying termination occurs. In this table, the annual base salary is equivalent to the Executive's base salary as of February 3, 2018.

We will provide out-placement services at a cost not to exceed \$2,500 in the event of a qualifying termination following a change in control.

Upon a termination without cause, by the Executive for good reason or a qualifying termination following a change in control, each Executive would be paid in a lump sum within 30 days of termination an amount equal to 18 times the monthly COBRA premium rate. Messrs. Sifford, Jackson and Baker also would be paid in a lump sum within 30 days of termination an amount equal to any additional state and federal taxes each will incur as a result of the lump sum payment. Mr. Scibetta's Agreement does not include a provision for reimbursement of taxes.

The 2000 Stock Plan, under which our restricted stock was issued, and certain applicable award agreements include a provision that upon death or disability, each Executive would be entitled to a ratable portion of their restricted stock awards based on the portion of the restricted period completed as of the termination date as a percentage of the total vesting period. In this example, the value was calculated by taking the number of unvested shares of service-based restricted stock held by each Executive on February 3, 2018, multiplied by a fraction, the numerator of which is the number of days elapsed between the effective date of the grant and February 3, 2018 and the denominator of which is the number of days in the vesting period. The results were then multiplied by \$22.26, the closing price of our common stock on February 2, 2018. No amounts were included for the unvested shares of performance-based restricted stock granted in fiscal 2016 and prior years and held by the Executives on February 3, 2018, as our annual earnings per diluted share as of February 3, 2018 were below the performance vesting hurdles for each of those unvested performance-based restricted stock awards. No amounts were included for the unvested shares of performance-based restricted stock granted in fiscal 2017 and held by the Executives on February 3, 2018, as the award agreements for such performance-based restricted stock provide that the ratable portion is not determined until after the end of fiscal 2018 based on actual cumulative earnings per diluted share for fiscal 2017 and fiscal 2018.

The 2000 Stock Plan, under which our restricted stock was issued, includes a provision providing for the immediate vesting of any currently unvested shares of restricted stock, including restricted stock intended to qualify as "performance-based compensation" under Section 162(m) of the Internal Revenue Code, upon a change in control, unless provided otherwise in an award agreement. Restricted stock awards granted in fiscal 2016 and prior years fully vest upon a change in control. The award agreements for the service-based restricted stock granted in

fiscal 2017 provide that if the service-based restricted stock award is not continued, assumed or replaced in connection with the change in control, or upon a qualifying termination of the Executive, such restricted stock will fully vest. The award agreements for the performance-based restricted stock granted in fiscal 2017 provide that if the change in control occurs prior to the end of fiscal 2018, our fully diluted cumulative earnings per share as of the effective time of the change in control, with the threshold, target and maximum levels of fully diluted cumulative earnings per share adjusted to reflect the portion of fiscal 2017 and fiscal 2018 that elapsed as of the effective time of the change in control, is to be used to determine the number of shares converted to time-vesting shares (the "Converted Award"). If the Converted Award is not continued, assumed or replaced in connection with the change in control, or upon a qualifying termination of the Executive, the Converted Award will fully vest. Based on our actual performance through February 3, 2018, none of these performance-based restricted shares would convert to time-vesting shares upon a change in control, so in this example, no amounts are included for this award. In this example, the value was calculated by multiplying \$22.26, the closing price of our common stock on February 2, 2018, by the number of unvested shares of restricted stock held by each Executive on February 3, 2018, excluding the performance-based restricted stock granted in fiscal 2017.

(7) The award agreements for the service-based restricted stock granted to each Executive in fiscal 2017 provide for the immediate vesting of any unvested shares of such restricted stock upon a termination of the Executive without cause or by the Executive for good reason, in accordance with such Executive's Agreement. In this example, the value was calculated by multiplying \$22.26, the closing price of our common stock on February 2, 2018, by the number of shares of service-based restricted stock granted to such Executive in fiscal 2017 that were unvested and held by such Executive on February 3, 2018.

(8) If any payment under the Agreements would be subject to the excise tax under Section 4999 of the Internal Revenue Code, Messrs. Sifford, Jackson and Baker would be entitled to receive additional compensation from us to cover the excise taxes, interest and penalties (if applicable) and other taxes arising from the additional compensation. In this example, Messrs. Sifford, Jackson and Baker would have qualified to receive additional compensation from us to cover excise taxes at February 3, 2018. The taxes have been computed in accordance with Section 280G of the Internal Revenue Code. Mr. Scibetta's Agreement does not include a provision for additional compensation to cover such taxes, interest and penalties.

Other factors material to the Agreements and the 2000 Stock Plan are as follows:

The benefits granted to each Executive under the Agreements and the 2000 Stock Plan are subject to certain employment and post-employment conditions. This includes, but is not limited to, the agreement by each Executive not to contribute his knowledge and abilities to any business or entity in competition with us for a period of one year following termination of the Executive's employment under the Agreements and to adhere to certain confidentiality terms and a one-year non-solicitation provision under the 2000 Stock Plan.

Notwithstanding any other provision of the Agreements, upon termination of employment for any reason, the Executive shall be entitled to receive all base salary earned but unpaid and all other payments and benefits accrued before the termination date.

J. Wayne Weaver

On January 15, 1993, we entered into a noncompetition agreement with J. Wayne Weaver. As long as Mr. Weaver is our executive officer or director, he may not engage directly or indirectly through any other company or entity in the retail shoe business without the prior approval of our Audit Committee. Effective February 1, 1993, Mr. Weaver became our employee at an annual salary of \$300,000 and is reimbursed for all travel expenses related to performing his duties as Chairman of the Board. Although Mr. Weaver will continue to be involved in other

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business activities and will not devote his full time to the Company, he will devote such time to the Company as he deems necessary or appropriate to perform his duties as Chairman of the Board.

### **CEO Pay Ratio**

We are providing the following information about the relationship of the annual total compensation of our employees and the annual total compensation of Clifton E. Sifford, our Chief Executive Officer (our “CEO”):

For fiscal 2017, our last completed fiscal year:

the median of the annual total compensation of all employees of our company (other than our CEO) was \$12,370; and the annual total compensation of our CEO, as reported in the Summary Compensation Table disclosed above, was \$1,309,585.

Based on this information, for fiscal year 2017, we reasonably estimate that the ratio of our CEO’s annual total compensation to the annual total compensation of our median employee was 106:1. Our pay ratio estimate has been calculated in a manner consistent with Item 402(u) of Regulation S-K.

We identified our median employee based on the total taxable compensation during calendar year 2017 of all 5,024 members of our workforce, including full-time, part-time, temporary and seasonal employees, other than our CEO, who were employed on January 27, 2018.

For purposes of determining the total taxable compensation for each employee, we included the amount of base salary or wages the employee received during the calendar year, the amount of any cash incentives paid to the employee in that year (which include annual cash incentives that are generally paid in March for performance during the prior fiscal year) and the value of any equity grants that vested during the year based on the value of the shares on the date of vesting. We did not include any adjustments for the value of benefits provided, but we did annualize the pay for any full-time or part-time employees who were employed by us for only part of the year.

Once we identified our median employee, we then determined that employee’s total compensation, including any perquisites and other benefits, in the same manner that we determine the total compensation of our Executives for purposes of the Summary Compensation Table disclosed above. The total compensation of our median employee, a part-time sales associate, was determined to be \$12,370. This total compensation amount for our median employee was then compared to the total compensation of our CEO disclosed above in the Summary Compensation Table of \$1,309,585. The elements included in the CEO’s total compensation are fully discussed above in the footnotes to the Summary Compensation Table.





**Compensation of Non-Employee Directors**

Our non-employee directors receive the following:

Annual Cash Retainer	\$60,000
Annual Committee Chair Cash Retainer	
• Audit Committee	\$15,000
• Compensation Committee	\$10,000
• Nominating and Governance Committee	\$7,500
Annual Committee Member Cash Retainer (including Chairs)	
• Audit Committee	\$10,000
• Compensation Committee	\$7,500
• Nominating and Governance Committee	\$5,000
Annual Lead Independent Director Cash Retainer	\$15,000

All amounts paid to our non-employee directors are paid on a calendar quarter basis in arrears. No separate fees are paid to our non-employee directors for attendance at Board or Committee meetings. Our non-employee directors receive restricted shares valued at approximately \$60,000 as of the date of grant under the 2017 Equity Plan. These restricted shares are generally granted on the date of the annual meeting of shareholders. The restrictions on the shares will lapse on January 2nd of the year following the year in which the grant was made. All directors receive reimbursement of reasonable out-of-pocket expenses incurred in connection with meetings of the Board. No director who is our officer or employee receives compensation for services rendered as a director.

The following table sets forth information with respect to non-employee director compensation paid during the fiscal year ended February 3, 2018.

Name (1)	Fees Earned or Paid in Cash	Stock Awards (2)	All Other Compensation (3)	Total
James A. Aschleman	\$92,500	\$60,008	\$ 448	\$ 152,956
Jeffrey C. Gerstel	\$77,500	\$60,008	\$ 448	\$ 137,956
Andrea R. Guthrie	\$80,000	\$60,008	\$ 448	\$ 140,456
Kent A. Kleeberger	\$112,500	\$60,008	\$ 448	\$ 172,956
Joseph W. Wood	\$82,500	\$60,008	\$ 448	\$ 142,956
Charles B. Tomm (4)	\$22,498	\$17,917	\$ 71	\$40,486

(1)

Information on our non-employee directors can be found in “Proposal No. 1 Election of Directors - Nominee and Director Information” as well as in the section “Information Regarding the Board of Directors and Committees.”

(2) Amounts reflect the aggregate grant date fair value of restricted stock awards computed in accordance with ASC 718. Disclosure of the relevant assumptions related to the valuation of awards is provided in Note 10 to the Consolidated Financial Statements as contained in Part II, Item 8 of our Annual Report on Form 10-K for the year ended February 3, 2018.

(3) The amounts in this column represent cash dividends paid to our non-employee directors on the shares of unvested restricted stock that they held on the record date for each such dividend.

(4) Mr. Tomm joined the Board on September 12, 2017 and received a pro-rated portion of the annual cash retainer, annual restricted stock award and annual committee member cash retainers for the committees on which he served during fiscal 2017.

The Board adopted, and the shareholders approved on June 13, 2017, the 2017 Equity Plan. Messrs. Aschleman, Gerstel, Kleeberger and Wood and Ms. Guthrie were each awarded 2,984 shares of restricted stock under the 2017 Equity Plan on June 13, 2017, with a grant date fair value of \$60,008 based on the closing market price of our common stock on that day. Mr. Tomm was awarded 948 shares of restricted stock under the 2017 Equity Plan on September 12, 2017 upon his appointment to our Board, with a grant date fair value of \$17,917 based on the closing market price of our common stock on that day. The restrictions on all of these shares lapsed on January 2, 2018. At February 3, 2018, no shares of restricted stock and no stock options were held by any of the non-employee directors.

The compensation paid during the fiscal year ended February 3, 2018 to our President, Chief Executive Officer and director, Clifton E. Sifford, and our Chairman of the Board, J. Wayne Weaver, is included in the Summary Compensation Table.

#### Stock Ownership Guidelines for Directors

Under our stock ownership guidelines, which were adopted by our Board effective in June 2013 and amended by our Board in March 2017, our non-employee directors are required to own shares valued at five times their annual Board cash retainer. For the purposes of these guidelines, shares directly owned without any restrictions and shares owned directly by members of a non-employee director's immediate family who share the same household or any trust for the benefit of a non-employee director's immediate family members count toward ownership.

The value of stock holdings is determined based on the average daily closing price of our common stock during the 30-day period ending on the date of the valuation determination. The Compensation Committee is responsible for monitoring the application of the stock ownership guidelines and evaluating whether each non-employee director has met his or her ownership goal annually. The Compensation Committee reviewed the current ownership valuation for each of our non-employee directors at its March 2018 meeting. Of our non-employee directors, Messrs. Kleeberger and Tomm have met the ownership requirements, as amended.

We believe the adoption of stock ownership guidelines further serves to align the interests of our non-employee directors with those of our shareholders.

#### **PROPOSAL NO. 3**

#### **RATIFICATION OF OUR independent registered public accounting firm**

The ratification of the appointment of Deloitte & Touche LLP ("Deloitte") as our independent registered public accounting firm for fiscal 2018 is recommended by the Audit Committee and will be submitted to a vote at the annual meeting in order to permit our shareholders to express their approval or disapproval. In the event of a negative vote, a selection of another independent registered public accounting firm may be made by the Audit Committee. A representative of Deloitte is expected to be present at the annual meeting, will be given an opportunity to make a statement if desired and will respond to appropriate questions. Notwithstanding approval by our shareholders, the Audit Committee reserves the right to replace the independent registered public accounting firm at any time.

**The Board and the Audit Committee recommend a vote FOR the ratification of Deloitte & Touche LLP as our independent registered public accounting firm for fiscal 2018.**

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## AUDIT COMMITTEE MATTERS

### Principal Accountant Fees and Services

The following represents fees for professional audit services rendered by Deloitte for the audit of our financial statements for fiscal 2017 and 2016 and fees billed for other services rendered by Deloitte.

Fee Category	Fiscal Year	
	2017	2016
Audit fees (1)	\$714,034	\$557,000
Audit-related fees (2)	\$3,300	\$20,800
Tax fees	\$0	\$0
All other fees (3)	\$2,695	\$0

(1) Audit fees consist of fees relating to the audit of our annual financial statements and the reviews of the financial statements filed on Form 10-Q and, in fiscal 2017, our Registration Statement on Form S-8, as well as fees for professional services rendered for the audit of the effectiveness of our internal control over financial reporting.

(2) Audit-related fees consist of fees related to employee benefit plan audits.

(3) All other fees represent fees for accounting research tools for fiscal 2017.

### Audit Committee Pre-Approval Policy

The Audit Committee's policy is to pre-approve all audit and permissible non-audit services provided by our independent registered public accounting firm. These services may include audit services, audit-related services, tax services and other services. Pre-approval is generally provided for up to one year and any pre-approval is detailed as to the particular service or category of services, the Audit Committee is informed of each service and the pre-approval is generally subject to a specific budget. The Audit Committee may also pre-approve particular services on a case-by-case basis. In addition, the Chair of the Audit Committee may act to pre-approve services in interim periods and request ratification by the full Audit Committee at the next regularly scheduled committee meeting.

For fiscal 2017, all non-audit services included above were pre-approved. The aggregate amount of all such non-audit services constituted approximately 0.8% of the total amount of fees paid by us to Deloitte.

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

Management of the Company is responsible for the financial reporting process, including the system of internal control over financial reporting, and for the preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States. The Company's independent registered public accounting firm, Deloitte & Touche LLP (“Deloitte”), is responsible for performing the audit of the Company's consolidated financial statements and expressing an opinion on those statements, as well as auditing the effectiveness of the Company's internal control over financial reporting. The Audit Committee is responsible for oversight of all aspects of the Company's financial reporting, internal control over financial reporting and audit processes.

In fulfillment of its responsibilities, the Audit Committee on a regular basis discusses with both management and Deloitte the adequacy and effectiveness of the Company's internal control over financial reporting. The Audit Committee has reviewed and discussed the audited financial statements with the Company's management and Deloitte. In addition, the Audit Committee has discussed with Deloitte all matters required to be discussed with audit committees by the applicable rules of the Public Company Accounting Oversight Board (“PCAOB”). This discussion included certain information relating to Deloitte’s judgments about the quality, not just the acceptability, of the Company’s accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the consolidated financial statements.

The Audit Committee also has received the written disclosures and the letter from Deloitte required by applicable requirements of the PCAOB regarding Deloitte's communications with the Audit Committee concerning independence, and has discussed with Deloitte its independence from the Company and the Company's management. In addition, the Audit Committee considered whether Deloitte's independence would be jeopardized by providing non-audit services to the Company.

Based on the Audit Committee's review and discussions referenced in this report, the Audit Committee recommended to the Board that the Company's audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended February 3, 2018, as filed with the Securities and Exchange Commission.

Audit Committee  
Kent A. Kleeberger (Chair)  
James A. Aschleman

Jeffrey C. Gerstel

Charles B. Tomm

Joseph W. Wood

## **TRANSACTIONS WITH RELATED PERSONS**

### **Conflicts of Interest and Related Person Transaction Policies**

Under our Code of Ethics, our directors, officers and employees are not permitted to conduct business on our behalf with a member of his or her family, or a business organization with which he or she or a family member has an interest or employment relationship that could be considered significant in terms of potential conflict of interest unless such business dealings have been disclosed to, and approved by, the Audit Committee (in the case of directors or executive officers), the Chief Financial Officer (in the case of officers) or the employee's department head (in the case of other employees).

Further, under our Audit Committee's charter, the Audit Committee must review and approve all related person transactions in which any executive officer, director, director nominee or more than 5% shareholder, or any of their immediate family members, has a direct or indirect material interest. The Audit Committee may not approve a related person transaction unless it is in, or not inconsistent with, our best interests and, where applicable, the terms of such transaction are at least as favorable to us as could be obtained from an unrelated party.

During fiscal 2017, there were no transactions in which the Company was or is to be a participant, the amount involved exceeded \$120,000 and a related person had or will have a direct or indirect material interest, and no such transactions are currently proposed.



**PRINCIPAL SHAREHOLDERS**

The following table sets forth, as of April 17, 2018, certain information with respect to beneficial ownership of our common stock by each person (or group of affiliated persons) who is known by management to own beneficially more than 5% of our common stock, by each Executive, by each non-employee director and director nominee and by all current directors and executive officers as a group. Except as otherwise noted, the persons named in the table have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them. All percentages in the table are based on 16,078,561 shares of our common stock outstanding on April 17, 2018.

Name	Note	Number of Shares Beneficially Owned	Percent of Class	
J. Wayne Weaver and Delores B. Weaver	(1)	2,999,844	18.7	%
Clifton E. Sifford	(2)	238,903	1.5	%
W. Kerry Jackson	(3)	131,187	*	
Timothy T. Baker	(4)	122,958	*	
Carl N. Scibetta	(5)	89,587	*	
James A. Aschleman		11,387	*	
Jeffrey C. Gerstel		4,893	*	
Andrea R. Guthrie		6,093	*	
Kent A. Kleeberger		18,941	*	
Charles B. Tomm		16,948	*	
Joseph W. Wood		11,387	*	
All current executive officers and directors as a group (11 persons)	(6)	3,652,128	22.7	%
Bradley W. Weaver	(7)	1,000,000		6.2%
J. Wayne Weaver 2018 Grantor Retained Annuity				
Trust for Bradley Wayne Weaver				
Leigh Anne Weaver	(8)	1,000,000	6.2	%
J. Wayne Weaver 2018 Grantor Retained Annuity				
Trust for Leigh Anne Weaver				
Royce & Associates, LP**				
745 Fifth Avenue	(9)	1,364,123	8.5	%
New York, NY 10151				
Dimensional Fund Advisors LP**				
Building One				
	(10)	1,454,046	9.0	%
6300 Bee Cave Road				
Austin, TX 78746				
BlackRock, Inc.**	(11)	1,534,621	9.5	%

55 East 52<sup>nd</sup> Street

New York, NY 10055

\* Less than 1%.

\*\* Information is based solely on reports filed by such shareholder under Section 13(d) or Section 13(g) of the Exchange Act.

J. Wayne and Delores B. Weaver are husband and wife. Their mailing address is 7500 East Columbia Street, (1)Evansville, Indiana 47715. Mr. Weaver individually owns 499,922 shares and Mrs. Weaver individually owns 2,499,922 shares.

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- (2) Includes 165,273 shares of restricted stock as to which Mr. Sifford has voting but not dispositive power.
- (3) Includes 108,620 shares of restricted stock as to which Mr. Jackson has voting but not dispositive power.
- (4) Includes 86,450 shares of restricted stock as to which Mr. Baker has voting but not dispositive power.
- (5) Includes 86,450 shares of restricted stock as to which Mr. Scibetta has voting but not dispositive power.
- (6) Includes 446,793 shares of restricted stock as to which the individuals have voting but not dispositive power.

Represents shares held by the J. Wayne Weaver 2018 Grantor Retained Annuity Trust for Bradley Wayne Weaver (the "Bradley Weaver GRAT"). Bradley W. Weaver is the sole trustee of the Bradley Weaver GRAT and, as sole trustee, has sole voting and dispositive power with respect to the 1,000,000 shares held by the Bradley Weaver GRAT. Bradley Weaver does not beneficially own any shares of our common stock other than the 1,000,000

- (7) shares held by the Bradley Weaver GRAT. Bradley Weaver's address is 24 Roy Street #26, Seattle, WA 98109. The Bradley Weaver GRAT's address is c/o DAR Group Investments, 501 Riverside Avenue, Suite 900, Jacksonville, FL 32202.

- Represents shares held by the J. Wayne Weaver 2018 Grantor Retained Annuity Trust for Leigh Anne Weaver (the "Leigh Weaver GRAT"). Leigh Anne Weaver is the sole trustee of the Leigh Weaver GRAT and, as sole trustee, has sole voting and dispositive power with respect to the 1,000,000 shares held by the Leigh Weaver GRAT. Leigh Anne Weaver does not beneficially own any shares of our common stock other than the 1,000,000
- (8) shares held by the Leigh Weaver GRAT. Leigh Anne Weaver's address is 10 Sheffield West, Winchester, MA 01890. The Leigh Weaver GRAT's address is c/o DAR Group Investments, 501 Riverside Avenue, Suite 900, Jacksonville, FL 32202.

- (9) Royce & Associates, LP is a registered investment advisor and has sole voting and dispositive power with respect to 1,364,123 shares.

- Dimensional Fund Advisors LP ("Dimensional") is a registered investment advisor and has sole voting power with respect to 1,406,344 shares and sole dispositive power with respect to 1,454,046 shares. All of the indicated shares are owned by advisory clients of Dimensional, and Dimensional disclaims beneficial ownership of such
- (10) shares. These Dimensional clients have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, shares of our common stock held in their respective accounts.

- (11) BlackRock, Inc. is a parent holding company or control person and has sole voting power with respect to 1,499,814 shares and sole dispositive power with respect to 1,534,621 shares.

## **SHAREHOLDER PROPOSALS FOR 2019 ANNUAL MEETING**

The date by which shareholder proposals must be received by us for inclusion in proxy materials relating to the 2019 annual meeting of common shareholders pursuant to SEC Rule 14a-8 is January 9, 2019.

In order to be considered at the 2019 annual meeting, shareholder proposals must comply with the advance notice and eligibility requirements contained in our by-laws. Our by-laws provide that shareholders are required to give advance notice to us of any nomination by a shareholder of candidates for election as directors and of any business to be brought by a shareholder before an annual shareholders' meeting. Specifically, the by-laws provide that for a shareholder to nominate a person for election to our Board, the shareholder must be entitled to vote for the election of directors at the meeting and must give timely written notice of the nomination to our Secretary. The by-laws also provide that for business to be properly brought before an annual meeting by a shareholder, the shareholder must have the legal right and authority to make the proposal for consideration at the meeting and the shareholder must give timely written notice thereof to our Secretary. In order to be timely, a shareholder's notice must be delivered to or mailed and received at our principal executive offices not less than 30 days or more than 60 days prior to the meeting. In the event that less than 40 days' notice or prior public disclosure of the date of the meeting is given or made to shareholders, notice by the shareholder must be received not later than the close of business on the tenth day following the day on which notice of the date of the meeting was mailed or public disclosure was made. The notice must contain specified information about each nominee or the proposed business and the shareholder making the nomination or proposal.

The specific requirements of these advance notice and eligibility provisions are set forth in Article II and Article III of our by-laws, a copy of which is available upon request. Such request and any shareholder proposals should be sent to our Secretary at our principal executive offices.

## SHAREHOLDER COMMUNICATIONS

Our Board has implemented a process whereby shareholders may send communications to the Board's attention. Any shareholder desiring to communicate with the Board, or one or more specific members thereof, should communicate in writing addressed to Shoe Carnival, Inc., Board, c/o Lead Independent Director, 7500 East Columbia Street, Evansville, Indiana 47715.

## INCORPORATION BY REFERENCE

Notwithstanding anything to the contrary set forth in any of our previous filings under the Securities Act of 1933, as amended, or the Exchange Act that may incorporate future filings (including this proxy statement, in whole or in part), the Compensation Committee Report and the Report of the Audit Committee shall not be incorporated by reference in any such filings. The information on, or accessible through, our website, [www.shoecarnival.com](http://www.shoecarnival.com), is not, and should not be deemed to be, a part of this proxy statement, or incorporated into any other filings we make with the SEC.

## ANNUAL REPORTS

Our Annual Report to Shareholders for fiscal 2017 accompanies this proxy statement. The Annual Report is not used as part of this solicitation material and no action will be taken with respect to it at the annual meeting. **Additional copies of our Annual Report on Form 10-K for fiscal 2017 as filed with the Securities and Exchange Commission, including the financial statements and schedules thereto but excluding exhibits, may be obtained without charge upon written request. Requests should be directed to Investor Relations at Shoe Carnival, Inc., 7500 East Columbia Street, Evansville, Indiana 47715. A list of exhibits is included in the Annual Report on Form 10-K, and exhibits are available from us upon payment to us of the cost of furnishing them.**

**Proxy - Shoe Carnival, Inc.**

**Proxy Solicited on Behalf of The Board  
For The Annual Meeting of Common Shareholders to be held on June 14, 2018**

The undersigned appoints Clifton E. Sifford and J. Wayne Weaver, and each of them, as proxies, with full power of substitution and revocation, to vote, as designated on the reverse side hereof, all the common stock of Shoe Carnival, Inc. which the undersigned has power to vote, with all powers which the undersigned would possess if personally present, at the annual meeting of shareholders thereof to be held at the corporate headquarters for Shoe Carnival, Inc. located at 7500 East Columbia Street, Evansville, Indiana on Thursday, June 14, 2018, at 9:00 a.m., C.D.T., or at any adjournment thereof.

**This proxy when properly executed will be voted in the manner directed herein by the undersigned shareholder. Unless otherwise marked, this proxy will be voted FOR the election as Director of each of the nominees listed under Proposal 1, and FOR Proposals 2 and 3.**

**YOUR VOTE IS IMPORTANT!**

PLEASE VOTE, SIGN, DATE AND RETURN THIS PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE.

(Continued and to be signed on reverse side.)

**Shoe Carnival, Inc.  
Annual Meeting Proxy Card**

**A. Proposals – The Board recommends a vote FOR each of the listed nominees, and FOR Proposals 2 and 3.**

	For	Against	Abstain
1. Election of Directors			
01 – Kent A. Kleeberger	[ ]	[ ]	[ ]
02 – Joseph W. Wood	[ ]	[ ]	[ ]
03 – Charles B. Tomm	[ ]	[ ]	[ ]
2. To approve, in an advisory (non-binding) vote, the compensation paid to the Company's named executive officers.	For	Against	Abstain
	[ ]	[ ]	[ ]
3. To ratify the appointment of Deloitte & Touche LLP as the independent registered public accounting firm for the Company for fiscal 2018.	For	Against	Abstain
	[ ]	[ ]	[ ]

**B. Non-Voting Items**

**Change of Address** – Please print new address below.

**C. Authorized Signatures – This section must be completed for your vote to be counted. – Date and Sign Below**

When signing as attorney, executor, administrator, trustee or guardian, please give full title. If more than one trustee, all should sign. All joint owners must sign.

Date (mm/dd/yyyy) – Please print date below.

Signature 1 - Please keep signature within the box.

Signature 2 - Please keep signature within the box.