

FIVE BELOW, INC  
Form DEF 14A  
May 12, 2016  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A**

**INFORMATION REQUIRED IN PROXY STATEMENT**

**SCHEDULE 14A INFORMATION**

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

**Five Below, Inc.**

(Name of Registrant as Specified in its Charter)

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

Payment of Filing Fee (Check the appropriate box):

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

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



**Table of Contents**

Five Below, Inc.  
1818 Market Street  
Suite 2000  
Philadelphia, PA 19103

Dear Fellow Shareholder:

It is my pleasure to invite you to attend the Annual Meeting of Shareholders of Five Below, Inc. at 9:00 a.m. Eastern Daylight Time on Tuesday, June 21, 2016, at the offices of Pepper Hamilton LLP, 3000 Two Logan Square, 18th and Arch Streets, Philadelphia, Pennsylvania 19103.

The following pages contain the formal Notice of the Annual Meeting and the Proxy Statement. If you plan to attend the Annual Meeting and you are a registered shareholder, please bring a valid form of picture identification. If you are a beneficial owner of shares held in street name through a bank, broker, or other intermediary, please contact your bank, broker, or other intermediary to obtain evidence of ownership and a legal proxy, which you must bring with you to the Annual Meeting.

At this year's Annual Meeting, you will be asked to elect as directors the five nominees named in the attached Proxy Statement, ratify the selection of KPMG LLP as the Company's independent registered public accounting firm for the fiscal year ending January 28, 2017, approve the Five Below, Inc. Amended and Restated Equity Incentive Plan, as amended and restated, approve the Five Below, Inc. 2016 Performance Bonus Plan, as amended and restated, and cast an advisory (non-binding) vote approving the Company's named executive officer compensation.

**Your vote is important. Whether you plan to attend the Annual Meeting in person or not, we hope you will vote your shares as soon as possible. Please mark, sign, date, and return the accompanying proxy card or voting instruction form in the postage-paid envelope or instruct us by telephone or via the internet as to how you would like your shares voted. Instructions are included on the proxy card and voting instruction form.**

Sincerely,

Thomas G. Vellios  
Executive Chairman

**Table of Contents**

**Notice of Annual Meeting of Shareholders**

**To Be Held on June 21, 2016**

**9:00 a.m. Eastern Daylight Time**

To the Shareholders of Five Below, Inc.:

Notice is hereby given that the 2016 Annual Meeting of Shareholders (the Annual Meeting ) of Five Below, Inc. (the Company ) will be held at the offices of Pepper Hamilton LLP, 3000 Two Logan Square, 18th and Arch Streets, Philadelphia, Pennsylvania 19103 on Tuesday, June 21, 2016, at 9:00 a.m. Eastern Daylight Time. At the Annual Meeting, shareholders will be asked:

- 1) To elect (i) three Class I directors to hold office until the 2019 annual meeting of shareholders and (ii) two Class III directors to hold office until the 2018 annual meeting, and until their respective successors have been duly elected and qualified;
- 2) To ratify the appointment of KPMG LLP as the Company s independent registered public accounting firm for the current fiscal year ending January 28, 2017;
- 3) To approve the Company s Amended and Restated Equity Incentive Plan, which would approve the continuation of the terms of the plan for purposes of Section 162(m) of the Internal Revenue Code;
- 4) To approve the Company s 2016 Performance Bonus Plan, including for purposes of Section 162(m) of the Internal Revenue Code;
- 5) To hold an advisory (non-binding) vote to approve the Company s named executive officer compensation; and
- 6) To transact such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

The board of directors has fixed the close of business on April 26, 2016 as the record date for the determination of the shareholders entitled to notice of, and to vote at, the Annual Meeting and any adjournments or postponements thereof.

**Your vote is important. To be sure your vote counts and assure a quorum, please vote, sign, date and return the enclosed proxy card whether or not you plan to attend the meeting; or if you prefer, please follow the instructions on the enclosed proxy card for voting by internet or by telephone whether or not you plan to attend the meeting in person.**

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDER MEETING TO BE HELD ON JUNE 21, 2016:**

**This Notice is only an overview of the Proxy Statement and proxy card or voting information form included in this mailing and available at [www.proxyvote.com](http://www.proxyvote.com). These documents are first being mailed to shareholders on or about May 12, 2016. Our 2015 Annual Report, including our Form 10-K for fiscal year 2015, is not part of the proxy solicitation material.**

By order of the board of directors,

Karen W. Procell  
Secretary

Philadelphia, Pennsylvania

May 12, 2016

**Table of Contents****TABLE OF CONTENTS**

<u>PROXY SUMMARY</u>	1
<u>FREQUENTLY ASKED QUESTIONS</u>	3
<u>BOARD OF DIRECTORS</u>	9
<u>AUDIT COMMITTEE REPORT</u>	20
<u>COMPENSATION COMMITTEE REPORT</u>	20
<u>EXECUTIVE OFFICERS</u>	21
<u>COMPENSATION DISCUSSION AND ANALYSIS</u>	22
<u>EXECUTIVE COMPENSATION</u>	35
<u>CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS</u>	45
<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u>	47
<u>EQUITY COMPENSATION PLAN INFORMATION</u>	50
<u>SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u>	50
<u>PROPOSAL 1 ELECTION OF DIRECTORS</u>	51
<u>PROPOSAL 2 RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	52
<u>PROPOSAL 3 APPROVAL OF FIVE BELOW, INC. AMENDED AND RESTATED EQUITY INCENTIVE PLAN</u>	54
<u>PROPOSAL 4 APPROVAL OF FIVE BELOW, INC. 2016 PERFORMANCE BONUS PLAN</u>	59
<u>PROPOSAL 5 ADVISORY (NON-BINDING) VOTE TO APPROVE THE COMPANY'S NAMED EXECUTIVE OFFICER COMPENSATION</u>	63
<u>OTHER MATTERS</u>	64
<u>SHAREHOLDER PROPOSALS AND DIRECTOR NOMINATIONS FOR 2016 ANNUAL MEETING OF SHAREHOLDERS</u>	64
<u>ANNUAL REPORT TO SHAREHOLDERS</u>	64
<u>DELIVERY OF DOCUMENTS TO SHAREHOLDERS SHARING AN ADDRESS</u>	64

*We operate on a fiscal calendar widely used by the retail industry that results in a given fiscal year consisting of a 52- or 53-week period ending on the Saturday closest to January 31st of the following year. References to fiscal year 2016 or fiscal 2016 refer to the period from January 31, 2016 to January 28, 2017, which is a 52-week fiscal year. References to fiscal year 2015 or fiscal 2015 refer to the period from February 1, 2015 to January 30, 2016, which was a 52-week fiscal year. References to fiscal year 2014 or fiscal 2014 refer to the period from February 2, 2014 to January 31, 2015, which was a 52-week fiscal year. References to fiscal year 2013 or fiscal 2013 refer to the period from February 3, 2013 to February 1, 2014, which was a 52-week fiscal year. References to 2016, 2015, 2014 and 2013 are to our fiscal years unless otherwise specified.*

**Table of Contents**

**PROXY SUMMARY**

*This summary highlights information contained elsewhere in this Proxy Statement. This summary does not contain all of the information that you should consider and you should read the entire Proxy Statement before voting. For information regarding the Company's fiscal 2015 performance, please review the Company's Annual Report to shareholders for the fiscal year ended January 30, 2016. As used herein, Five Below, the Company, we, us, our or our business refers to Five Below, Inc. (collectively with its wholly owned subsidiary), except as expressly indicated or the context otherwise requires.*

**ANNUAL MEETING OF SHAREHOLDERS**

<b><i>Time and Date</i></b>	<b><i>Record Date</i></b>
9:00 a.m. Eastern Daylight Time June 21, 2016	April 26, 2016

<b><i>Place</i></b>	<b><i>Number of Common Shares Eligible to Vote at the Meeting as of the Record Date</i></b>
Pepper Hamilton LLP	54,714,544

3000 Two Logan Square

18th and Arch Streets

Philadelphia, PA 19103

**SUMMARY VOTING MATTERS**

<b>Matter</b>	<b>Board Recommendation</b>	<b>Page Reference (for more detail)</b>
<b>Election of Directors</b>	FOR each director nominee	51
<b>Ratification of Independent Registered Public Accounting Firm</b>	FOR	52
<b>Approval of the Company's Amended and Restated Equity Incentive Plan</b>	FOR	54
<b>Approval of the Company's 2016 Performance Bonus Plan</b>	FOR	59
<b>Advisory (non-binding) vote to approve the Company's Named Executive Officer compensation</b>	FOR	63

**Table of Contents**

**BOARD NOMINEES**

The following table provides summary information about each director nominee. At the Annual Meeting, directors will be elected by a majority of votes cast for each director nominee.

Name, Age	Director Since	Class	Principal Occupation	Committee Membership*		
				AC	CC	NCGC
Catherine E. Buggeln, 55	2015	I	Retail and Brand Consultant			
Michael F. Devine, III, 57	2013	I	Former Chief Financial Officer and Executive Vice President of Coach, Inc.,			
Ronald L. Sargent, 60	2004	I	Chairman and Chief Executive Officer of Staples, Inc.			
Daniel J. Kaufman, 56	2015	III	Chief Legal Officer and Corporate Secretary of GameStop Corp.			
Richard L. Markee, 62	2016	III	Non-Executive Chairman of Vitamin Shoppe			

\* AC Audit Committee  
 NCGC Nominating and Corporate Governance Committee  
 CC Compensation Committee  
 Chair of the Committee

**APPROVAL OF THE EQUITY INCENTIVE PLAN AND 2016 PERFORMANCE BONUS PLAN**

***Amended and Restated Equity Incentive Plan***

Equity awards are a vital piece of our total compensation package and are designed to support our long-term strategy, provide a mechanism to attract and retain talent and to create a commonality of interest between management and our shareholders. Awards under the Five Below, Inc. Amended and Restated Equity Incentive Plan (the Equity Incentive Plan ) are intended to compensate our Named Executive Officers (as defined below) for sustained long-term performance that is aligned with shareholder interests and to encourage retention through vesting schedules. Long-term equity incentive awards may take a variety of forms, such as stock options, restricted stock grants and restricted stock unit grants. Levels, mix, and frequency of awards are determined by the compensation committee. Our board of directors has recently approved certain technical updates and enhancements to the plan.

We are seeking approval of the Equity Incentive Plan, which would approve the continuation of the terms of the plan for purposes of Section 162(m) of the Internal Revenue Code. See Proposal 3 on page 54.

***2016 Performance Bonus Plan***

If approved by shareholders at the Annual Meeting, we will provide cash incentive awards under the Five Below, Inc. 2016 Performance Bonus Plan (the Performance Bonus Plan ) to our Named Executive Officers for achieving and exceeding our annual financial goals, which are generally based on the attainment of certain pre-established performance.

We are seeking approval of the Performance Bonus Plan in order to approve the terms of the plan for purposes of Section 162(m) of the Internal Revenue Code. See Proposal 4 on page 59.

**Table of Contents**

**PROXY STATEMENT**

**FOR 2016 ANNUAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON JUNE 21, 2016**

This Proxy Statement is being furnished together with our Annual Report for the fiscal year ended January 30, 2016 in connection with the solicitation of proxies for the Annual Meeting of Shareholders of Five Below, Inc. on June 21, 2016 (the "Annual Meeting"), and any postponements or adjournments of the meeting. On or about May 12, 2016, we will mail to each of our shareholders (other than those who previously requested electronic delivery or to whom we are mailing a paper copy) a Notice of Internet Availability of Proxy Materials containing instructions on how to access and review the proxy materials via the internet and how to submit a proxy electronically using the internet.

**FREQUENTLY ASKED QUESTIONS**

**When and where will the meeting take place?**

The Annual Meeting will be held on Tuesday, June 21, 2016, at 9:00 a.m. Eastern Daylight Time, at the offices of Pepper Hamilton LLP, 3000 Two Logan Square, 18th and Arch Streets, Philadelphia, Pennsylvania 19103.

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

As permitted by the Securities and Exchange Commission (the "SEC"), the Company is furnishing to shareholders its notice of the Annual Meeting (the "Notice"), this Proxy Statement and the 2015 Annual Report primarily over the internet. On or about May 12, 2016, we will mail to each of our shareholders (other than those who previously requested electronic delivery or to whom we are mailing a paper copy) a Notice of Internet Availability of Proxy Materials (the "Notice of Internet Availability") containing instructions on how to access and review the proxy materials via the internet and how to submit a proxy electronically using the internet. The Notice of Internet Availability also contains instructions on how to receive, free of charge, paper copies of the proxy materials. If you received the Notice of Internet Availability, you will not receive a paper copy of the proxy materials unless you request one.

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

**What is the purpose of this meeting and these materials?**

We are providing these proxy materials in connection with the solicitation by our board of directors of proxies to be voted at the Annual Meeting and any adjournments or postponements of the meeting.

At the Annual Meeting, you will be asked to vote on the following matters:

a proposal to elect (i) three Class I directors to hold office until the 2019 annual meeting of shareholders and (ii) two Class III directors to hold office until the 2018 annual meeting, and until their respective successors have been duly elected and qualified (Proposal No. 1);

a proposal to ratify the appointment of KPMG LLP as our independent registered public accounting firm for the current fiscal year ending January 28, 2017 (Proposal No. 2);

a proposal to vote on the Company's Equity Incentive Plan, which would approve the continuation of the terms of the plan for purposes of Section 162(m) of the Internal Revenue Code (Proposal No. 3);





## **Table of Contents**

a proposal to vote on the Performance Bonus Plan, including for purposes of Section 162(m) of the Internal Revenue Code (Proposal No. 4);

an advisory (non-binding) vote to approve our Named Executive Officer compensation (Proposal No. 5); and

any other business that may properly come before the Annual Meeting or any adjournments or postponements thereof.

### **What are the voting recommendations of the board of directors on these matters?**

The board of directors recommends that you vote your shares as follows:

FOR each of the board's (i) three Class I nominees and (ii) two Class III nominees for the board of directors (Proposal No. 1);

FOR the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the current fiscal year ending January 28, 2017 (Proposal No. 2);

FOR the approval of the Equity Incentive Plan (Proposal No. 3);

FOR the approval of the Performance Bonus Plan (Proposal No. 4); and

FOR the approval, on an advisory basis, of our Named Executive Officer compensation (Proposal No. 5).

### **Are all of the Company's Class I directors standing for re-election to the board of directors at the Annual Meeting?**

Yes, all of our Class I directors are standing for re-election.

### **Why am I being asked to vote on directors for more than one class?**

The board of directors filled two vacancies since the 2015 annual meeting of shareholders resulting from two resignations. Mr. Kaufman is currently serving as a Class III director, having been elected by the board of directors effective December 3, 2015 to fill a vacancy created by the resignation of David Schlessinger. Mr. Markee is currently serving as a Class III director, having been elected by the board of directors effective May 3, 2016 to fill a vacancy created by the resignation of David M. Mussafer. Pursuant to our bylaws, any director elected by the board of directors to fill a vacancy (a "Vacancy Director") may only hold office until the next annual meeting of shareholders and until his or her successor has been duly elected and qualified, subject to his or her earlier death, resignation, disqualification or removal. At the annual meeting of shareholders following the election of a Vacancy Director, the shareholders have the opportunity to elect a director to fill the vacancy having been filled by the Vacancy Director. The board nominates a candidate to fill the vacancy, who may be the Vacancy Director. The candidate, if elected, serves until the annual meeting of shareholders at which the term of office of the class in which the vacancy occurred expires and until such director's successor shall have been duly elected and qualified, subject to his or her earlier death, resignation, disqualification or removal.

### **Who is entitled to vote at the Annual Meeting?**

The record date for the Annual Meeting is April 26, 2016. You have one vote for each share of our common stock that you owned at the close of business on the record date, provided that on the record date those shares were either held directly in your name as the shareholder of record or were held for you as the beneficial owner through a bank, broker, or other intermediary. As of that date, there were 54,714,544 shares of common stock outstanding entitled to vote. There is no other class of voting securities outstanding.



## **Table of Contents**

### **What is the difference between holding shares as a shareholder of record and as a beneficial owner?**

Most of our shareholders hold their shares through a bank, broker, or other intermediary (that is, in street name) rather than directly in their own name. As summarized below, there are some distinctions between shares held of record and those owned beneficially.

*Shareholder of Record.* If your shares are registered directly in your name with our transfer agent, Computershare, you are considered to be the shareholder of record with respect to those shares, and we have sent the Notice of Internet Availability directly to you. As a shareholder of record, you have the right to grant your voting proxy directly to us or to vote in person at the Annual Meeting.

*Beneficial Owner.* If your shares are held in a stock brokerage account or by a bank or other intermediary, you are considered to be the beneficial owner of shares held in street name, and the Notice of Internet Availability has been forwarded to you by your bank, broker, or intermediary (which is considered to be the shareholder of record with respect to those shares). As a beneficial owner, you have the right to direct your bank, broker, or intermediary on how to vote and are also invited to attend the Annual Meeting. Your bank, broker, or intermediary has sent you a voting instruction card for you to use in directing the bank, broker, or intermediary regarding how to vote your shares. However, since you are not the shareholder of record, you may not vote these shares in person at the Annual Meeting unless you obtain a proxy, executed in your favor, from the holder of record of such shares.

### **What options are available to me to vote my shares?**

Whether you hold shares directly as the shareholder of record or through a bank, broker, or other intermediary, your shares may be voted at the Annual Meeting by following any of the voting options available to you below:

*You may vote via the internet.*

If you received a Notice of Internet Availability by mail, you can submit your proxy or voting instructions over the internet by following the instructions provided in the Notice of Internet Availability;

If you received a Notice of Internet Availability or proxy materials by email, you may submit your proxy or voting instructions over the internet by following the instructions included in the email; or

If you received a printed set of the proxy materials by mail, including a paper copy of the proxy card or voting instruction form, you may submit your proxy or voting instructions over the internet by following the instructions on the proxy card or voting instruction form.

*You may vote via the telephone.*

If you are a shareholder of record, you can submit your proxy by calling the telephone number specified on the paper copy of the proxy card you received if you received a printed set of the proxy materials. You must have the control number that appears on your proxy card available when submitting your proxy over the telephone.

Most shareholders who hold their shares in street name may submit voting instructions by calling the number specified on the paper copy of the voting instruction form provided by their bank, broker, or other intermediary. Those shareholders should check the voting instruction form for telephone voting availability.

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



## **Table of Contents**

*You may vote in person at the meeting.* All shareholders of record may vote in person at the Annual Meeting. Written ballots will be passed out to anyone who wants to vote at the meeting. However, if you are the beneficial owner of shares held in street name through a bank, broker, or other intermediary, you may not vote your shares at the Annual Meeting unless you obtain a legal proxy from the bank, broker, or intermediary that holds your shares, giving you the right to vote the shares at the Annual Meeting.

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

### **What if I don't vote for some of the items listed on my proxy card or voting instruction card?**

If you properly return your proxy card but do not mark selections, your shares will be voted in accordance with the recommendations of our board of directors. If you indicate a choice with respect to any matter to be acted upon on your proxy card, your shares will be voted in accordance with your instructions.

If you are a beneficial owner and hold your shares in street name through a bank, broker, or other intermediary and do not give voting instructions to the bank, broker, or intermediary, the bank, broker, or other intermediary, as applicable, will determine if it has the discretionary authority to vote on the particular matter. Under applicable rules, brokers have the discretion to vote on routine matters, such as the ratification of the selection of accounting firms, but do not have discretion to vote on non-routine matters, including the uncontested election of directors. As a result, if you are a beneficial owner and hold your shares in street name, but do not give your bank, broker, or other intermediary instructions on how to vote your shares with respect to the election of directors, no votes will be cast on your behalf.

If you do not provide voting instructions to your broker, and your broker indicates on its proxy card that it does not have discretionary authority to vote on a particular proposal, your shares will be considered to be broker non-votes with regard to that matter. Proxy cards that reflect a broker non-vote with respect to at least one proposal to be considered at the Annual Meeting (so long as they do not apply to all proposals to be considered) will be considered to be represented for purposes of determining a quorum but generally will not be considered to be entitled to vote with respect to that proposal. Broker non-votes are not counted in the tabulation of the voting results with respect to proposals that require a majority of the votes cast.

### **How is a quorum determined?**

The representation, in person or by proxy, of holders entitled to cast at least a majority of the votes entitled to be cast at the Annual Meeting constitutes a quorum at the Annual Meeting. Abstentions, broker votes and broker non-votes (only when accompanied by broker votes with respect to at least one matter at the meeting) are considered present and entitled to vote for purposes of establishing a quorum for the transaction of business at the Annual Meeting. If a quorum is not present by attendance at the Annual Meeting or represented by proxy, the shareholders present by attendance at the meeting or by proxy may adjourn the Annual Meeting, until a quorum is present. If a new record date is fixed for the adjourned meeting, we will provide notice of the adjourned meeting to each shareholder of record entitled to vote at the meeting.

**Table of Contents**

**What vote is required to approve each proposal at the Annual Meeting?**

<b>Proposal</b>		<b>Vote Required</b>	<b>Broker Discretionary Voting Allowed</b>
Proposal No. 1	Election of Directors	Majority of Votes Cast for each Director Nominee	No
Proposal No. 2	Ratification of Appointment of Independent Registered Public Accounting Firm	Majority of Votes Cast	Yes
Proposal No. 3	Approval of the Company's Equity Incentive Plan	Majority of Votes Cast	No
Proposal No. 4	Approval of the Company's Performance Bonus Plan	Majority of Votes Cast	No
Proposal No. 5	Approval, on an advisory basis, of our Named Executive Officer compensation	Majority of Votes Cast	No

With respect to Proposal No. 1, you may vote FOR, AGAINST or ABSTAIN with respect to each director nominee. Any nominees receiving more FOR votes than AGAINST votes with respect to such nominee will be elected. Proxies may not be voted for more than five directors and shareholders may not cumulate votes in the election of directors.

With respect to Proposal Nos. 2, 3, 4 and 5, you may vote FOR, AGAINST or ABSTAIN.

If you abstain from voting on any of these matters, your shares will be counted as present and entitled to vote on that matter for purposes of establishing a quorum, but will not be counted for purposes of determining the number of votes cast.

**Can I change my vote or revoke my proxy?**

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

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

Timely delivery of a valid, later-dated proxy (only the last proxy submitted by a shareholder by internet, telephone or mail will be counted); or

Attending the Annual Meeting and voting in person; however, attendance at the Annual Meeting will not by itself constitute a revocation of a proxy.

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

**Are there other matters to be voted on at the Annual Meeting?**

We do not know of any other matters that may come before the Annual Meeting other than Proposals 1, 2, 3, 4 and 5 included herein. If any other matters are properly presented at the Annual Meeting, the persons named as proxies in the enclosed proxy card intend to vote or otherwise act in accordance with their judgment on the matter.





**Table of Contents**

**Is a list of shareholders available?**

The names of shareholders of record entitled to vote at the Annual Meeting will be available for review by shareholders at the Annual Meeting.

**Where can I find the voting results?**

Preliminary voting results will be announced at the Annual Meeting, and final voting results will be reported in a Current Report on Form 8-K, which we will file with the SEC within four business days following the Annual Meeting.

**Who is soliciting proxies, how are they being solicited, and who pays the cost?**

The solicitation of proxies is being made on behalf of our board of directors and we will bear the costs of the solicitation. This solicitation is being made by mail and through the internet, but also may be made by telephone or in person. We will reimburse brokerage firms and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for sending proxy materials to shareholders and obtaining their votes.

**What do I need to do if I intend to attend the Annual Meeting?**

Attendance at the Annual Meeting will be limited to shareholders as of the record date or their duly-appointed proxies. Please note that if you attend the Annual Meeting, you may be asked to present valid picture identification, such as a driver's license or passport. If you are a shareholder holding stock in brokerage accounts or by a bank or other intermediary, you may be required to show a brokerage statement or account statement reflecting your stock ownership as of the record date, but in order to vote your shares at the Annual Meeting, you must obtain a legal proxy from the bank or brokerage firm that holds your shares. Cameras, recording devices and other electronic devices will not be permitted at the Annual Meeting.

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**Table of Contents**

**BOARD OF DIRECTORS**

Our bylaws provide that the number of members of our board of directors shall be determined by our board from time to time. The number of members of our board is currently fixed at nine and is divided into three classes with staggered three-year terms.

Unless otherwise specified in the proxy, the shares voted pursuant thereto will be cast for each of Messrs. Devine, Kaufman, Sargent and Markee and Ms. Buggeln. If, for any reason, at the time of election, any of the nominees named should decline or be unable to accept his or her nomination or election, it is intended that such proxy will be voted for a substitute nominee, who would be recommended by our board of directors. Our board of directors, however, has no reason to believe that any of the nominees will be unable to serve as a director.

The following biographical information is furnished as to each nominee for election as a director and each of the current directors.

**Nominees for Election to the Board of Directors for a Three-Year Term Expiring at the 2019 Annual Meeting**

**Catherine E. Buggeln.** Ms. Buggeln, 55, has served as a director since March 2015. Ms. Buggeln has been a consultant to various retailers since 2004. Since 2012, Ms. Buggeln has exclusively provided consulting services to Irving Place Capital Management, L.P., a private equity firm focused on making equity investments in middle-market companies. Ms. Buggeln formerly served as the Senior Vice President of Strategic Planning and New Business Development at Coach, Inc., a leading marketer of modern classic American accessories, from 2001 to 2005. Ms. Buggeln is a director of Ascena Retail Group, Inc., where she serves on the audit and nominating and corporate governance committees, and Vitamin Shoppe, Inc., where she serves on the compensation committee. She also previously served as a director of The Timberland Company in 2011. Ms. Buggeln's extensive experience in the retail industry, in both managerial and director roles, led to the conclusion that she should serve as a director of Five Below.

**Michael F. Devine, III.** Mr. Devine, 57, has served as a director since March 2013. Mr. Devine is the former Executive Vice President and Chief Financial Officer of Coach, Inc. Mr. Devine served as Chief Financial Officer since December 2001 and Executive Vice President and Chief Financial Officer since August 2007 until his retirement in August 2011. Mr. Devine currently serves as a director and member of the audit committees of Deckers Outdoor Corporation and Express, Inc., and a director of Sur la Table and Talbots. Mr. Devine previously served as a director and member of the audit committee of Nutrisystem, Inc. Mr. Devine's extensive experience in the retail industry, as both an executive officer and director, led to the conclusion that he should serve as a director of Five Below.

**Ronald L. Sargent.** Mr. Sargent, 60, has served as a director since 2004. Mr. Sargent has served as the Chief Executive Officer of Staples, Inc., an office supply company, since 2002 and as Chairman of its board of directors since 2005. Prior to becoming Chairman and Chief Executive Officer, Mr. Sargent held a variety of executive positions at Staples, Inc. since joining the company in 1989. Mr. Sargent currently serves as a director of The Kroger Co. and previously served as a director of The Home Depot, Inc. and Mattel, Inc. Mr. Sargent's experience as an executive officer and director of Staples, Inc. as well as his extensive experience in the retail industry led to the conclusion that he should serve as a director of Five Below.

**Nominees for Election to the Board of Directors for a Two-Year Term Expiring at the 2018 Annual Meeting**

**Daniel J. Kaufman.** Mr. Kaufman, 56, has served as a director since December 2015. Mr. Kaufman is currently the Chief Legal Officer and Corporate Secretary of GameStop Corp., or GameStop, a global, multichannel video game, consumer electronics and wireless services retailer. He joined GameStop in 2005 and, until February 2016, served as Senior Vice President, General Counsel and Corporate Secretary. Prior to joining

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**Table of Contents**

GameStop, Mr. Kaufman was at Electronics Boutique Holdings Corp. from January 2002, where he was serving as Senior Vice President, General Counsel and Corporate Secretary at the time of its acquisition by GameStop. In addition to his responsibilities at GameStop, Mr. Kaufman currently represents GameStop on the board of the Entertainment Merchants Association, a trade organization. Mr. Kaufman's extensive experience in the retail industry led to the conclusion that he should serve as a director of Five Below.

**Richard L. Markee.** Mr. Markee, 62, has served as a director since May 2016. Mr. Markee has served as the Non-Executive Chairman of Vitamin Shoppe, Inc. since January 2016 and as Vitamin Shoppe's Executive Chairman from April 2011 to January 2016. He previously served as Chief Executive Officer and Chairman of the Board of Vitamin Shoppe from September 2009 to April 2011, and served as non-executive Chairman of the Board from April 2007 to September 2009. He occupied senior management positions at Babies R Us from August 2004 through November 2007 and at Toys R Us, Inc. from May 2003 through November 2007. Mr. Markee previously served as a director of Collective Brands, Inc., The Sports Authority, Inc., Dorel Industries and Toys R Us. Mr. Markee's extensive experience in the retail industry led to the conclusion that he should serve as a director of Five Below.

**Members of the Board of Directors Continuing in Office for a Term Expiring at the 2017 Annual Meeting**

**Joel D. Anderson.** Mr. Anderson, 51, has served as a director since February 2015, when he was appointed to serve as our President and Chief Executive Officer. Prior to becoming our President and Chief Executive Officer, Mr. Anderson was our President and Chief Operating Officer from July 2014 through January 2015. Prior to joining Five Below, Mr. Anderson served as President and Chief Executive Officer of Walmart.com, from 2011 until 2014 and as the divisional Senior Vice President of the Northern Plains division of Wal-mart Stores, Inc., a global retailer, from 2010 to 2011. Prior to joining Wal-mart Stores, Inc., Mr. Anderson was President of the retail and direct business units for Lenox Group, Inc., and served in various executive positions at Toys R Us Inc. over a 14 year period. Mr. Anderson's experience in the retail industry as well as his position as our President and Chief Executive Officer led to the conclusion that he should serve as a director of Five Below.

**Kathleen S. Barclay.** Ms. Barclay, 60, has served as a director since March 2015. Ms. Barclay served as the Senior Vice President of Human Resources for The Kroger Co., a \$100B grocery supermarket company, from 2009 until her retirement in November 2015. Prior to joining The Kroger Co., Ms. Barclay served in many leadership roles at General Motors Corporation, a multinational automotive corporation, from 1985 to 2010. Most recently she served as General Motors Corporation's Vice President of Global Human Resources from 1998 to 2009. Ms. Barclay's senior leadership experience with a large-scale, growing retailer led to her selection as a director of Five Below.

**Thomas M. Ryan.** Mr. Ryan, 63, has served as a director since 2011. In 2011, Mr. Ryan became an operating partner of Advent as a part of its Operating Partner Program. Prior to joining our board of directors, Mr. Ryan served as the Chairman of the board of directors, President and Chief Executive Officer of CVS Caremark Corporation, now CVS Health, a retail pharmacy and healthcare corporation, until he retired in 2011. Mr. Ryan became the Chief Executive Officer of CVS Corporation in 1998 and he also served as the Chairman of the board of directors of CVS Corporation from 1999 to 2007. Mr. Ryan also served as the Chairman of CVS Health's board of directors from 2007 to 2011. Mr. Ryan currently serves as a director of Yum! Brands, Inc. and PJT Partners and previously served as a director of Bank of America Corporation and Vantiv, Inc. Mr. Ryan's experience in the retail industry, as both an executive officer and director of a large retail company, led to the conclusion that he should serve as a director of Five Below.

**Member of the Board of Directors Continuing in Office for a Term Expiring at the 2018 Annual Meeting**

**Thomas G. Vellios.** Mr. Vellios, 61, is the co-founder of Five Below and has served as our Executive Chairman since February 2015, and as one of our directors since our incorporation in 2002. Mr. Vellios

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## **Table of Contents**

previously served as our Chief Executive Officer from 2002 until January 31, 2015. Mr. Vellios also served as our President from 2005 until June 2014. Previously, Mr. Vellios served as President, Chief Executive Officer and a director of Zany Brainy, Inc. Prior to joining Zany Brainy, Mr. Vellios served as Senior Vice President, General Merchandise Manager at Caldor, a regional discount chain and a division of the May Company. Mr. Vellios' 25 years of experience in the specialty, department store and discount retail industry, his experience with the management, operations and finance of a retail business, and his knowledge of the Company as a founder led to the conclusion that he should serve as a director of Five Below.

In addition to the information presented above regarding each director's specific experiences, qualifications, attributes and skills, we believe that all of our directors have a reputation for integrity and adherence to high ethical standards. Each of our directors has demonstrated business acumen and an ability to exercise sound judgment, as well as a commitment of service to us and our board. Finally, we value our directors' experience on other company boards and board committees.

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

### **Board Composition**

Our business and affairs are managed under the direction of our board of directors, which currently consists of nine members. Our articles of incorporation and bylaws provide that our board of directors will consist of a number of directors, not less than three nor more than eleven, to be fixed exclusively by resolution of the board of directors.

Our articles of incorporation provide for a staggered, or classified, board of directors consisting of three classes of directors, each serving staggered three-year terms, which, assuming the election of Messrs. Kaufman and Markee at the Annual Meeting, will be constituted as follows:

the Class I directors are Ms. Buggeln and Messrs. Devine and Sargent, and their terms will expire at the Annual Meeting;

the Class II directors are Ms. Barclay and Messrs. Anderson and Ryan, and their terms will expire at the annual meeting of shareholders to be held in 2017; and

the Class III directors are Messrs. Kaufman, Markee and Vellios, and their terms will expire at the annual meeting of shareholders to be held in 2018.

Upon expiration of the term of a class of directors, directors for that class will be elected for a three-year term at the annual meeting of shareholders in the year in which that term expires. Each director's term continues until the election and qualification of his or her successor, or his or her earlier death, resignation, retirement, disqualification or removal. Any vacancies on our board of directors will be filled only by the affirmative vote of a majority of the directors then in office. Any increase or decrease in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the directors. The classification of our board of directors will make it more difficult for a third party to acquire control of us.

Having completed our initial public offering in 2012, we are a relatively new public company. We believe that our board of directors' classified structure provides enhanced continuity and stability in the board's business strategies and policies, which is particularly relevant during the early years of operating as a public company. Under the current system, after each election, at least two-thirds of the board will have had prior experience and familiarity with our business, which is beneficial for long-term strategic planning and oversight of the Company's operations. We believe that maintaining a classified board structure balances the need for shareholders to express their opinion on the board's performance with the need for our directors to focus on the Company's long-term success and maximize value for shareholders.

## **Table of Contents**

### **Director Independence**

Our board of directors observes all applicable criteria for independence established by The NASDAQ Stock Market LLC and other governing laws and applicable regulations. No director will be deemed to be independent unless our board of directors determines that the director has no relationship which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Our board of directors has determined that Messrs. Devine, Kaufman, Markee, Ryan and Sargent and Mses. Buggeln and Barclay are independent as defined under the corporate governance rules of The NASDAQ Stock Market LLC. Of these independent directors, our board has determined that: (i) Messrs. Devine, Kaufman, Markee and Sargent, who comprise our audit committee; (ii) Mses. Barclay and Buggeln and Messrs. Ryan and Markee, who comprise our compensation committee; and (iii) Messrs. Kaufman and Sargent and Mses. Barclay and Buggeln, who comprise our nominating and corporate governance committee, each satisfy the independence standards for those committees established by the applicable rules and regulations of the SEC and The NASDAQ Stock Market LLC.

### **Board Leadership Structure and Board's Role in Risk Oversight**

Our board of directors has no policy with respect to the separation of the offices of Chief Executive Officer and Chairman of the board of directors. It is the board of directors' view that rather than having a rigid policy, the board of directors, with the advice and assistance of the nominating and corporate governance committee, and upon consideration of all relevant factors and circumstances, will determine, as and when appropriate, whether the two offices should be separate. Currently, our leadership structure separates the offices of Chief Executive Officer and Chairman of the board of directors with Mr. Anderson serving as our Chief Executive Officer and Mr. Vellios serving as Executive Chairman of the board. We believe this is appropriate as it provides Mr. Anderson with the ability to focus on our day-to-day operations while allowing Mr. Vellios to lead our board of directors in its fundamental role of providing advice to and oversight of management. In addition, as Executive Chairman, Mr. Vellios remains involved in key matters affecting our business and in implementing our growth strategy.

Our board of directors plays an active role in overseeing management of our risks. Our board of directors regularly reviews information regarding our credit, liquidity and operations, as well as the risks associated with each. Our compensation committee is responsible for overseeing the management of risks relating to our executive compensation plans and arrangements. Our audit committee oversees management of financial risks. Our nominating and corporate governance committee is responsible for managing risks associated with the independence of the board of directors. While each committee is responsible for evaluating certain risks and overseeing the management of such risks, our full board of directors keeps itself regularly informed regarding such risks through committee reports and otherwise.

### **Compensation Risk Analysis**

The compensation committee is aware that compensation arrangements, if not properly structured, may encourage inappropriate risk-taking. In designing our compensation programs, the compensation committee seeks to mitigate such risk by providing a meaningful portion of total compensation in the form of equity incentives that are earned over multiple years (to encourage an appropriately long-term focus).

Moreover, while the compensation committee continues to evaluate the implementation of a formal stock ownership guideline for our management team, we note that our Named Executive Officers already maintain a substantial equity ownership position, through direct stock ownership and/or the ownership of stock option and restricted stock unit awards. We believe that this ownership position provides significant incentives to ensure that the management team's actions, and the actions of all those reporting to them, are focused on the creation of sustainable shareholder value and the avoidance of excessive risk.

