

CSS INDUSTRIES INC

Form DEF 14A

June 19, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

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

(Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

CSS INDUSTRIES, 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:

(2 ) Aggregate number of securities to which transaction applies:

(3 ) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4 ) Proposed maximum aggregate value of transaction:

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Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1 ) Amount Previously Paid:

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

(3 ) Filing Party:

(4 ) Date Filed:

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CSS INDUSTRIES, INC.  
1845 Walnut Street  
Philadelphia, Pennsylvania 19103

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Dear Stockholder:

The 2014 Annual Meeting of Stockholders of CSS Industries, Inc. (“CSS”) will be held at The Rittenhouse, 210 West Rittenhouse Square, Philadelphia, Pennsylvania, on Tuesday, July 29, 2014, at 9:30 a.m. local time.

At our Annual Meeting, we will ask you to:

1. Elect a board of seven directors;
2. Ratify the selection of KPMG LLP as the independent registered public accounting firm for CSS and its subsidiaries for the fiscal year ending March 31, 2015;
3. Approve, on an advisory basis, the compensation paid to our named executive officers for the fiscal year ended March 31, 2014; and
4. Transact any other business that may properly be presented at the Annual Meeting.

If you were a stockholder of record at the close of business on June 2, 2014, you may vote at the Annual Meeting.

By order of the board of directors,

MICHAEL A. SANTIVASCI

Secretary

Philadelphia, Pennsylvania

June 19, 2014

We hope that you will attend the Annual Meeting. Whether or not you plan to attend the Annual Meeting, we encourage you to complete, sign and return the enclosed proxy card in the envelope provided.

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CSS INDUSTRIES, INC.

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PROXY STATEMENT

2014 Annual Meeting of Stockholders

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CSS INDUSTRIES, INC.  
1845 Walnut Street  
Philadelphia, Pennsylvania 19103

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PROXY STATEMENT  
2014 Annual Meeting of Stockholders

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**WHY YOU RECEIVED THIS PROXY STATEMENT**

You received this proxy statement because the board of directors of CSS Industries, Inc. (“CSS”, “we”, “us”, “our”) is soliciting your proxy to vote at the 2014 Annual Meeting of Stockholders (the “Meeting”) to be held at The Rittenhouse, 210 West Rittenhouse Square, Philadelphia, Pennsylvania on Tuesday, July 29, 2014 at 9:30 a.m. local time. This proxy statement provides information regarding the matters to be presented at the Meeting. You may vote in one of two ways: (i) in person, by attending the Meeting and casting your vote, or (ii) by proxy, by completing, signing and returning the enclosed proxy card. Beginning on or about June 19, 2014, we are sending this Proxy Statement and the accompanying form of Proxy to stockholders of record at the close of business on June 2, 2014.

**WHO CAN VOTE**

Stockholders of record at the close of business on June 2, 2014 may vote at the Meeting. On the record date, 9,319,931 shares of CSS common stock, par value \$0.10 per share, were outstanding. Each share of common stock is entitled to one vote on any matter that is properly presented at the Meeting.

**WHO WILL PAY THE COSTS OF THIS PROXY SOLICITATION**

We are paying for this solicitation of proxies. In addition to this mailing, proxies may be solicited by telephone by officers, directors or employees of CSS and its affiliated companies, who will not receive payment specifically for these services. Additionally, we may engage a proxy solicitor to distribute our stockholder materials and solicit proxies. We may agree to pay a fee for such services and to reimburse the solicitor for all reasonable disbursements. Any such fee is estimated to be approximately \$10,000. We reimburse banks, brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses in forwarding solicitation material to the beneficial owners of shares of CSS common stock.

**HOW TO BE PART OF AN EFFECTIVE VOTE**

In order to have an effective vote on any matter at the Meeting, there must be a quorum. A quorum exists when the holders of a majority of the shares entitled to vote are present in person or represented by proxy. Based on the number of shares of CSS common stock outstanding on the record date, the holders of 4,659,966 shares of CSS common stock are required to be present in person or represented by proxy in order to have a quorum at the Meeting. Each share of CSS common stock entitles the holder thereof to one vote on the election of each of the nominees for director and one vote on each other matter that may properly come before the Meeting.

Directors will be elected by a plurality of the votes cast at the Meeting. This means that the seven nominees receiving the most votes will be elected as directors. The affirmative vote of the holders of a majority of the shares present at the Meeting (either in person or represented by proxy) will be required: to ratify the selection of KPMG LLP (“KPMG”) as our independent registered public accounting firm for the fiscal year ending March 31, 2015; to approve, on an advisory basis, the compensation paid to our named executive officers for the fiscal year ended March 31, 2014; and to approve any other matter to be voted on at the Meeting.

Abstentions may not be specified for the election of directors. An abstention on any other matters to be voted on at the Meeting will have the same effect as a vote against, while a “broker non-vote” will not be counted

on such matters. A “broker non-vote” occurs when a nominee (such as a broker) does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that proposal and has not received instructions from the beneficial owner.

You may vote at the Meeting by attending in person and submitting a ballot or by properly completing and submitting the enclosed proxy card. The shares represented by each properly completed proxy card will be voted at the Meeting in accordance with each stockholder’s instructions. If you do not indicate on the proxy card how you wish to have your shares voted, the shares will be voted as recommended by the CSS board of directors (the “Board”). If any additional matters are properly presented at the Meeting, the proxy holders will vote in their discretion. This authority is given to the proxy holders in the enclosed form of proxy.

#### HOW YOU MAY REVOKE YOUR PROXY

You may revoke your proxy at any time before the vote is taken at the Meeting by filing with the Secretary of CSS a written revocation or another form of proxy bearing a date later than the date of the proxy that you submitted previously. You also may revoke your proxy by attending the Meeting and voting in person. Your attendance at the Meeting will not in and of itself constitute revocation of a proxy if you do not file a written revocation, submit a later-dated proxy or vote in person.

Your vote is important. We therefore encourage you to complete, sign and return the accompanying proxy card whether or not you plan to attend the Meeting.

#### IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON JULY 29, 2014:

The Notice of the CSS Industries, Inc. Annual Meeting of Stockholders to be held on July 29, 2014, the Proxy Statement for the Meeting and the CSS Industries, Inc. Annual Report for the fiscal year ended March 31, 2014 are available on the Internet at <https://materials.proxyvote.com/125906>.



## PROPOSAL 1 — ELECTION OF DIRECTORS

Our Board currently has seven members. Upon the recommendation of our Board's Nominating and Governance Committee, our Board has nominated for election as directors the individuals listed below, all of whom are presently members of our Board. Directors who are elected will hold office until our 2015 Annual Meeting of Stockholders and until the election and qualification of their respective successors.

Our Board believes all of the nominees possess the experience, qualifications, attributes and skills to provide significant value to CSS. Below we provide information about the nominees for election to our Board, including information about each nominee's specific experience, qualifications, attributes and skills that led our Board to conclude that he or she should serve on our Board. Ages are stated as of the date of the 2014 Annual Meeting of Stockholders.

Scott A. Beaumont, age 61, has been Chief Executive Officer, Lilly Pulitzer Group of Oxford Industries, Inc., an international apparel design, sourcing and marketing company, since December 2010. From 1993 to December 2010, he was Chairman and Chief Executive Officer of Sugartown Worldwide, Inc. ("Sugartown"), a designer, marketer and distributor of apparel, accessories and home fashions under the Lilly Pulitzer® trademark. In December 2010, Oxford Industries, Inc. acquired Sugartown, of which Mr. Beaumont was a co-founder. Mr. Beaumont has served as one of our directors since 2005.

Our Board concluded that Mr. Beaumont should serve as a director on our Board in light of his extensive knowledge of the design, sourcing, distribution and sale of consumer products, and his significant leadership position as Chief Executive Officer, Lilly Pulitzer Group of consumer products company Oxford Industries, Inc.

James H. Bromley, age 76, as President and owner of Bromley Consulting Services, Inc., has been an independent consultant since 1996. From September 1996 to December 1997, he served as Chairman of our former Direct Mail Business Products Group and Vice Chairman of Rapidforms, Inc., formerly a subsidiary of CSS. He has served as one of our directors since 1989.

Our Board concluded that Mr. Bromley should serve as a director on our Board in light of his financial and corporate strategic planning expertise and his significant prior experience in leadership positions, including formerly serving as Chief Executive Officer of one of our former subsidiaries, Rapidforms, Inc.

Robert E. Chappell, age 69, served as Chairman of The Penn Mutual Life Insurance Company ("Penn Mutual"), a mutual life insurance company providing life insurance and annuity products, from 1996 until 2013, and he currently serves on Penn Mutual's Board of Trustees. He served as Penn Mutual's Chief Executive Officer from April 1995 until February 2011 and as its President from January 2008 to March 2010. Mr. Chappell also serves on the board of directors of Quaker Chemical Corporation, a producer and marketer of formulated chemical specialty products and provider of chemical management services. He has served as one of our directors since September 2012.

Our Board concluded that Mr. Chappell should serve as a director on our Board in light of his extensive experience in accounting and finance, financial reporting, risk assessment, organizational development, global organizations, governance, strategic planning and corporate development.

Jack Farber, age 81, has been our Chairman since 1979. From 1979 to May 1999, he was also our President and Chief Executive Officer. Mr. Farber has served as one of our directors since 1978.

Our Board concluded that Mr. Farber should serve as a director on our Board, and as its Chairman, in light of his exceptional financial, strategic planning, mergers and acquisitions and leadership experience, his detailed knowledge and extensive experience as our former President and Chief Executive Officer, his current and prior service on the boards of directors of numerous for-profit and non-profit organizations, and his entrepreneurial expertise.

Elam M. Hitchner, III, age 67, was a partner in the law firm Pepper Hamilton LLP ("Pepper Hamilton") from May 1992 to June 1999, and returned to the firm in January 2001 as a partner and subsequently as "of counsel" through 2004. Since 2005, he has provided consulting services to Pepper Hamilton, which provides legal services to CSS.

Mr. Hitchner does not participate in the firm's provision of legal services to CSS. From 1994 to 2011, Mr. Hitchner served as a director of Destination Maternity Corporation, a designer and retailer of



maternity apparel, and from 2004 to 2012, he was a director of eResearch Technology, Inc. (“eResearch Technology”), a provider of services and customizable medical devices to biopharmaceutical and healthcare organizations. He has been a member of our Board since May 2013.

Our Board concluded that Mr. Hitchner should serve as a director on our Board in light of his broad legal experience as a former partner of Pepper Hamilton, and his extensive experience serving on the boards of public companies Destination Maternity Corporation and eResearch Technology, including his board leadership experience as the former non-executive Chairman of the Board of eResearch Technology and Destination Maternity Corporation.

Rebecca C. Matthias, age 61, served as President of Destination Maternity Corporation, a designer and retailer of maternity apparel, from 1982 until 2010. She also served as its Chief Operating Officer from 1993 until 2007, and as its Chief Creative Officer from 2007 until 2010. Ms. Matthias served as a director of Destination Maternity Corporation from 1982 until February 2011. She has served as a director of Penn Series Funds, Inc, an open-end, diversified management investment company, since September 2010. Ms. Matthias has served as one of our directors since 2003.

Our Board concluded that Ms. Matthias should serve as a director on our Board in light of her significant leadership experience having served as the President of a publicly-held company, Destination Maternity Corporation, and her extensive knowledge of the design, sourcing, distribution and sale of consumer products.

Christopher J. Munyan, age 49, has been our President and Chief Executive Officer since July 2006. He served as our Executive Vice President and Chief Operating Officer from October 2005 until June 2006. From 1999 until 2005, Mr. Munyan served as President of our Berwick Offray LLC (“Berwick Offray”) business. From 1993 to 1999, Mr. Munyan served Berwick Offray in various capacities, including Senior Vice President — Finance and Administration. Mr. Munyan has served as one of our directors since 2006.

Our Board concluded that Mr. Munyan should serve as a director on our Board in light of his intimate knowledge of CSS as our President and Chief Executive Officer and his significant management and leadership skills.

Our Board believes that all of the above-listed nominees will be able to serve as directors. However, if this should not be the case, the proxies may be voted for one or more substitute nominees, to be designated by the Board, or the Board may reduce the number of directors, in each case, after considering the recommendation of its Nominating and Governance Committee.

Our Board recommends a vote “for” the election of all the nominees listed above.

SECURITIES AUTHORIZED FOR ISSUANCE  
UNDER OUR EQUITY COMPENSATION PLANS

The following table provides information as of March 31, 2014 about our 2013 Equity Compensation Plan (“2013 Stock Plan”), 2000 Stock Option Plan for Non-Employee Directors (“2000 Stock Plan”), 2004 Equity Compensation Plan (“2004 Stock Plan”), 2006 Stock Option Plan for Non-Employee Directors (“2006 Stock Plan”) and 2011 Stock Option Plan for Non-Employee Directors (“2011 Stock Plan”), which are our only equity compensation plans under which stock options and other equity grants were outstanding as of such date, except that there were no awards outstanding as of such date under the 2013 Stock Plan. Each of the plans mentioned above was approved previously by the stockholders of CSS.

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options <sup>(1)</sup>	Weighted-average exercise price of outstanding options <sup>(2)</sup>	Number of securities remaining available for future issuance under equity compensation plans <sup>(3)</sup>
Equity compensation plans approved by security holders	580,888	\$23.14	1,233,950
Equity compensation plans not approved by security holders	—	—	—
Total	580,888	\$23.14	1,233,950

(1) Includes 192,825 restricted stock units (“RSUs”) that are subject to service-based and/or performance-based vesting conditions.

(2) The RSUs described in footnote 1 above were disregarded in calculating the weighted average exercise price of outstanding options.

(3) The amount shown in this column is net of the RSUs described in footnote 1 above.

OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM, THEIR FEES AND THEIR ATTENDANCE AT THE ANNUAL MEETING

The Audit Committee of our Board engaged KPMG as our independent registered public accountants to audit our financial statements for our fiscal year ended March 31, 2014. We expect representatives of KPMG to attend the Meeting. These representatives will be given an opportunity to make a statement if they so desire, and they will be available to respond to appropriate questions from our stockholders.

The audit fees billed by KPMG for each of our fiscal years ended March 31, 2014 and March 31, 2013, and fees billed by KPMG for other services in each of those fiscal years, were as follows:

Type of Fee	2014	2013
Audit Fees	\$785,000	\$811,500
Audit-Related Fees	24,150	1,650
Tax Fees	162,622	133,100
All Other Fees	—	—
Total	\$971,772	\$946,250

Audit Fees

We paid audit fees for the audit of our annual consolidated financial statements, the audit of our internal control over financial reporting, and the reviews of our consolidated financial statements included in our Quarterly Reports on Form 10-Q.



**Audited-Related Fees**

We paid audit-related fees of \$24,150 during fiscal 2014 for services performed in connection with KPMG's issuance of consent letters for certain Registration Statements on Form S-8 filed by the Company with the U.S. Securities and Exchange Commission ("SEC") and for a subscription to KPMG's on-line accounting research tool. We paid audit-related fees of \$1,650 during fiscal 2013 for a subscription to KPMG's on-line accounting research tool.

**Tax Fees**

We paid tax fees of \$162,622 and \$133,100 for tax compliance services and tax consulting in fiscal 2014 and 2013, respectively. Such compliance services included assistance with tax return preparation.

We paid no fees in fiscal 2014 or 2013 for products and services provided by KPMG other than the services referred to above.

**PROPOSAL 2 — RATIFICATION OF THE SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

At the Meeting, our stockholders will vote on a proposal to ratify the selection by the Audit Committee of KPMG as our independent registered public accounting firm for the fiscal year ending March 31, 2015. Although the submission to our stockholders of the selection of KPMG is not required by law or our bylaws, the Audit Committee believes it is appropriate to submit this matter to our stockholders to enable our stockholders to express their views with regard to the Audit Committee's selection.

The vote on this matter is advisory. Our Audit Committee retains the sole authority to select and replace our independent registered public accounting firm at any time. If our stockholders do not ratify the selection of KPMG, the Audit Committee may reconsider whether or not to retain KPMG, but still may retain KPMG. Even if our stockholders ratify the selection of KPMG, our Audit Committee retains the authority to select another firm to serve as our independent registered public accounting firm, if it believes that it would be in the best interests of our stockholders to do so.

Our Board recommends a vote "for" ratification of the selection of KPMG as our independent registered public accounting firm for the fiscal year ending March 31, 2015.

## AUDIT COMMITTEE REPORT

Management is responsible for the preparation of our consolidated financial statements, maintaining effective internal control over financial reporting, compliance with laws and regulations and ethical business conduct. The independent registered public accounting firm is responsible for performing an independent audit of our consolidated financial statements in accordance with applicable auditing standards and for expressing an opinion on whether those financial statements present fairly in all material respects our financial position, results of operations and cash flows, in conformity with United States generally accepted accounting principles. The independent registered public accounting firm is also responsible for performing an audit (in accordance with applicable auditing standards) of, and expressing an opinion on the effectiveness of, our internal control over financial reporting. The Audit Committee's responsibility is to monitor and oversee these processes.

In this context, the Audit Committee has reviewed and discussed with management our audited consolidated financial statements, and management has represented to the Audit Committee that these financial statements were prepared in accordance with United States generally accepted accounting principles. The Audit Committee has also discussed the audited consolidated financial statements with the independent registered public accounting firm, and the Audit Committee has discussed with that firm the matters required to be discussed by Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1, AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T. The Audit Committee has received the written disclosures and the letter from the independent registered public accounting firm required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accounting firm's communications with the Audit Committee concerning independence. The Audit Committee has also discussed with the independent registered public accounting firm that firm's independence.

The Audit Committee has met with our internal audit staff and our independent registered public accounting firm, with and without management present, and discussed the results of their examinations, their evaluations of our internal controls, and the quality of our financial reporting. The Audit Committee has considered the results of management's assessment of, and the results of the independent registered public accounting firm's audit of, the effectiveness of our internal control over financial reporting, and the Audit Committee has held discussions with management and the independent registered public accounting firm concerning such results.

Based upon the Audit Committee's review of the audited consolidated financial statements and the results of its discussions with management, internal audit staff and the independent registered public accounting firm described above, the Audit Committee recommended to the Board that the audited consolidated financial statements be included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2014 filed with the SEC.

### AUDIT COMMITTEE

Robert E. Chappell, Chairman

Scott A. Beaumont

Elam M. Hitchner, III

## OUR EXECUTIVE OFFICERS

Our executive officers are elected or designated annually by the Board to serve until their successors are elected and qualified or until their earlier resignation or removal. Our current executive officers are listed below. Ages are stated as of the date of our 2014 Annual Meeting of Stockholders.

Jack Farber is Chairman of our board of directors. His biographical information appears under Proposal 1 - Election of Directors.

William G. Kiesling, age 51, has been our Vice President – Legal and Human Resources and General Counsel since August 2006. He served as our Vice President and General Counsel from August 2005 until August 2006. From February 1995 to July 2005, Mr. Kiesling served in various legal capacities, including Vice President and Associate General Counsel, with ARAMARK Corporation, a provider of food, hospitality and facility management services and uniform and work apparel.

Christopher J. Munyan is our President and Chief Executive Officer and a member of our board of directors. His biographical information appears under Proposal 1 - Election of Directors.

Vincent A. Paccapaniccia, age 56, has been our Vice President – Finance and Chief Financial Officer since March 31, 2010. He served as Chief Financial Officer of ICT Group, Inc. (“ICT”), a provider of customer management and business process outsourcing solutions, from August 1998 until February 2010. He also served as ICT’s Executive Vice President, Finance and Administration from January 2003 until February 2010. From July 1998 until January 2003, Mr. Paccapaniccia served as ICT’s Senior Vice President, Finance. He served as ICT’s Vice President of Finance from January 1996 to July 1998.

Christian A. Sorensen, age 44, has been our Vice President – Operations since July 2013. From 2008 until July 2013, he served as a Vice President of CSS, with responsibility over the majority of our manufacturing, distribution and importing activities since December 2011. From 1996 to 2011, Mr. Sorensen served CSS and its subsidiaries in various operational and financial capacities.

## OWNERSHIP OF CSS COMMON STOCK

The following table lists all persons who we know to have beneficially owned at least five percent of our common stock as of June 2, 2014, unless otherwise noted. The table also shows, as of that date, the beneficial ownership of our common stock by each of our current directors, each of the executive officers listed in the Summary Compensation Table and all directors and executive officers as a group.

Beneficial Owner	Number of Shares Beneficially Owned <sup>(1)</sup>		Percent of Class <sup>(2)</sup>	
T. Rowe Price Associates, Inc. and T. Rowe Price Small Cap Value Fund, Inc.	1,476,310	(3)	15.8	%
Royce & Associates, LLC	1,379,787	(4)	14.8	%
Dimensional Fund Advisors LP.	809,274	(5)	8.7	%
BlackRock, Inc.	558,788	(6)	6.0	%
Scott A. Beaumont	20,000	(7)	*	
James H. Bromley	42,982	(8)	*	
Robert E. Chappell	5,000	(9)	*	
Jack Farber	462,311	(10)	5.0	%
Laurie F. Gilner <sup>(11)</sup>	—		*	
Elam M. Hitchner, III	—		*	
William G. Kiesling	40,409	(12)	*	
Rebecca C. Matthias	27,000	(13)	*	
Christopher J. Munyan	96,680	(14)	1.0	%
Vincent A. Paccapaniccia	33,175	(15)	*	
Christian A. Sorensen	20,285	(16)	*	
All directors and executive officers of CSS as a group (ten (10) persons, including the individuals named above, other than Ms. Gilner)	747,842	(17)	7.9	%

\*denotes that ownership is less than 1 percent of the class.

“Beneficial ownership” is determined in accordance with SEC regulations. Therefore, the table lists all shares as to which a person listed has or shares voting power or investment power. In addition, shares issuable upon the exercise of outstanding stock options exercisable at June 2, 2014 or within 60 days thereafter are considered (1) outstanding and to be beneficially owned by the person holding such options for the purpose of computing such person’s percentage beneficial ownership, but are not deemed outstanding for the purpose of computing the beneficial ownership percentage of any other person. Unless otherwise indicated, each person has the sole power to vote, and sole investment power over, the shares listed as beneficially owned by such person.

(2) This percentage is calculated based upon a total of 9,319,931 shares of CSS common stock outstanding at June 2, 2014.

This information is as of December 31, 2013 and is derived from Schedule 13G filed with the SEC on February 10, 2014 by T. Rowe Price Associates, Inc. (“Price Associates”) and T. Rowe Price Small-Cap Value Fund, Inc. (“Price Fund”). Price Associates and Price Fund are located at 100 E. Pratt Street, Baltimore, MD 21202. Price Associates is an investment adviser registered under the Investment Advisers Act of 1940, as amended (the “Investment Advisers Act”), and Price Fund is an investment company registered under the Investment Company Act of 1940, as amended (the “Investment Company Act”). Price Associates has advised us that the shares shown in the table are (3) owned by various individual and institutional investors including Price Fund (which owns 1,001,900 of the shares shown in the table, representing 10.8% of the shares outstanding), which Price Associates serves as investment adviser with power to direct investments and/or sole power to vote the securities. Price Associates and Price Fund have disclosed that they collectively possess sole voting power over 1,001,900 of the shares shown in the table. For purposes of the reporting requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), Price Associates is deemed to be a beneficial owner of the shares shown in the table; however, Price Associates expressly disclaims that it is the beneficial owner of such shares.





This information is as of December 31, 2013 and is derived from Schedule 13G filed with the SEC on January 6, 2014. Royce & Associates, LLC (“Royce”) is located at 745 Fifth Avenue, New York, NY 10151. Royce has disclosed that it is an investment adviser registered under the Investment Advisers Act. Royce has reported that (4) 974,000 of the shares shown in the table, representing 10.5% of the shares outstanding, are owned by Royce Special Equity Fund, an investment company registered under the Investment Company Act and managed by Royce.

This information is as of December 31, 2013 and is derived from Schedule 13G filed with the SEC on February 10, 2014. Dimensional Fund Advisors LP (“Dimensional”) is located at Palisades West, Building One, 6300 Bee Cave Road, Austin, TX 78746. Dimensional has disclosed that it is an investment adviser registered under the Investment Advisers Act, and that it furnishes investment advice to four investment companies registered under the (5) Investment Company Act and serves as investment manager to certain other commingled group trusts and separate accounts (such investment companies, trusts and accounts being referred to as the “Funds”). Dimensional has disclosed that all of the shares shown in the table are owned by the Funds, and that Dimensional possesses sole voting power over 800,634 of the shares shown in the table. Dimensional expressly disclaims that it is the beneficial owner of such shares other than for purposes of Section 13(d) of the Exchange Act.

This information is as of December 31, 2013 and is derived from Schedule 13G filed with the SEC on January 28, 2014 by BlackRock, Inc. (“BlackRock”). BlackRock is located at 40 East 52 Street, New York, NY 10022. (6) BlackRock has disclosed that it possesses sole voting power over 531,349 of the shares shown in the table. BlackRock has reported that it is a parent holding company and that the shares shown in the table are held by six subsidiaries of BlackRock.

(7) The shares shown in the table include options to purchase 14,500 shares of common stock.

(8) The shares shown in the table include options to purchase 22,000 shares of common stock.

(9) The shares shown in the table include options to purchase 1,000 shares of common stock.

The shares shown in the table include: 140,746 shares held by a revocable trust for the benefit of Mr. Farber for which Mr. Farber is trustee and holds the power of revocation; 246,394 shares held by a revocable trust for the (10) benefit of Vivian Farber, Mr. Farber’s spouse, as to which Vivian Farber is trustee and holds the power of revocation; and 75,171 shares held by an annuity trust for which Vivian Farber is the sole trustee. Mr. Farber disclaims beneficial ownership of all shares owned by trusts for the benefit of his family members.

(11) Ms. Gilner served as president of our C.R. Gibson, LLC (“C.R. Gibson”) business until December 2, 2013, when her employment with us ended.

(12) The shares shown in the table include options to purchase 19,563 shares of common stock.

(13) The shares shown in the table include 1,000 shares owned jointly by Ms. Matthias and her spouse and options to purchase 22,000 shares of common stock.

(14) The shares shown in the table include options to purchase 42,550 shares of common stock.

(15) The shares shown in the table include options to purchase 29,875 shares of common stock.

(16) The shares shown in the table include options to purchase 9,100 shares of common stock.

(17) The shares shown in the table include options to purchase a total of 160,588 shares of common stock.

## CORPORATE GOVERNANCE

## Board Meetings; Director Attendance at Annual Meeting of Stockholders

The Board held five meetings during our past fiscal year. The Board does not have a formal policy concerning attendance by members of the Board at our Annual Meeting of Stockholders but encourages all directors to attend. All members of the Board attended our 2013 Annual Meeting of Stockholders.

## Board Committees; Committee Membership; Committee Meetings

CSS has an Audit Committee, a Human Resources Committee, a Nominating and Governance Committee, an Executive Committee and a committee that administers the 2000 Stock Plan. (The 2006 Stock Plan and the 2011 Stock Plan are administered by the Board.) The Human Resources Committee performs the functions typically performed by a compensation committee. The following table shows the current committee membership and the number of meetings that each committee held during the fiscal year ended March 31, 2014.

Committee	Committee Members – *denotes Committee Chair	Number of Meetings in Fiscal 2014
Audit	Robert E. Chappell*, Scott A. Beaumont and Elam M. Hitchner, III	4
Human Resources	Elam M. Hitchner, III*, James H. Bromley and Rebecca C. Matthias	4
Nominating and Governance	Rebecca C. Matthias*, Scott A. Beaumont and James H. Bromley	2
Executive	Jack Farber*, James H. Bromley and Rebecca C. Matthias	—
2000 Stock Plan	Jack Farber and Christopher J. Munyan	—

## Committee Charters; Corporate Governance Principles; and Other Corporate Governance Documents

The Audit Committee, Human Resources Committee and Nominating and Governance Committee each operate under a written charter adopted by the Board. Each of these charters and each of the documents listed below is available in print to any stockholder who requests it:

• CSS Corporate Governance Principles (including categorical standards for the determination of director independence)

• CSS Code of Ethics and Internal Disclosure Procedures

• CSS Code of Business Conduct and Ethics for our Directors

In addition, you may access the charters and documents listed above on our website at [www.cssindustries.com/web/guest/corporate-governance](http://www.cssindustries.com/web/guest/corporate-governance). This and all other references in this proxy statement to our website are intended to be inactive textual references only.

## Audit Committee

The Audit Committee oversees the integrity of our financial statements, has sole authority to retain, compensate, terminate, oversee and evaluate the independent auditors, and reviews and approves in advance all audit and lawfully permitted non-audit services performed by the independent auditors, subject to the pre-approval policy described below. In addition, the Audit Committee reviews and discusses with management and the independent auditors the annual audited financial statements and quarterly financial statements included in our filings with the SEC; oversees our compliance with legal and regulatory requirements; oversees the organizational structure of, and the activities and qualifications of the persons performing, our internal audit function; and meets separately with the independent auditors and our own internal auditors as often as deemed necessary or appropriate by the Audit Committee. The Audit Committee also oversees our internal control over financial reporting and periodically discusses with management our risks relating to financial reporting, pending and threatened litigation and legal compliance matters, and the steps that management has taken to assess, monitor and address such risks.

The annual audit services engagement terms are subject to specific pre-approval of the Audit Committee. The Audit Committee has adopted a pre-approval policy relating to non-audit services that may be performed by our independent auditors. Such services can be pre-approved by the Audit Committee. Additionally, any member of the Audit Committee can pre-approve such services for fees not exceeding \$50,000 in a fiscal year, and any two members of the Audit Committee can pre-approve such services for fees not exceeding \$100,000 in a fiscal year. Any approval by one or two members is reported to the Audit Committee, for informational purposes, at its next regular meeting following such approval.

In addition, the Audit Committee may pre-approve, on an annual basis, non-audit services that are described in sufficient detail so that the Audit Committee knows precisely what services it is being asked to pre-approve and can make a well-reasoned assessment of the impact of those services on our outside auditor's independence.

Our Board has determined that Messrs. Beaumont and Chappell each meet the criteria of an "audit committee financial expert" as that term is defined in SEC regulations. Each Audit Committee member is also independent as determined in accordance with applicable SEC and NYSE rules.

You may contact our Audit Committee to report complaints about our accounting, internal accounting controls or auditing matters by writing to the following address: Audit Committee, c/o CSS Industries, Inc., 1845 Walnut Street, Suite 800, Philadelphia, PA 19103. You can report your concerns to the Audit Committee anonymously or confidentially.

#### Human Resources Committee

The Human Resources Committee has responsibility and authority to review, modify and approve our corporate goals and objectives relevant to compensation of the chief executive officer and other CSS executive officers; review, modify and approve the structure of our executive compensation; evaluate the compensation (and performance relative to compensation) of the chief executive officer; determine the amounts and individual elements of total compensation for the chief executive officer; evaluate (in conjunction with the chief executive officer) and approve the compensation (and performance relative to compensation) of all other CSS executive officers and those employees of CSS and its subsidiaries having an annual base salary in excess of a threshold amount determined by the Committee (presently \$200,000) and approve the individual elements of total compensation for such employees.

In addition, the Human Resources Committee has responsibility and authority to evaluate our compensation policies for officers and senior management; evaluate and make recommendations to the Board with respect to the terms and administration of our annual and long-term incentive compensation plans and equity-based plans; evaluate and approve significant changes to our employee benefit programs; approve revisions to the Company's executive salary range structure and salary increase guidelines; make grants under and administer the 2013 Stock Plan; and administer grants previously made under the 2004 Stock Plan.

The Human Resources Committee makes executive compensation determinations at meetings held periodically over the course of a fiscal year. Near the beginning of a fiscal year, the Human Resources Committee evaluates the prior-year performance of the CSS executive officers, including the chief executive officer; determines annual base salaries for the new fiscal year for the chief executive officer and other executive officers; determines the extent to which the prior year's awards under our management incentive program ("MIP") have been earned and the extent to which there will be payouts under the discretionary component of our bonus program; determines the type and amount of available awards under our MIP for the new fiscal year and sets performance goals for such awards; and determines the form and amount of long-term incentive awards. The Human Resources Committee also meets periodically to review our compensation programs and practices and to evaluate whether it would be in the best interests of CSS and our stockholders to make changes to those programs and practices.

#### Use of Compensation Consultants

The Human Resources Committee directly engaged Frederic W. Cook & Co., Inc. ("F.W. Cook"), an independent compensation consulting firm, to assist the Human Resources Committee in making executive

compensatory determinations for our fiscal year ended March 31, 2014. In connection therewith, F.W. Cook prepared and presented to the Human Resources Committee an executive compensation trends report, a peer group share usage analysis, and a fair value transfer analysis. F.W. Cook also assisted the Human Resources Committee with the design of the 2013 Stock Plan, which was approved by our stockholders at the 2013 Annual Meeting of Stockholders.

Additionally, the Human Resources Committee consulted with F.W. Cook concerning: the setting of annual base salaries for our named executives for fiscal 2014, the structure of our bonus program for fiscal 2014, including target and threshold performance criteria and award levels under the performance component of our fiscal 2014 bonus program; and the nature, structure and amount of long-term incentives granted in fiscal 2014.

The Human Resources Committee has determined that F.W. Cook is independent with respect to CSS and that there are no known conflicts of interest in connection with F.W. Cook's role as the Human Resources Committee's independent compensation adviser. In making such determination, the Human Resources Committee considered:

• That F.W. Cook provides no services to CSS or its management other than the services performed for the Human Resources Committee in F.W. Cook's capacity as an independent adviser to the Human Resources Committee.

• That the fees and expenses paid to F.W. Cook by CSS during 2013 were less than 1% of F.W. Cook's total consulting income during such period.

• F.W. Cook's policies and procedures designed to prevent conflicts of interest, and its affirmation as to its compliance with such policy.

• F.W. Cook's policy restricting its employees from trading in the securities of F.W. Cook's clients, and its affirmation as to its compliance with such policy.

• The absence, following inquiry, of any identified business or personal relationships between employees of F.W. Cook, on the one hand, and the members of the Human Resources Committee and our executive officers, on the other hand.

#### Management's Role in Determining Executive Compensation

In advance of meetings of the Human Resources Committee, members of CSS executive management provide the Human Resources Committee with written materials containing compensation-related information and recommendations, including recommendations as to the amount and form of compensation for executive officers other than the chief executive officer. These materials are prepared by or under the direction of Messrs. Munyan and Kiesling. In connection with the preparation of such materials, Messrs. Munyan and Kiesling confer with F.W. Cook, in its capacity as an independent advisor to the Human Resources Committee, and portions of such materials are prepared by, or reflect the advice and input of F.W. Cook, acting in such capacity. The Human Resources Committee determines the matters as to which F.W. Cook prepares materials or provides its advice and input to our executive management in connection with the preparation of such materials.

On an annual basis, and otherwise as deemed appropriate by Mr. Munyan or as requested by the Human Resources Committee, Mr. Munyan provides the Human Resources Committee with his evaluation of the performance of our named executives, including Mr. Munyan's own self-evaluation. Certain of our executive officers participate in meetings of the Human Resource Committee. Executive officers do not participate, and are not present, during portions of meetings in which the Human Resources Committee considers their individual performance and approves their compensation.

#### Human Resources Committee Interlocks and Insider Participation

As indicated above, the Human Resources Committee performs the functions typically performed by a compensation committee, and the members of the Human Resources Committee are Messrs. Hitchner and Bromley and Ms. Matthias. Mr. Bromley previously served as an executive officer of CSS. He ceased to be a CSS executive officer in December 1997. No member of the Human Resources Committee served as an officer or employee of CSS or any of its subsidiaries during the fiscal year ended March 31, 2014 or had any relationship requiring disclosure under SEC regulations.

#### Procedures and Processes with Regard to Director Compensation

Under our bylaws, our Board has authority and responsibility for fixing the nature and amount of all compensation paid to the members of our Board. Our Board reviews and sets the amount of fees paid to non-employee directors on an annual basis. In fiscal 2014, our Board determined to increase the attendance fees paid to non-employee directors for participation in Board and Committee meetings from \$1,000 to \$1,500 per meeting and to increase the fees paid for participation in telephonic meetings not exceeding one hour in duration from \$500 to \$750 per meeting. The Board did not adjust the annual fees paid for service on the Board or the annual fees paid to the Chairman of each of the Audit, Human Resources and Nominating and Governance Committees. In making these determinations, our Board considered information from published survey data on fees paid to outside directors by manufacturing companies having annual revenues between \$100 million and \$499 million, as well as recommendations of our executive officers. See Director Compensation – Fiscal 2014 for further information concerning the form and amount of director compensation provided by CSS.

#### Nominating and Governance Committee

The Nominating and Governance Committee is responsible for identifying qualified individuals for Board membership and recommending individuals for nomination to the Board and its committees. In addition, the Nominating and Governance Committee reviews and makes recommendations to the Board as to changes in Board structure, the range of qualifications that should be represented on the Board and eligibility criteria for individual Board membership. The Nominating and Governance Committee is also responsible for developing and recommending corporate governance principles to the Board and overseeing the evaluation of the Board and its Committees.

#### Executive Committee

The Executive Committee may exercise all the authority of the Board in our business and affairs, to the extent permitted by law, at a time when action of the entire Board is not feasible.

#### 2000 Stock Plan Committee

The members of the Stock Option Committee under the 2000 Stock Plan are determined under the provisions of such plan. The 2000 Stock Plan provides that it is to be administered by a Committee of the Board consisting of directors who are not eligible to participate in the plan. (The 2006 Stock Plan and the 2011 Stock Plan are administered by the Board.) Although the 2000 Stock Plan has expired and no further options can be awarded under such plan, stock options previously granted under such plan remain outstanding. The 2000 Stock Plan provided for automatic, formula-based stock option grants to non-employee directors, which grants are not subject to adjustment by the members of the aforementioned Stock Option Committee. Grants under the 2000 Stock Plan were made from 2001 until 2005.

#### Board Independence

The Board has affirmatively determined that each of Messrs. Beaumont, Bromley, Chappell and Hitchner and Ms. Matthias has no material relationship with CSS (either directly or as a partner, stockholder or officer of an organization that has a relationship with CSS) and is an independent director within the meaning of the New York Stock Exchange (“NYSE”) rules.

The Board has further determined that each of the members of the Audit Committee, the Human Resources Committee and the Nominating and Governance Committee is independent within the meaning of the NYSE rules. To assist the Board in making determinations of independence, the Board has adopted the following categorical standards:

- (i) A director will not be independent if: (1)(A) the director is a current partner or employee of CSS’ internal or external auditor, or (B) an immediate family member of the director is either (x) a current partner of such a firm or (y) a current employee of such a firm and personally works on CSS’ audit, or (C) within the preceding three years the director or an immediate family member of the director was a partner or employee of CSS’ present or former external auditor and personally worked on CSS’ audit within that time; or (2) currently, or within the preceding three years: (A) the director is or was employed by CSS; (B) an



immediate family member of the director is or was employed by CSS as an executive officer; (C) the director, or an immediate family member of the director is or was employed as an executive officer of another entity, as to which any of CSS' executive officers at the same time served on the compensation committee of such other entity; (D) the director, or an immediate family member of the director received, during any 12 month period, more than \$120,000 in direct compensation from CSS, other than director related fees; or (E) the director is or was an executive officer or otherwise employed by an entity, or an immediate family member of the director is or was employed by an entity, that made payments to, or received payments from, CSS for property or services in an amount which in any of CSS' fiscal years exceeded the greater of \$1 million, or 2% of the other entity's gross revenues.

(ii) Service by a CSS director as an executive officer of a charitable organization as to which the charitable contributions made by CSS and the Farber Foundation to such charitable organization are less than the greater of 2% of that organization's total annual charitable receipts or \$1 million per annum, shall not be considered a material relationship that would impair a director's independence.

All independent directors satisfied these categorical standards, which are set forth in our Corporate Governance Principles, which can be accessed on our website at [www.cssindustries.com/web/guest/corporate-governance](http://www.cssindustries.com/web/guest/corporate-governance).

#### Executive Sessions of Non-Management Directors

Ms. Matthias, in her capacity as Chair of the Nominating and Governance Committee, presides at the regularly scheduled executive sessions of our non-management directors, each of whom is an independent director. Each session has been scheduled to be held immediately following each regularly scheduled meeting of the Board.

#### Board Leadership Structure

Although our bylaws do not prohibit our chief executive officer from serving as chairman of our board of directors, these two positions are not held by the same individual, and they have not been held by the same individual since 1999, when Mr. Farber retired as our chief executive officer. The Nominating and Governance Committee and our Board believe that this organizational structure is appropriate because Mr. Farber, having previously served as our chief executive officer for approximately twenty years, is uniquely well-qualified to lead our Board and assist its committees in evaluating our performance and the performance of our chief executive officer.

In this regard, our independent directors sometimes invite Mr. Farber to participate in portions of their executive sessions, and our Human Resources and Audit Committees sometimes invite Mr. Farber to participate in portions of their executive sessions, conducted outside the presence of the chief executive officer. These sessions are chaired by Ms. Matthias in her capacity as Chair of the Nominating and Governance Committee, in the case of executive sessions of our independent directors and of the Nominating and Governance Committee, and by the Chairmen of the Human Resources and Audit Committees, respectively, in the case of executive sessions of their respective committees. While our independent directors value Mr. Farber's perspective and insight, these directors (as well as the Audit, Human Resources and Nominating and Governance Committees) also meet on a regular basis without the participation of Mr. Farber, who does not qualify as an independent director under the rules of the NYSE.

#### Board's Role in Risk Oversight

Management is responsible for risk management, including identifying risks, assessing threats posed by those risks, determining how those risks should be addressed, and monitoring the status of those risks and the status of any actions that management has determined to implement to address those risks. The Board's role in risk management is to oversee these activities. The Board administers its oversight responsibilities with regard to risk management by considering management presentations and reports, engaging in discussions with management, questioning management, and constructively challenging management's assessments and conclusions. The Board also directs management to consider, assess and report to the Board on matters that the Board views as potential risks, if management has not already identified or assessed those potential risks.



Operationally, the Board administers its risk oversight responsibilities at both the full Board level and at the Committee level. Generally, the full Board oversees risk management with respect to strategic and operational matters and as to risks that may significantly affect our business, results of operations or financial condition (which sometimes may involve risks primarily overseen at the Committee level). In this regard, there can be some overlap among matters overseen by the full Board and by Committees of the Board. The Audit Committee has primary oversight responsibility for risks that may impact the effectiveness of our internal controls over financial reporting, risks associated with pending and threatened litigation and those associated with our compliance with laws, rules and regulations applicable to our business. The Audit Committee oversees the activities of the Company's internal audit function and receives regular reports on internal audit's work as a means of evaluating the effectiveness of the Company's internal controls, management's procedures to identify and address business risks, and management's responses to those risks. The Human Resources Committee has primary responsibility for overseeing risks associated with our compensation and benefits policies and practices.

Our executive management identifies operational and strategic risks through, among other methods, regular and frequent communication with the personnel (such as the operations, sales and marketing staff) of our business units. Our chief executive officer routinely discusses operational and strategic risks with the appropriate employees at each of our businesses. In addition, our chief financial officer, general counsel and vice president of operations frequently participate in meetings with the staff at each of our businesses in order to understand operational and strategic risks. As risks are identified, our executive management assesses, or oversees the assessment of, such risks. Following assessment, our executive management determines how those risks will be addressed and monitors the status of those risks and of any actions that management has determined to take to address those risks. These activities form the basis for our executive management's reports to the Board and/or Committees of the Board on risks that may affect the business.

#### Communications with the Board

Stockholders or other interested persons wishing to communicate with members of the Board should send such communications to Ms. Matthias c/o CSS Industries, Inc. at 1845 Walnut Street, Suite 800, Philadelphia, PA 19103. Ms. Matthias will forward these communications to specified individual directors, or, if applicable, to all the members of the Board as she deems appropriate.

#### Consideration of Director Candidates

The Nominating and Governance Committee considers candidates for Board membership. Our Corporate Governance Principles provide that directors are expected to possess the highest personal and professional ethics, integrity and values and relevant experience. They are also expected to be committed to the long-term interests of our stockholders, and to have an inquisitive and objective perspective, practical wisdom and mature judgment. In addition, directors must be willing to devote sufficient time to carrying out their duties and responsibilities effectively. In this regard, our Corporate Governance Principles provide that directors should not serve on more than three other public company boards (two other public company boards if the director serves as chief executive officer of another entity, or in an equivalent position). The charter of the Nominating and Governance Committee provides that in evaluating nominees, the Nominating and Governance Committee will consider the attributes mentioned above, and such other factors as it deems appropriate, which may include judgment, skill, experience with businesses and other organizations comparable to CSS, the interplay of the candidate's experience with the experience of other Board members, and the extent to which the candidate would be a desirable addition to the Board and its committees.

We do not have a formal policy with regard to the consideration of diversity in identifying nominees to stand for election to our Board. Our Board selects nominees after considering the recommendations of the Nominating and Governance Committee. In developing its recommendations, the Nominating and Governance Committee may consider, among other factors mentioned above, the interplay of the candidate's experience with the experience of other Board members. In considering this factor, the Nominating and Governance Committee may take into account the extent to which a candidate's experience broadens the range of experience already represented on the Board. The Nominating and Governance Committee believes that the interplay of a candidate's



experience with the experience of other Board members is one of multiple factors that may be appropriate for consideration in formulating its recommendations. Likewise, in considering the nominees recommended by the Nominating and Governance Committee, our Board may consider the interplay of a candidate's experience with the experience of other Board members, among other factors.

Under our bylaws, (i) no director, other than a director serving as Chairman of the Board, is eligible to be nominated for election to the Board or otherwise continue service as a director past the date of the Annual Meeting of Stockholders occurring in the calendar year in which such Director reaches or has reached his or her 77<sup>th</sup> birthday, and (ii) a director serving as Chairman of the Board is not eligible to be nominated for election to the Board or otherwise continue service as a director past the date of the Annual Meeting of Stockholders occurring in the calendar year in which such director reaches or has reached his or her 82<sup>nd</sup> birthday.