

CSS INDUSTRIES INC
Form DEF 14A
June 21, 2011

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

CSS INDUSTRIES, INC.

**1845 Walnut Street
Philadelphia, Pennsylvania 19103**

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Dear Stockholder:

The 2011 Annual Meeting of Stockholders of CSS Industries, Inc. (CSS) will be held at The Rittenhouse Hotel, 210 West Rittenhouse Square, Philadelphia, Pennsylvania, on Tuesday, August 2, 2011, at 9:30 a.m. local time.

At our Annual Meeting, we will ask you to:

1. Elect a board of seven directors;
2. Approve the 2011 Stock Option Plan for Non-Employee Directors;
3. 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, 2012;
4. Approve, on a non-binding, advisory basis, the compensation paid to our named executive officers for the fiscal year ended March 31, 2011;
5. Vote, on a non-binding, advisory basis, on the frequency (i.e., once every 1 year, 2 years, or 3 years) of holding an advisory stockholder vote to approve the compensation paid to our named executive officers; and
6. 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 6, 2011, you may vote at the Annual Meeting.

By order of the board of directors,

MICHAEL A. SANTIVASCI
Secretary

Philadelphia, Pennsylvania
June 21, 2011

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

CSS INDUSTRIES, INC.

**PROXY STATEMENT
2011 Annual Meeting of Stockholders**

TABLE OF CONTENTS

Topic	Page
<u>WHY YOU RECEIVED THIS PROXY STATEMENT</u>	1
<u>WHO CAN VOTE</u>	1
<u>WHO WILL PAY THE COSTS OF THIS PROXY SOLICITATION</u>	1
<u>HOW TO BE PART OF AN EFFECTIVE VOTE</u>	1
<u>HOW YOU MAY REVOKE YOUR PROXY</u>	2
<u>PROPOSAL 1 ELECTION OF DIRECTORS</u>	3
<u>PROPOSAL 2 APPROVAL OF THE 2011 STOCK OPTION PLAN FOR NON-EMPLOYEE DIRECTORS</u>	5
<u>PROPOSAL 3 RATIFICATION OF THE SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	8
<u>OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM, THEIR FEES AND THEIR ATTENDANCE AT THE ANNUAL MEETING</u>	8
<u>AUDIT COMMITTEE REPORT</u>	9
<u>OUR EXECUTIVE OFFICERS</u>	10
<u>OWNERSHIP OF CSS COMMON STOCK</u>	11
<u>SECURITIES AUTHORIZED FOR ISSUANCE UNDER CSS EQUITY COMPENSATION PLANS</u>	13
<u>CORPORATE GOVERNANCE</u>	13
<u>RELATED PARTY TRANSACTIONS</u>	20
<u>COMPENSATION DISCUSSION AND ANALYSIS</u>	21
<u>HUMAN RESOURCES COMMITTEE REPORT</u>	36
<u>EXECUTIVE COMPENSATION</u>	37
<u>Summary Compensation Table Fiscal 2011</u>	37
<u>Grants of Plan-Based Awards Fiscal 2011</u>	40
<u>Outstanding Equity Awards at Fiscal Year End March 31, 2011</u>	41
<u>Option Exercises and Stock Vested Fiscal 2011</u>	42
<u>Nonqualified Deferred Compensation Fiscal 2011</u>	42
<u>POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL</u>	43
<u>PROPOSAL 4 ADVISORY VOTE ON EXECUTIVE COMPENSATION</u>	50
<u>PROPOSAL 5 ADVISORY VOTE ON FREQUENCY OF ADVISORY VOTE ON EXECUTIVE COMPENSATION</u>	51
<u>DIRECTOR COMPENSATION FISCAL 2011</u>	51
<u>SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u>	52
<u>STOCKHOLDER PROPOSALS</u>	52

CSS INDUSTRIES, INC.

**1845 Walnut Street
Philadelphia, Pennsylvania 19103**

**PROXY STATEMENT
2011 Annual Meeting of Stockholders**

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 2011 Annual Meeting of Stockholders (Meeting) to be held at The Rittenhouse Hotel, 210 West Rittenhouse Square, Philadelphia, Pennsylvania on Tuesday, August 2, 2011 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 21, 2011, we are sending this Proxy Statement and the accompanying form of Proxy to stockholders of record at the close of business on June 6, 2011.

WHO CAN VOTE

Stockholders of record at the close of business on June 6, 2011 may vote at the Meeting. On the record date, 9,740,207 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 4,870,104 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 outcome of the non-binding, advisory vote on the frequency (i.e., every one, two or three years) of holding a non-binding, advisory vote to approve the compensation paid to our named executive officers will be determined by a plurality of the votes cast at the Meeting. This means that our stockholders will be deemed to have selected the option receiving the most votes. 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 approve the 2011 Stock Option Plan for Non-Employee Directors (the 2011 Stock Plan); to approve, on a non-binding, advisory basis, the compensation paid to our named executive officers for the fiscal year ended

March 31, 2011; to ratify the selection of KPMG LLP as our independent registered public accounting firm for the fiscal year ending March 31, 2012; and to approve any other matter to be voted on at the Meeting. In the case of the vote on the proposal to approve the 2011 Stock Plan, the rules of the New York Stock Exchange require that the total number of votes cast on such proposal represent over 50% in interest of all shares entitled to vote on such proposal.

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 AUGUST 2, 2011:

The Notice of the CSS Industries, Inc. Annual Meeting of Stockholders to be held on August 2, 2011, the Proxy Statement for that meeting and the CSS Industries, Inc. Annual Report for the fiscal year ended March 31, 2011 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 2012 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 2011 Annual Meeting of Stockholders.

Scott A. Beaumont, age 58, 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 73, 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.

Jack Farber, age 78, 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.

John J. Gavin, age 55, has been an operating partner of LLR Partners Inc., a private equity firm, since April 2010. He served as Vice Chairman and as a director of DBM, Inc., an international career and transitions management firm, from 2006 until March 2010. During 2006, he also served as President and Chief Executive Officer of DBM, Inc. Prior to that, Mr. Gavin served as President, Chief Operating Officer and as a director of Right Management Consultants, Inc., a human resources and career management consulting firm, from January 1999 to January 2004. Mr. Gavin currently serves on the board of directors of Dollar Financial Corp., a financial services company, and

Interline Brands, Inc., a distributor of maintenance, repair and operating products. He has served as one of our directors since 2007.

Our Board concluded that Mr. Gavin should serve as a director on our Board in light of his expertise with financial, accounting, strategic planning, mergers and acquisitions, human resources and career management matters, his prior experience serving as President and Chief Operating Officer of an international human resources company, Right Management Consultants, Inc., his current and prior service on the boards of directors of private and publicly-held companies, including his experience serving on the audit committee and as lead independent director of Interline Brands, Inc. and as a member of the audit committee of Dollar Financial Corp.

James E. Ksansnak, age 71, served as Chairman of the Board and as a director of Tasty Baking Company, a baker of snack cakes, pies and related products, from May 2003 until May 2011. He served as Vice Chairman of ARAMARK Corporation, a provider of food, hospitality and facility management services and uniform and work apparel, from May 1997 to February 2001 and currently serves on its board of directors. Mr. Ksansnak has served as one of our directors since 1988.

Our Board concluded that Mr. Ksansnak should serve as a director on our Board in light of his extensive financial, accounting, sourcing, distribution and operations expertise, his current and prior service on the Boards of directors of other publicly-held and private companies, including his prior service as Chairman of the Board of Directors of publicly-held consumer products company Tasty Baking Company, and his prior corporate leadership position at a formerly publicly-held, and currently privately-held, multinational services company, ARAMARK Corporation.

Rebecca C. Matthias, age 58, 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. From 2004 to 2006, she served on the board of directors of Russell Corporation, an athletic and sporting goods company. 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 46, has been our President and Chief Executive Officer since July 2006. Since June 2010, he has also served as President of our Berwick Offray LLC (Berwick Offray) and Cleo Inc subsidiaries. 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 Berwick Offray. 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 its President and Chief Executive Officer and as the President of one of our current operating subsidiaries, Berwick Offray, 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 take actions to 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.

**PROPOSAL 2 APPROVAL OF THE 2011 STOCK OPTION PLAN
FOR NON-EMPLOYEE DIRECTORS**

The Proposal

At the Meeting, a proposal to approve the adoption of the 2011 Stock Option Plan for Non-Employee Directors (2011 Stock Plan) will be presented. The 2011 Stock Plan was adopted by our Board on May 24, 2011, subject to stockholder approval at the Meeting. Our Board adopted the 2011 Stock Plan to replace the 2006 Stock Option Plan for Non-Employee Directors (2006 Stock Plan), which expired by its terms on December 31, 2010, and, therefore, no new grants may be issued under the 2006 Stock Plan. As of June 6, 2011, there were outstanding grants under the 2006 Stock Plan to purchase 96,000 shares of CSS common stock. In addition, as of such date, there were outstanding grants under our 2000 Stock Option Plan for Non-Employee Directors (the 2000 Stock Plan) to purchase 70,500 shares of our common stock. The 2000 Stock Plan expired in December 2005, and no new grants may be issued under the 2000 Stock Plan.

The purpose of the 2011 Stock Plan is to increase the ownership interest of the non-employee directors in CSS and to provide a further incentive for such individuals to serve as a director of CSS. Stockholder approval is being sought in order to meet the New York Stock Exchange listing requirements. If approved by our stockholders, the 2011 Stock Plan will become effective on August 3, 2011. If the stockholders do not approve the 2011 Stock Plan, the 2011 Stock Plan will not become effective, and we will not have the ability to grant stock options to our non-employee directors since non-employee directors are not eligible to receive grants under our other equity compensation plan, the 2004 Equity Compensation Plan (the 2004 Stock Plan). The 2004 Stock Plan provides that only our employees and officers are eligible to receive grants made under the 2004 Stock Plan.

On May 24, 2011, in connection with the adoption of the 2011 Stock Plan, our Board approved an amendment to our 2004 Stock Plan to reduce the number of shares of our common stock authorized for issuance under the 2004 Stock Plan by 500,000 shares. As a result of this reduction, our 2004 Stock Plan now provides that 1,500,000 shares of our common stock may be issued as grants under the 2004 Stock Plan. Prior to this amendment, our 2004 Stock Plan provided that 2,000,000 shares of our common stock could be issued as grants under the 2004 Stock Plan.

The material terms of the 2011 Stock Plan are summarized below. This summary of the 2011 Stock Plan is not intended to be a complete description of the 2011 Stock Plan and is qualified in its entirety by the actual text of the 2011 Stock Plan to which reference is made, which is attached to this proxy statement as Annex 1.

OUR BOARD RECOMMENDS A VOTE FOR APPROVAL OF THE 2011 STOCK OPTION PLAN FOR NON-EMPLOYEE DIRECTORS.

Description of the 2011 Stock Plan

General. The 2011 Stock Plan provides that up to 150,000 shares of CSS common stock may be issued pursuant to grants of stock options. If and to the extent stock options granted under the 2011 Stock Plan terminate or expire without being exercised, the shares subject to such stock options will again be available for future stock option grants under the 2011 Stock Plan.

Administration of the 2011 Stock Plan. The 2011 Stock Plan will be administered by our Board. As administrator, our Board is authorized to interpret the 2011 Stock Plan; to establish, amend and rescind any rules relating to the 2011 Stock Plan; and to make all other determinations necessary or advisable for the administration of the 2011 Stock Plan.

In general, except as set forth in the 2011 Stock Plan, our Board does not have discretion regarding the eligibility or selection of directors to receive stock options, the number of shares subject to such stock options, the exercisability or termination of stock options, the purchase price of stock options, or the frequency of stock option grants. In addition, our Board may not take any action that would materially increase the benefits accruing to the participants under the 2011 Stock Plan.

Eligibility for Participation. Directors of CSS who are not employees of CSS or any subsidiary or affiliate of CSS (Eligible Directors) are eligible to participate in the 2011 Stock Plan. There are currently five directors eligible to participate under the 2011 Stock Plan.

Grants of Stock Options. If our stockholders approve the 2011 Stock Plan, then on the last day on which shares of CSS common stock are traded in November 2011, and on the last day on which shares of CSS common stock are traded in each subsequent November for as long as the 2011 Stock Plan remains in effect, each Eligible

Director who is a member of our Board on such date will receive a stock option to purchase 4,000 shares of CSS common stock. No stock options will be granted under the 2011 Stock Plan after December 31, 2015.

The exercise price per share of a stock option granted under the 2011 Stock Plan will be equal to the fair market value of CSS common stock on the date the stock option is granted. The exercise price may be paid (i) in cash or check, (ii) by delivering shares of CSS common stock already owned by the Eligible Director, or attestation to ownership of such shares, and having a fair market value equal to the exercise price (unless our Board determines that such payment method would not be in our best interest), (iii) by payment through a broker in accordance with procedures permitted by Regulation T of the Federal Reserve Board, to the extent permitted by applicable law, or (iv) by such other method as permitted by the Board, to the extent permitted by applicable law.

Each stock option will have a term of five years from the date the stock option is granted and will become exercisable as to twenty five percent of the underlying shares on each of the first four anniversaries of the date of grant. These installments are cumulative and exercisable during the remainder of the term of the stock option, unless earlier terminated pursuant to the terms of the 2011 Stock Plan. If an Eligible Director terminates service on our Board, other than because of death or because such Eligible Director commences employment with us, the Eligible Director will have until three months from the date of the Eligible Director's termination of service (but not later than the expiration of the term of the stock option, if earlier) to exercise the portion of the stock option that is exercisable as of the date of his or her termination of service from our Board. If an Eligible Director dies while a member of our Board, the Eligible Director's outstanding stock options will become fully exercisable. In addition, if an Eligible Director dies while a member of our Board or within the three month period after such cessation as a member of our Board, the Eligible Director's legal representative will have six months from the date on which the Eligible Director ceased to be a member of the Board (but not later than the expiration of the term of the stock option, if earlier) to exercise the Eligible Director's stock options.

In the event there is a change in the number or kind of our shares of common stock outstanding by reason of any stock dividend, spinoff, recapitalization, stock split, or combination or exchange of shares; merger, reorganization or consolidation; reclassification or change in par value; or any other extraordinary or unusual event affecting our outstanding shares of common stock as a class without our receipt of consideration, or if the value of our outstanding shares of common stock is substantially reduced as a result of a spinoff or our payment of an extraordinary dividend or distribution, our Board will equitably adjust the maximum number of shares of common stock available for issuance under the 2011 Stock Plan, the number of shares of common stock subject to the annual stock option grant, the kind and number of shares of common stock covered by outstanding stock options, the kind and number of shares issued and to be issued under the 2011 Stock Plan, and the exercise price per share of outstanding stock options to preclude, to the extent practicable, the enlargement or dilution of rights and benefits under the 2011 Stock Plan and such outstanding stock options.

No Repricing of Stock Options. Our Board may not reprice stock options or amend the Plan to permit repricing of stock options unless our stockholders provide prior approval for such repricing. For this purpose, a repricing is defined to mean (i) as such term is defined in the New York Stock Exchange listing rules or (ii) the cancellation of a stock option for cash (other than in connection with a Change in Control) when the per share purchase price of the stock option exceeds the fair market value per share of our common stock.

Amendment, Suspension and Termination of the 2011 Stock Plan. Our Board may amend, suspend or terminate the 2011 Stock Plan at any time; provided, however, that no such action may adversely affect the rights of Eligible Directors with respect to outstanding stock options, and amendments may generally not be made more than once every six months with regard to the annual stock option grant. Stockholder approval will be sought for any amendments as to which such approval is necessary or desirable in order to comply with the applicable federal securities laws or the applicable rules of any self-regulatory organization. The 2011 Stock Plan will terminate on

December 31, 2015, unless terminated earlier by our Board (although stock options granted under the 2011 Stock Plan prior to its termination will remain outstanding until exercised or the end of the term of such stock options).

Change in Control. In the event of a Change in Control, all outstanding stock options under the 2011 Stock Plan will become exercisable in full, effective immediately prior to such Change in Control. In addition, upon occurrence of a Change in Control where CSS is not the surviving corporation (or survives only as a subsidiary of another corporation), unless our Board determines otherwise, all outstanding stock options that are not exercised shall be assumed by, or replaced with comparable stock options by, the surviving corporation (or a parent or

subsidiary of the surviving corporation). Furthermore, upon occurrence of a Change in Control, our Board may (a) require each Eligible Director to surrender his or her outstanding options in exchange for a payment by CSS, in cash or CSS common stock as determined by our Board, in an amount equal to the amount by which the fair market value of the CSS common stock subject to the Eligible Director's unexercised stock options exceeds the exercise price of the stock option, or (b) after giving the Eligible Directors an opportunity to exercise their outstanding stock options, terminate any and all unexercised stock options at such time as our Board deems appropriate. Such surrender or termination will take place as of the date of the Change in Control or such other date as the Board may specify. The composition of our Board making the determinations described above following a Change in Control must be the same members as those on our Board immediately prior to the Change in Control.

The 2011 Stock Plan defines a Change in Control as being deemed to have occurred if: (i) a person, as defined in sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (Exchange Act), other than persons who are stockholders on the effective date of the Plan, becomes a beneficial owner (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of CSS representing more than 50% of the voting power of the then outstanding securities of CSS; provided that a Change in Control shall not be deemed to occur as a result of a change of ownership resulting from the death of a stockholder, and a Change in Control shall not be deemed to occur as a result of a transaction in which CSS becomes a subsidiary of another corporation and in which CSS stockholders, immediately prior to the transaction, will beneficially own, immediately after the transaction, shares entitling such stockholders to more than 50% of all votes to which all stockholders of the parent corporation would be entitled in the election of directors (without consideration of the rights of any class of stock to elect directors by a separate class vote); or (ii) there is the consummation of (x) a merger or consolidation of CSS with another corporation where CSS stockholders, immediately prior to the merger or consolidation, will not beneficially own, immediately after the merger or consolidation, shares entitling such stockholders to more than 50% of all votes to which all stockholders of the surviving corporation would be entitled in the election of directors (without consideration of the rights of any class of stock to elect directors by a separate class vote); (y) a sale or other disposition of all or substantially all of the assets of CSS; or (z) a liquidation or dissolution of CSS.

Federal Income Tax Consequences. Set forth below is a general description of the federal income tax consequences relating to stock options granted under the 2011 Stock Plan.

Stock options granted under the 2011 Stock Plan are considered non-qualified stock options for Federal income tax purposes. Generally, the granting of a non-qualified stock option is not a taxable event. Upon the exercise of a non-qualified option, the Eligible Director will realize ordinary income in an amount equal to the excess of the fair market value of the shares purchased over their exercise price paid per share, and CSS will be entitled to a deduction in the same amount. Upon the sale of shares of CSS common stock acquired by exercise of a non-qualified stock option, an Eligible Director will have a capital gain or loss (long-term or short-term depending upon the length of time the shares were held) in an amount equal to the difference between the amount realized upon the sale and the Eligible Director's adjusted tax basis in the shares of common stock (the exercise price plus the amount of ordinary income recognized by the Eligible Director at the time of exercise of the stock option).

As noted above, subject to stockholder approval of the 2011 Stock Plan, each Eligible Director will receive an automatic grant of a stock option to purchase 4,000 shares of our common stock on the last day of November that our common stock is traded in each year from 2011 through 2015. The following table provides information relating to grants that will be made to Eligible Directors on the last day of November 2011 that our common stock is traded. For purposes of this table, it is assumed that the five directors currently eligible to participate under the 2011 Stock Plan will be elected at the Meeting and will continue to be eligible to participate under the 2011 Stock Plan on the last day of November 2011 that our common stock is traded.

NEW PLAN BENEFITS

CSS Industries, Inc. 2011 Stock Option Plan for Non-Employee Directors

Name and Position	Number of Shares Subject to Stock Options
Non-Executive Director Group	20,000

The last sales price of CSS common stock on June 6, 2011 was \$17.98 per share.

PROPOSAL 3 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 LLP (KPMG) as our independent registered public accounting firm for the fiscal year ending March 31, 2012. 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, 2012.

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

The Audit Committee of our Board engaged KPMG as CSS independent registered public accountants to audit our financial statements for our fiscal year ended March 31, 2011. 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, 2011 and March 31, 2010, and fees billed by KPMG for other services in each of those fiscal years, were as follows:

Type of Fee	2011	2010
Audit Fees	\$ 810,000	\$ 870,000
Audit-Related Fees		
Tax Fees	32,180	94,774
All Other Fees		
	\$ 842,180	\$ 964,774

Audit Fees

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

Tax Fees

Tax fees of \$32,180 and \$94,774 were paid for tax compliance and tax consulting in fiscal 2011 and 2010, respectively. Such compliance services included assistance with tax return preparation.

There were no fees paid in fiscal 2011 or 2010 for products and services provided by KPMG other than the services referred to above.

AUDIT COMMITTEE REPORT

Management is responsible for the preparation of CSS 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 CSS 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 the financial position, results of operations and cash flows of CSS, 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, CSS 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 the audited consolidated financial statements of CSS, 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 CSS internal audit staff and its independent registered public accounting firm, with and without management present, and discussed the results of their examinations, their evaluations of CSS internal controls, and the quality of CSS 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 CSS 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 CSS Annual Report on Form 10-K for the fiscal year ended March 31, 2011 filed with the United States Securities and Exchange Commission (SEC).

AUDIT COMMITTEE

John J. Gavin, Chairman

James E. Ksansnak

Scott A. Beaumont

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 2011 Annual Meeting of Stockholders.

Jack Farber is Chairman of our board of directors. His biographical information appears on page 3.

Laurie F. Gilner, age 44, has served as President of our C.R. Gibson, LLC (C.R. Gibson) business since September 2010. Prior to that, from September 2008 until August 2010, she served as President and Chief Executive Officer of Perfect Timing, Inc., a manufacturer and distributor of calendars, stationery, back-to-school products and gift products. From January 2006 to August 2008, Ms. Gilner served as President, Travel Gear Division of TRG Group, a designer and manufacturer of travel gear, business and computer cases, backpacks, accessories and home décor products. She served as Executive Vice President, Retail and Corporate Markets of TRG Group from July 2002 until December 2005.

William G. Kiesling, age 48, 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 on page 4.

Vincent A. Paccapaniccia, age 53, 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.

Paul Quick, age 50, has been President of our Paper Magic Group, Inc. (Paper Magic) business since September 2008. From 1983 to 2008, he served in various capacities with Hallmark Cards, Incorporated (Hallmark), a designer, producer and seller of greeting cards, party supplies, gifts, wrapping paper and other consumer products, most recently as Vice President and General Manager – Walgreens Team from July 2006 until June 2008. Prior to that, from June 2000 to June 2006, he served as President of Hallmark's Image Arts, Inc. subsidiary, a designer, producer and seller of greeting cards.

OWNERSHIP OF CSS COMMON STOCK

The following table lists all persons who we know to beneficially own at least five percent of our common stock as of June 6, 2011, 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 on page 37 and all directors and executive officers as a group.

Beneficial Owner	Number of Shares Beneficially Owned ⁽¹⁾	Percent of Class ⁽²⁾
T. Rowe Price Associates, Inc. and T. Rowe Price Small Cap Value Fund, Inc.	1,466,190 ⁽³⁾	15.1%
Royce & Associates, LLC	1,298,143 ⁽⁴⁾	13.3%
Dimensional Fund Advisors LP.	818,683 ⁽⁵⁾	8.4%
Scott A. Beaumont	16,000 ⁽⁶⁾	*
James H. Bromley	199,738 ⁽⁷⁾	2.0%
Jack Farber	673,847 ⁽⁸⁾	6.9%
John J. Gavin	6,600 ⁽⁹⁾	*
Laurie F. Gilner		*
William G. Kiesling	63,516 ⁽¹⁰⁾	*
James E. Ksansnak	86,834 ⁽¹¹⁾	*
Rebecca C. Matthias	29,000 ⁽¹²⁾	*
Christopher J. Munyan	119,027 ⁽¹³⁾	1.2%
Vincent A. Paccapaniccia	2,500 ⁽¹⁴⁾	*
Paul Quick	11,980 ⁽¹⁵⁾	*
All directors and executive officers of CSS as a group (eleven (11) persons, including the individuals named above)	1,145,690 ⁽¹⁶⁾	11.5%

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

- (1) 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 6, 2011 or within 60 days thereafter are considered 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 purposes of computing the percentage beneficial ownership 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 9,740,207 shares of CSS common stock outstanding at June 6, 2011.
- (3) This information is as of December 31, 2010 and is derived from Schedule 13G filed with the SEC on February 10, 2011 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 advisor registered under the Investment Advisors Act of 1940, and Price Fund is an investment company registered under the Investment Company Act of 1940. Price Associates has advised us that the shares shown in the table are owned by various individual and institutional investors including Price Fund (which owns and has sole voting power over 985,000 of the shares shown in the table) which Price Associates serves as investment advisor with power to direct investments and/or sole power to vote the securities. Price Associates has disclosed that it has sole investment power over all of the shares shown in the table and sole voting power over 468,790 of such shares. Individual and/or institutional investors which Price Associates serves as investment advisor have voting power over 12,400 of the shares shown in the table. For purposes of the reporting requirements of the Securities Exchange Act of 1934, Price Associates is

deemed to be a beneficial owner of the shares shown in the table; however, Price Associates expressly disclaims that it is, in fact, the beneficial owner of such shares.

- (4) This information is as of December 31, 2010 and is derived from Schedule 13G filed with the SEC on January 12, 2011. Royce & Associates, LLC (Royce) is located at 745 Fifth Avenue, New York, NY 10151. Royce has disclosed that it is an investment advisor registered under Section 203 of the Investment Advisors Act of 1940.
- (5) This information is as of December 31, 2010 and is derived from Schedule 13G filed with the SEC on February 11, 2011. 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 advisor registered under Section 203 of the Investment Advisors Act of 1940, and that it furnishes investment advice to four investment companies registered under the Investment Company Act of 1940 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 815,094 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 Securities Exchange Act of 1934.
- (6) The shares shown in the table include options to purchase 14,500 shares of common stock.
- (7) The shares shown in the table include options to purchase 40,000 shares of common stock.
- (8) The shares shown in the table include 230,746 shares held by a revocable trust for the benefit of Mr. Farber for which Mr. Farber is trustee and holds the power of revocation; 151,042 shares held by a revocable trust for the benefit of Vivian Farber, Mr. Farber's spouse, as to which Vivian Farber is trustee and holds the power of revocation; and 200,000 shares held by certain annuity trusts for which Vivian Farber is the sole trustee. In addition, among the shares beneficially owned by Mr. Farber are 60,383 shares of common stock owned by a trust for the benefit of Mr. Farber's son, for which Mr. Farber serves as co-trustee with his son; and 31,676 shares held by the Farber Foundation, a charitable foundation for which Messrs. Farber and Munyan are the members and, together with Mr. Kiesling, the directors. Not included in the number of shares beneficially owned by Mr. Farber are 131,377 shares held