

zumiez

**Notice of 2013 Annual Meeting
And Proxy Statement
2012 Annual Report on Form 10-K**



4001 204th Street SW
Lynnwood, Washington 98036

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held On May 22, 2013

Dear Shareholder:

You are cordially invited to attend the 2013 annual meeting of shareholders of Zumiez Inc., a Washington corporation. Zumiez is also referred to as “we,” “our,” “us” and the “Company.” The meeting will be held on Wednesday, May 22, 2013 at 1:00 p.m. (Pacific Time) at our headquarters located at 4001 204th Street SW, Lynnwood, Washington 98036 for the following purposes:

1. To elect two directors to hold office until our 2016 annual meeting of shareholders;
2. To consider and act upon a proposal to ratify the selection of Moss Adams LLP as our independent registered public accounting firm for the fiscal year ending February 1, 2014 (“fiscal 2013”); and
3. To conduct any other business properly brought before the meeting.

These items of business are more fully described in the Proxy Statement accompanying this Notice.

Our board of directors recommends a vote **“For”** Items 1 and 2. The record date for the annual meeting is March 18, 2013. Only shareholders of record at the close of business on that date may vote at the meeting or any adjournment or postponement thereof.

Under the Securities and Exchange Commission (“SEC”) rules that allow companies to furnish proxy materials to shareholders over the Internet, we have elected to deliver our proxy materials to the majority of our shareholders over the Internet. The delivery process will allow us to provide shareholders with the information they need, while at the same time conserving natural resources and lowering the cost of delivery. On or about April 11, 2013, we mailed to our shareholders a Notice of Internet Availability of Proxy Materials (the “Notice”) containing instructions on how to access our fiscal year ending February 2, 2013 (“fiscal 2012”) Proxy Statement and 2012 Annual Report to Shareholders. The Notice also provides instructions on how to vote online or by telephone and includes instructions on how to receive a paper copy of the proxy materials by mail.

YOUR VOTE IS IMPORTANT!

Whether or not you attend the annual meeting, it is important that your shares be represented and voted at the meeting. Therefore, we urge you to promptly vote online, by telephone, or if you received a paper copy of the voting card, submit your proxy by signing, dating and returning the accompanying proxy card in the enclosed prepaid return envelope. If you decide to attend the annual meeting and you are a shareholder of record, you will be able to vote in person even if you have previously submitted your proxy.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 22, 2013: The Notice of Annual Meeting of Shareholders, Proxy Statement and the Annual Report to Shareholders are available on the internet at <http://ir.zumiez.com./phoenix.zhtml?c=188692&p=irol-reports>.

By Order of the Board of Directors
Chris K. Visser
General Counsel and Corporate Secretary

Lynnwood, Washington
April 11, 2013



4001 204th Street SW
Lynnwood, Washington 98036

**PROXY STATEMENT
FOR THE ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD MAY 22, 2013**

QUESTIONS AND ANSWERS

Why am I receiving these proxy materials?

We are making available to you this proxy statement and the accompanying proxy card because the board of directors of Zumiez Inc. (“Zumiez,” “we,” “us” and the “Company”) is soliciting your proxy to vote at our 2013 annual meeting of shareholders. You are invited to attend the annual meeting to vote on the proposals described in this proxy statement. Should you choose to attend, you must be ready to present proof of your ownership of Zumiez stock as of the record date, March 18, 2013, to attend the meeting. However, you do not need to attend the meeting to vote your shares. Instead, you may simply complete, sign and return the accompanying proxy card. For more information on voting, see information below under the section heading “How do I vote?”

We intend to mail or otherwise make available this proxy statement and the accompanying proxy card on or about April 11, 2013 to all shareholders of record entitled to vote at the annual meeting.

Who can vote at the annual meeting?

Only shareholders of record at the close of business on March 18, 2013, the record date for the annual meeting, will be entitled to vote at the annual meeting. At the close of business on the record date, there were 30,145,654 shares of common stock outstanding and entitled to vote.

Shareholder of Record: Shares Registered in Your Name

If, at the close of business on the record date, your shares were registered directly in your name with our transfer agent, American Stock Transfer & Trust Company, then you are a shareholder of record. As a shareholder of record, you may vote in person at the meeting or vote by proxy. Whether or not you plan to attend the meeting, we urge you vote your proxy to ensure your vote is counted.

Beneficial Owner: Shares Registered in the Name of a Broker, Bank or Other Agent

If, at the close of business on the record date, your shares were not held in your name, but rather in an account at a brokerage firm, bank or other agent, then you are the beneficial owner of shares held in “street name” and these proxy materials are being forwarded to you by your broker, bank or other agent. The broker, bank or other agent holding your account is considered to be the shareholder of record for purposes of voting at the annual meeting. As a beneficial owner, you have the right to direct your broker, bank or other agent on how to vote the shares in your account. You are also invited to attend the annual meeting. Should you choose to attend, you must be ready to present proof of your ownership of Zumiez stock as of the record date, March 18, 2013, in order to attend the meeting. However, since you are not the shareholder of record, you may not vote your shares in person at the meeting unless you request and obtain a valid legal proxy issued in your name from your broker, bank or other agent. For more information about a legal proxy, see the information, below, under the section heading “How do I vote?—Beneficial Owner: Shares Registered in the Name of Broker, Bank or Other Agent.”

What am I voting on?

You are being asked to vote on the following matters:

- Election of two directors (Proposal 1); and
- To consider and act upon a proposal to ratify the selection of Moss Adams LLP as our independent registered public accounting firm for the fiscal year ending February 1, 2014 (“fiscal 2013”) (Proposal 2).

When you vote your proxy, you appoint Chris K. Visser and Richard M. Brooks as your representatives at the meeting. When we refer to the “named proxies,” we are referring to Mr. Visser and Mr. Brooks. This way, your shares will be voted even if you cannot attend the meeting.

How do I vote?

For Proposals 1 and 2, you may vote “For,” “Against” or “Abstain” from voting (for the election of directors, you may do this for any director nominee that you specify). The procedures for voting are as follows:

Shareholder of Record: Shares Registered in Your Name

If you are a shareholder of record, you may vote in person at the annual meeting, via the internet, by telephone or by proxy card. Whether or not you plan to attend the meeting, we urge you to vote by proxy to ensure your vote is counted. You may still attend the meeting and vote in person if you have already voted by proxy.

- To vote in person, come to the annual meeting and we will give you a ballot when you arrive. Please be prepared to present proof of your ownership of Zumiez stock as of March 18, 2013.
- To vote via the internet—You may vote online at www.proxyvote.com. Voting on the internet has the same effect as voting by mail or by telephone. If you vote via the internet, do not return your proxy card and do not vote by telephone. Internet voting will be available until 11:59 p.m. Eastern time, May 21, 2013.
- To vote by telephone—You may vote by telephone by calling 1-800-690-6903 and following the automated voicemail instructions. Voting by telephone has the same effect as voting by mail or via the internet. If you vote by telephone, do not return your proxy card and do not vote via the internet. Telephone voting will be available until 11:59 p.m. Eastern time, May 21, 2013.
- To vote using the proxy card, simply complete, sign and date the proxy card and return it promptly in the envelope provided. If you return your signed proxy card to us before the annual meeting, we will vote your shares as you direct.

Beneficial Owner: Shares Registered in the Name of Broker, Bank or Other Agent

If you are a beneficial owner of shares registered in the name of your broker, bank or other agent, you should have received a proxy or voting instruction form with these proxy materials from that organization rather than from us. You can vote by using the proxy or voting information form provided by your broker, bank or other agent or, if made available, vote by telephone or via the internet. To vote in person at the annual meeting, you must obtain a legal proxy from your broker, bank or other agent. Under a legal proxy, the bank, broker, or other agent confers all of its rights as a record holder (which may in turn have been passed on to it by the ultimate record holder) to grant proxies or to vote at the meeting. Follow the instructions from your broker, bank or other agent included with these proxy materials, or contact your broker, bank or other agent to request a legal proxy. Please allow sufficient time to receive a legal proxy through the mail after your broker, bank or other agent receives your request.

How many votes do I have?

On each matter to be voted upon, you have one vote for each share of Zumiez common stock you own as of the close of business on March 18, 2013, the record date for the annual meeting.

What if I return a proxy card but do not make specific choices?

If you return a signed and dated proxy card without marking any voting selections, your shares will be voted in the following manner:

- “For” the election of all nominees for director (Proposal 1); and
- “For” the ratification of the selection of Moss Adams LLP as our independent registered public accounting firm for fiscal 2013 (Proposal 2).

If any other matter is properly presented at the meeting, one of the named proxies on your proxy card as your proxy will vote your shares using his discretion.

Who is paying for this proxy solicitation?

We will pay for the entire cost of soliciting proxies. In addition to mailed proxy materials, our directors and employees may also solicit proxies in person, by telephone or by other means of communication. Directors and employees will not be paid any additional compensation for soliciting proxies. We may also reimburse brokerage firms, banks and other agents for the cost of forwarding proxy materials to beneficial owners. We have retained Advantage Proxy to act as a proxy solicitor in conjunction with the annual meeting. We have agreed to pay Advantage Proxy approximately \$5,500 for proxy solicitation services.

What does it mean if I receive more than one proxy card?

If you receive more than one proxy card, your shares are registered in more than one name and/or are registered in different accounts. Please complete, sign and return **each** proxy card to ensure that all of your shares are voted. Alternatively, if you vote by telephone or via the internet, you will need to vote once for each proxy card and voting instruction card you receive.

Can I change my vote after voting my proxy?

Yes. You can revoke your proxy at any time before the applicable vote at the meeting. If you are the record holder of your shares, you may revoke your proxy in any one of three ways:

- You may submit another properly completed proxy with a later date.
- You may send a written notice that you are revoking your proxy to our Corporate Secretary, Chris K. Visser, at 4001 204th Street SW, Lynnwood, Washington 98036.
- You may attend the annual meeting and vote in person (if you hold your shares beneficially through a broker, bank or other agent you must bring a legal proxy from the record holder in order to vote at the meeting).

If your shares are held by your broker, bank or other agent, you should follow the instructions provided by them.

What is the quorum requirement?

A quorum of shareholders is necessary to hold a valid meeting. A quorum will be present if at least a majority of the outstanding shares as of the close of business on the record date are represented by shareholders present at the meeting or by proxy.

Your shares will be counted towards the quorum only if you submit a valid proxy (or one is submitted on your behalf by your broker, bank or other agent) or if you vote in person at the meeting. Generally, abstentions and broker non-votes (discussed below in “How are votes counted?”) will be counted towards the quorum requirement. If there is no quorum, a majority of the votes present at the meeting may adjourn the meeting to another date. **Your vote is extremely important, so please vote.**

How are votes counted?

Votes will be counted by the inspector of election appointed for the meeting, who will separately count “For,” “Against” and “Abstain” and broker non-votes (described below, if applicable) for Proposals 1 and 2. Abstentions and broker non-votes will not be counted as votes cast for any proposal.

If your shares are held by your broker, bank or other agent as your nominee (that is, in “street name”), you will need to obtain a voting instruction form from the institution that holds your shares and follow the instructions included on that form regarding how to instruct your broker, bank or other agent to vote your shares. If you do not give instructions to your broker, bank or other agent, they can vote your shares with respect to discretionary items, but not with respect to non-discretionary items. Under the rules of the New York Stock Exchange, the election of directors (Proposal 1) is considered a non-discretionary item while the ratification of the selection of Moss Adams LLP as our auditor (Proposal 2) is considered a discretionary item. Accordingly, if your broker holds your shares in its name, the broker is not permitted to vote your shares on Proposal 1 but is permitted to vote your shares on Proposal 2 even if it does not receive voting instructions from you because Proposal 2 is considered discretionary. When a broker votes a client’s shares on some but not all of the proposals at the annual meeting, the missing votes are referred to as broker non-votes. Broker non-votes will be included in determining the presence of a quorum at the annual meeting but are not considered present or a vote cast for purposes of voting on the non-discretionary items. **Please vote your proxy so your vote can be counted.**

How many votes are needed to approve each proposal?

Under Washington corporation law, our Articles of Incorporation and our bylaws, if a quorum exists, the approval of any corporate action taken at a shareholder meeting is based on votes cast. “Votes cast” means votes actually cast “For” or “Against” Proposals 1 and 2, whether by proxy or in person. Abstentions and broker non-votes (discussed previously) are not considered “votes cast.” Each outstanding share entitled to vote with respect to the subject matter of an issue submitted to a meeting of the shareholders shall be entitled to one vote per share.

Proposal 1. As described in more detail below under “Election of Directors,” we have adopted majority voting procedures for the election of directors in uncontested elections. As this is an uncontested election, the director nominees will be elected if the votes cast “For” a nominee’s election exceed the votes cast “Against” the director nominee. There is no cumulative voting for the election of directors.

If a director nominee does not receive the requisite votes to be elected, that director’s term will end on the date on which an individual is selected by the board of directors to fill the position held by such director or ninety (90) days after the date the election results are determined, or the date the director nominee resigns, whichever occurs first.

Proposal 2. For the ratification of the selection of our independent registered public accounting firm for fiscal 2013, if the number of “For” votes exceeds the number of “Against” votes, then Proposal 2 will be ratified.

If you abstain from voting on any of the proposals, or if a broker or bank indicates it does not have discretionary authority to vote on any particular proposal, the shares will be counted for the purpose of determining if a quorum is present, but will not be included in the vote totals as a vote cast with respect to the proposal in question. Furthermore, any abstention or broker non-vote (a broker non-vote is explained previously in “How are votes counted”) will have no effect on the proposals to be considered at the meeting since these actions do not represent votes cast by shareholders.

How can I find out the results of the voting at the annual meeting?

Preliminary voting results will be announced at the annual meeting. Final voting results will be published on Form 8-K with the Securities and Exchange Commission (“SEC”) within four business days after the annual meeting.

Director Qualifications

The board of directors believes that it is necessary for each of the Company's directors to possess many qualities and skills and the composition of our board of directors has been designed to allow for expertise in differing skill sets. The governance and nominating committee is responsible for assisting the board in matters of board organization and composition and in establishing criteria for board membership. A detailed discussion of these criteria and how they are utilized is set forth below under "Membership Criteria for Board Members." Also, the procedures for nominating directors are set forth below under "Director Nomination Procedures."

Information as of the date of this proxy statement about each nominee for election this year and each other current director is included below under "Election of Directors." The information presented includes information each director has given us about his or her age, all positions he or she holds, his or her principal occupation and business experience for the past five years and the names of other publicly-held companies of which he or she currently serves as a director or has served as a director during the past five years. In addition, information is also presented below regarding each nominee's and current director's specific experience, qualifications, attributes and skills that led our board to the conclusion that he or she should serve as a director. We also believe that all of our director nominees and current directors have a reputation for integrity, honesty and adherence to high ethical standards.

Information about the number of shares of common stock beneficially owned by each director appears under the heading "Security Ownership of Certain Beneficial Owners and Management." There are no family relationships among any of the directors and executive officers of the Company.

Board Leadership

We separate the roles of Chief Executive Officer ("CEO") and Chairman of the Board ("Chairman") in recognition of the differences between the two roles. Our CEO, Richard M. Brooks, is responsible for setting the strategic direction for the Company and the day to day leadership and performance of the Company, while our Chairman, Thomas D. Campion, provides guidance to the CEO and sets the agenda for board meetings and presides over meetings of the full board of directors. Because Mr. Campion is an employee of the Company and is therefore not "independent," our board has appointed the chairman of our governance and nominating committee, Matthew L. Hyde, as the Company's lead independent director. The lead independent director has responsibility to:

- call, lead and preside over meetings of the independent directors, which meet in private executive sessions at each board meeting;
- call special meetings of the board of directors on an as-needed basis;
- set the agenda for executive sessions of meetings of the independent directors;
- facilitate discussions among the independent directors on key risks and issues and concerns outside of board meetings;
- brief the Chairman and CEO on issues that arise in executive session meetings;
- serve as a non-exclusive conduit to the Chairman and CEO of views, concerns and issues of the independent directors; and
- collaborate with the Chairman and CEO on setting the agenda for board meetings.

Membership Criteria for Board Members

The governance and nominating committee of the board is responsible for establishing criteria for board membership. This criteria includes, but is not limited to, personal and professional ethics, training, commitment to fulfill the duties of the board of directors, commitment to understanding the Company's business, commitment

to engage in activities in the best interest of the Company, independence, industry knowledge and contacts, financial and accounting expertise, leadership qualities, public company board of director and committee experience and other relevant experience and qualifications. These criteria are referenced in the Company's Corporate Governance Guidelines and in Exhibit A to the governance and nominating committee's charter, both available at <http://ir.zumiez.com> under the "Governance" section. The board also has the ability to review and add other criteria, from time to time, that it deems relevant. Specific weights are not assigned to particular criteria and no particular criterion is necessarily applicable to all prospective nominees.

The criteria referenced above are used as guidelines to help evaluate the experience, qualifications, skills and diversity of current and potential board members. With respect to diversity, we broadly construe it to mean diversity of race, gender, age, geographic orientation and ethnicity, as well as diversity of opinions, perspectives, and professional and personal experiences. Nominees are not discriminated against on the basis of race, religion, national origin, sexual orientation, disability or any other basis proscribed by law. The board believes that the backgrounds and qualifications of the directors, considered as a group, should provide a significant composite mix of experience, knowledge and abilities that will allow the board to fulfill its responsibilities.

Risk Oversight

The board takes an active role, as a whole and also at the committee level, in helping the Company evaluate and plan for the material risks it faces, including operational, financial, legal and regulatory and strategic and reputational risks. As part of its charter, the audit committee discusses with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies. The compensation committee is responsible for overseeing the management of risks relating to the Company's executive compensation plans and arrangements. The governance and nominating committee manages risks associated with corporate governance, including risks associated with the independence of the board and reviews risks associated with potential conflicts of interest affecting directors and executive officers of the Company. While each committee is responsible for evaluating certain risks and overseeing the management of such risks, the entire board is regularly informed through committee reports about such risks. Furthermore, at least annually, the board conducts an independent session where they outline the risks that they believe exist for the Company and the broader retail industry and compares these with the risks outlined by management. Subsequent to this evaluation, management prioritizes the identified risks along with strategies to manage them or address how the Company intends to mitigate these risks. Additionally, the board exercises its risk oversight function in approving the annual budget and quarterly re-forecasts and in reviewing the Company's long-range strategic and financial plans with management. The board's role in risk oversight has not had any effect on the board's leadership structure.

Director Compensation

The goal of our director compensation is to help attract, retain and reward our non-employee directors and align their interests with those of the shareholders. The board follows the compensation philosophies discussed, below, in the Compensation Discussion & Analysis. Our desired goal for total director compensation (cash and equity) is to be at the 50th percentile of comparable companies based on our compensation consultant's competitive survey results.

The Company pays its non-employee directors an annual fee for their services as members of the board of directors. Each non-employee director receives an annual cash retainer of \$36,000. The audit committee members receive cash compensation of \$12,000 with the chairperson receiving \$24,000 per year. The compensation committee members receive cash compensation of \$9,000 with the chairperson receiving \$18,000 per year. The governance and nominating committee member receives cash compensation of \$6,000 with the chairperson receiving \$18,000 per year. Directors appointed in an interim period receive pro-rata retainer fees based on the number of meetings they attend between annual shareholder meetings. The committee chairperson and the respective committee members are paid rates commensurate with the duties and responsibilities inherent within the position held.

Additionally, the Company issues restricted stock awards to its non-employee directors. The board believes such awards provide alignment with the interests of our shareholders. Directors appointed in an interim period receive pro-rata restricted stock awards based on the number of meetings they attend between annual shareholder meetings.

The Company reimburses all directors for reasonable expenses incurred to attend meetings of the board of directors. Non-employee directors may elect to have a portion, or all, of their annual retainer be used for the reimbursement of travel expenses in excess of those that the Company considers to be reasonable.

The following table discloses the cash and stock awards earned by each of the Company's non-employee directors during the fiscal year ending February 2, 2013 ("fiscal 2012").

<u>Name</u>	<u>Fees Earned or Paid in Cash (\$)</u>	<u>Stock Awards (1) (\$)</u>	<u>Total (\$)</u>
William M. Barnum Jr. (2)	45,000	76,810	121,810
Matthew L. Hyde	54,000	76,810	130,810
Ernest R. Johnson	60,000	76,810	136,810
Sarah (Sally) G. McCoy	54,000	76,810	130,810
Gerald F. Ryles	66,000	76,810	142,810
Travis D. Smith (3)	48,000	76,828	124,828
James M. Weber	51,000	76,810	127,810

- (1) This column represents the aggregate grant-date fair value of restricted stock awards calculated in accordance with FASB ASC Topic 718, excluding the impact of estimated forfeitures related to service based vesting conditions. For assumptions used in determining these values, please see Note 2 (listed under Stock Compensation) in the Notes to Consolidated Financial Statements in our fiscal 2012 Form 10-K.

On May 23, 2012, the day of the annual shareholder meeting, the Company awarded 2,211 shares of restricted stock to each of the directors with a grant-date fair value of \$76,810, except for Mr. Smith. Upon his appointment to the board of directors, Mr. Smith was awarded 2,255 shares of restricted stock with a grant date of August 14, 2012 and a grant-date fair value of \$76,828. The stock awards for all directors will vest on May 23, 2013.

- (2) Mr. Barnum will be retiring when his current term expires with the Annual Meeting in May 2013.
- (3) Mr. Smith was appointed to the board of directors on August 14, 2012.

PROPOSAL 1

ELECTION OF DIRECTORS

The Company currently has nine director positions and will have eight director positions after the Annual Meeting in May 2013. The directors are divided into three classes so that approximately one-third of the directors are elected each year for three-year terms. Directors are elected to hold office until their successors are elected and qualified, or until resignation or removal in the manner provided in our bylaws. Two directors are nominees for election this year and each has consented to serve a three-year term ending in 2016. The remaining directors will continue to serve the terms set out below, with the exception of Mr. Barnum, who will be retiring when his current term expires with the Annual Meeting in May 2013.

The nominees for director in an uncontested election, such as this one, will be elected if the votes cast in favor of a nominee's election exceed the votes cast opposing such nominee's election. Abstentions and broker non-votes are not considered "votes cast." Likewise, a share otherwise present at the meeting as to which a shareholder gives no authority or direction to vote is also not considered a "vote cast."

In a contested election, the directors shall be elected by a plurality of the votes cast. A "contested election" means an election of directors of the Corporation in which the number of nominees for any election of directors nominated by (i) the board of directors, or (ii) any shareholder pursuant to Article 1, Section 10 of the Company's bylaws, or (iii) a combination of nominees by the board of directors and any shareholder pursuant to Article I, Section 10 of the Company's bylaws, exceed the number of directors to be elected.

A nominee for director in an uncontested election who does not receive the requisite votes for election, but who was a director at the time of the election, shall continue to serve as a director for a term that shall terminate on the date that is the earlier of: (i) ninety (90) days from the date on which the voting results of the election are certified, (ii) the date on which an individual is selected by the board of directors to fill the office held by such director, which selection shall be deemed to constitute the filling of a vacancy by the board of directors, or (iii) the date the director resigns. Except in the foregoing sentence, a director who failed to receive a majority vote for election will not participate in the filling of his or her office. If none of the directors receive a majority vote in an uncontested election, then the incumbent directors (a) will nominate a slate of directors and hold a special meeting for the purpose of electing those nominees as soon as practicable, and (b) may in the interim fill one or more offices with the same director(s) who will continue in office until their successors are elected. If, for any reason, the directors shall not have been elected at any annual meeting, they may be elected at a special meeting of shareholders called for that purpose in the manner provided by the Company's bylaws.

We invite and recommend all of our directors and the nominees for director to attend our annual meeting of shareholders.

Nominees for Election to Terms Expiring in 2016

Gerald F. Ryles, 76, has served on our board of directors since August 2005. Until it was acquired in September 2003, Mr. Ryles was Chairman of the Board and a major shareholder of Microserv Technology Services, a privately held information technology services company. From January 1994 through January 2001, Mr. Ryles was also the Chief Executive Officer. He also has over 40 years of management experience in several different industries as well as management consulting experience with McKinsey & Company. He is a graduate of the University of Washington, and earned an M.B.A. from Harvard University. He also serves on the board of directors of Giant Campus an educational software company, and the State of Washington's Board of Accountancy, where he was re-appointed by the Governor in July of 2012 to serve for another three year term.

Director Qualifications: Mr. Ryles' extensive prior business experiences as a chief executive officer and his financial expertise are critical to our board and the audit committee in particular. Mr. Ryles' consulting background and chief executive experience provides the Company with perspective regarding a number of different successful business strategies that help the Company formulate its operating and growth plans.

Travis D. Smith, 40, was appointed to our board of directors in August 2012 and is the CEO and President of Jo-Ann Fabric and Craft stores. Mr. Smith began his career with Jo-Ann in 2006 serving as the Executive Vice President, Merchandising and Marketing. In February 2009, Mr. Smith was named Chief Operating Officer and added the duties of President in February 2010, then Chief Executive Officer in August 2011. Prior to his employment with Jo-Ann, Mr. Smith held merchandising and marketing positions of increasing responsibility with Fred Meyer Stores, a division of the Kroger Company, ultimately serving as Senior Vice President, General Merchandise. Mr. Smith is a graduate of the University of Notre Dame with a Bachelor's Degree in Business Marketing and Communications.

Director Qualifications: Mr. Smith's background in retailing and in particular merchandising, marketing and leadership roles adds important and relevant experience to the Company's board of directors. Mr. Smith also brings experience in brand building, retail brick and mortar and direct to customer operations.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF EACH NOMINEE
PREVIOUSLY NAMED**

Continuing Directors Whose Terms Expire in 2014

Thomas D. Campion, 64, is one of our co-founders and has served on our board of directors since our inception in 1978. Mr. Campion has held various senior management positions during this time, including serving as our Chairman since June 2000. From November 1970 until August 1978, he held various management positions with JC Penney Company. Mr. Campion holds a B.A. in Political Science from Seattle University. Mr. Campion serves on the Board of the Alaska Wilderness League, a Washington, D.C. based environmental group, and is on the board of Conservation Northwest, a Bellingham, Washington based environmental group. He is also the trustee of the Campion Foundation, a nonprofit organization focused on ensuring that biologically important ecosystems in Northwestern North American are preserved. The Foundation also works on homelessness issues in the Pacific Northwest.

Director Qualifications: Mr. Campion's knowledge as a retailer and as the co-founder of the Company provide the board with invaluable insight into the Company's business and its unique culture. Mr. Campion provides generational leadership, sales, marketing, merchandising and brand building experience and expertise. Mr. Campion's particular knowledge and experience with Zumiez and its competition helps the Company formulate short and long-term strategies that have contributed to Zumiez differentiating itself in the specialty niche of action sports retailing. As the Company's largest shareholder, Mr. Campion's interests are aligned with other Zumiez shareholders' interests to increase the long-term value of the Company.

Sarah (Sally) G. McCoy, 52, was appointed to our board of directors in October 2010 and is the CEO and President of CamelBak Products, a company that originated hands free-hydration and is the leader in hydration products. Ms. McCoy has been the CEO and President of CamelBak since September of 2006. Prior to joining CamelBak, Ms. McCoy co-founded Silver Steep Partners in 2004, a leading investment banking firm catering to companies in the outdoor and active lifestyle industry. Before Silver Steep, McCoy served as president of Sierra Designs and Ultimate Direction and as vice president at The North Face. Ms. McCoy is a graduate of Dartmouth College. She also serves as a Director of the Conservation Alliance.

Director Qualifications: Ms. McCoy's background in sales, merchandising, sourcing, marketing and executive management of outdoor and action sports consumer brands provides strategic insight and direction for Zumiez as we plan our branded and private label growth strategies. Additionally, her experience in investment banking and valuation experience in our industry is valuable as we formulate our growth strategies.

Ernest R. Johnson, 62, was appointed to our board of directors in July 2011 and has served as the Chairman of Cutter & Buck Inc. and President and Chief Executive Officer for New Wave USA Inc. since November 2009. From February 2006 to November 2009, he served as Chief Executive Officer of Cutter & Buck. Mr. Johnson

was also a Senior Vice President and Chief Financial Officer for Cutter & Buck from November 2002 to February 2006. Prior to joining Cutter & Buck, he worked 29 years in several commercial banks holding various senior accounting and financial positions. Mr. Johnson holds a BA in Business Administration—Accounting from Washington State University.

Director Qualifications: Mr. Johnson’s background as a CEO for an apparel company and as a CFO for an apparel company and commercial banks provides relevant leadership and financial expertise to the Company’s board of directors. Mr. Johnson also has experience in international business and in mergers and acquisitions.

Continuing Directors Whose Terms Expire in 2015

Richard M. Brooks, 53, has served as our CEO since June 2000. From August 1993 through June 2000, he served as a Vice President and our Chief Financial Officer. From November 1989 until February 1992, Mr. Brooks was with Interchecks, Inc., a subsidiary of Bowater PLC, as a finance officer. Mr. Brooks was with Deloitte, Haskins & Sells, currently known as Deloitte LLP, from July 1982 to March 1989. Mr. Brooks holds a B.A. in Business from the University of Puget Sound. Mr. Brooks has served on the University of Puget Sound Board of Trustees from May 2002 to the present and he currently chairs its Board of Trustees as well as its Compensation and Executive Committees.

Director Qualifications: Mr. Brooks’ day to day leadership as our CEO provides him with detailed knowledge of our business and operations. Mr. Brooks provides generational leadership, sales, marketing, merchandising and brand building experience and expertise. Mr. Brooks has demonstrated a record of innovation, achievement and leadership. This experience provides the board with a unique perspective into the operations and vision of Zumiez. Mr. Brooks’ particular knowledge and experience with Zumiez and its competition helps the Company formulate short and long-term strategies that have helped Zumiez differentiate itself in the specialty niche of the action sports retail business. As one of the Company’s largest shareholders, Mr. Brooks’ interest is aligned with other Zumiez shareholders’ interests to increase the long-term value of the Company.

Matthew L. Hyde, 50, was appointed to our board in December 2005 and is the Chief Executive Officer and President at West Marine, Inc. where he joined in June 2012. Previously he served as an Executive Vice President of Recreational Equipment Inc. (REI), where he had been since 1986, responsible for Marketing, Direct Sales, Real Estate and Retail operations. Mr. Hyde previously led REI’s online division, championing its award-winning multi-channel strategy. He currently serves on the board of the YMCA of the USA, and holds a Bachelor’s of Science degree from Oregon State University in Corvallis.

Director Qualifications: Mr. Hyde’s background in a retail company, including his online retail and brand marketing experience, is of critical importance to the board. Mr. Hyde also provides critical merchandising and brand building expertise because of his long tenure in specialty retail. Mr. Hyde’s successful expertise in building a retail brick and mortar, direct and multi-channel strategy provides insight and experience as the Company plans its growth in these channels of distribution.

James M. Weber, 53, was appointed to our board in April 2006 and is the President and CEO of Brooks Sports, a leading running shoe and apparel company, where he has been since 2001. Mr. Weber’s experience also includes positions as Managing Director of U.S. Bancorp Piper Jaffray Seattle Investment Banking practice, Chairman and CEO of Sims Sports, President of O’Brien International, Vice President of The Coleman Company and various roles with the Pillsbury Company. Mr. Weber earned an M.B.A., with distinction, from the Tuck School at Dartmouth College and is a graduate of the University of Minnesota.

Director Qualifications: Mr. Weber’s role as the chief executive officer of a sports related company and his international business experience, extensive brand building, marketing and chief executive officer experience provide our board with a very useful perspective as the Company plans its growth strategies.

Retiring Director

William M. Barnum, Jr., 59, has served on our board of directors since November 2002 and will retire when his current term expires with the Annual Meeting in May 2013. Since 1984, Mr. Barnum has been with Brentwood Private Equity where he co-founded the firm's private equity effort, and is currently its General Partner. Prior to joining Brentwood Private Equity, Mr. Barnum worked at Morgan Stanley & Co. in the investment banking division. He is a graduate of Stanford University, and a graduate of Stanford Law School and Stanford Graduate School of Business. Presently, Mr. Barnum is a director of Filson Holdings, Inc., Quiksilver Corporation, The Teaching Company Holdings, Inc., Ariat International, Inc., ThreeSixty Asia Ltd and Zoe's Kitchen Inc.

Director Qualifications: Mr. Barnum's background in private equity and his public company board experience is invaluable to our board's discussions of financial and capital market matters. As the Company formulates and executes its growth strategies, Mr. Barnum provides valuable insights and experiences regarding mergers and acquisitions and international expansion. Additionally, Mr. Barnum has been engaged in the retail and action sports industry for many years and his experience provides valuable guidance to the Company.

CORPORATE GOVERNANCE

Independence of the Board of Directors and its Committees

As required under Nasdaq listing rules, a majority of the members of a listed company's board of directors must qualify as "independent," as affirmatively determined by the board of directors. Our board of directors consults with our counsel to ensure that the board's determinations are consistent with all relevant securities and other laws and regulations regarding the definition of "independent," including those set forth in applicable Nasdaq listing rules, as in effect from time to time.

Consistent with these considerations, after review of all relevant transactions or relationships between each director or any of his or her family members and the Company, our senior management and our independent auditors, our board of directors has affirmatively determined that all of our directors are independent directors within the meaning of the applicable Nasdaq listing rules, except for our Chairman, Mr. Campion, and CEO, Mr. Brooks.

As required under applicable Nasdaq listing rules, our independent directors meet in regularly scheduled executive sessions at which only independent directors are present. All of the committees of our board of directors are comprised of directors determined by the board to be independent within the meaning of the applicable Nasdaq listing rules.

Certain Relationships and Related Transactions

The Company made charitable contributions to the Zumiez Foundation of \$0.7 million in both fiscal 2012 and the fiscal year ending January 28, 2012 ("fiscal 2011"). Our Chairman, Thomas D. Campion, is a trustee of the Zumiez Foundation.

Policy and Procedures with Respect to Related Person Transactions

The Company recognizes that Related Person Transactions (defined as transactions, arrangements or relationships in which the Company was, is or will be a participant and the amount involved exceeds \$10,000, and in which any Related Person (defined below) had, has or will have a direct or indirect interest) may raise questions among shareholders as to whether those transactions are consistent with the best interests of the Company and its shareholders. It is the Company's written policy to enter into or ratify Related Person Transactions only when the board of directors, acting through the audit committee of the board of directors, determines that the Related Person Transaction in question is in, or is not inconsistent with, the best interests of the Company and its shareholders, including but not limited to situations where the Company may obtain products or services of a nature, quantity or quality, or on other terms, that are not readily available from alternative sources or when the Company provides products or services to Related Persons on an arm's length basis on terms comparable to those provided to unrelated third parties or on terms comparable to those provided to employees generally. A summary of the Company's policies and procedures with respect to review and approval of Related Person Transactions are set forth below.

"Related Persons" are defined as follows:

1. any person who is, or at any time since the beginning of the Company's last fiscal year was, a director or executive officer of the Company or a nominee to become a director of the Company;
2. any person who is known to be the beneficial owner of more than 5% of any class of the Company's voting securities;
3. any immediate family member of any of the foregoing persons, which means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of the director, executive officer, nominee or more than 5% beneficial owner, and any person (other than a tenant or employee) sharing the household of such director, executive officer, nominee or more than 5% beneficial owner; and

















4. any firm, corporation or other entity in which any of the foregoing persons is employed or is a general partner or principal or in a similar position or in which such person has a 5% or greater beneficial ownership interest.

Directors and executive officers are required to submit to the audit committee a list of immediate family members and a description of any current or proposed Related Person Transactions on an annual basis and provide updates during the year.

In its review of any Related Person Transactions, the audit committee shall consider all of the relevant facts and circumstances available to the audit committee, including (if applicable) but not limited to: the benefits to the Company; the impact on a director's independence in the event the Related Person is a director, an immediate family member of a director or an entity in which a director is a partner, shareholder or executive officer; the availability of other sources for comparable products or services; the terms of the transaction; and the terms available to unrelated third parties or to employees generally. No member of the audit committee shall participate in any review, consideration or approval of any Related Person Transaction with respect to which such member or any of his or her immediate family members is the Related Person. The audit committee shall approve or ratify only those Related Person Transactions that are in, or are not inconsistent with, the best interests of the Company and its shareholders as the audit committee determines in good faith. The audit committee shall convey the decision to the CEO, General Counsel or the Chief Financial Officer, who shall convey the decision to the appropriate persons within the Company.

Information Regarding the Board of Directors and its Committees

Our board has established an audit committee, compensation committee and governance and nominating committee. The board has adopted a written charter for each committee. The charters of these three committees are posted on the Company's website and can be accessed free of charge at <http://ir.zumiez.com> and are available in print to any shareholder who requests them. The composition of our board committees complies with the applicable rules of the SEC and Nasdaq. The board has determined that Ernest R. Johnson is an audit committee financial expert as defined in the rules of the SEC.

	 Chairperson	 Member	 Lead Independent Director	 Audit Committee Financial Expert
		<hr/> Audit Committee <hr/>	<hr/> Governance & Nominating Committee <hr/>	<hr/> Compensation Committee <hr/>
William M. Barnum				 *
Matthew L. Hyde 				
Ernest R. Johnson 				
Sarah (Sally) G. McCoy . . .				
Gerald F. Ryles				
Travis D. Smith				
James M. Weber				

(*) Designates director who will be retiring with the Annual Meeting in May 2013

Audit Committee

As more fully described in its charter, our audit committee has responsibility for, among other things:

- the sole authority to appoint, determine the funding for and oversee the independent registered public accounting firm;
- assisting our board in monitoring the integrity of our financial statements and other SEC filings;

- discussing with our management and our independent registered public accounting firm significant financial reporting issues and judgments and any major issues as to the adequacy of our internal controls;
- reviewing our annual and quarterly financial statements prior to their filing with the SEC and prior to the release of our results of operations;
- reviewing the independence, performance and qualifications of our independent registered public accounting firm and presenting its conclusions to our board and approving, subject to permitted exceptions, any non-audit services proposed to be performed by the independent registered public accounting firm;
- oversight of the performance of the Company's internal audit function; and
- reviewing its charter at least annually for appropriate revisions.

The audit committee has the power to investigate any matter brought to its attention within the scope of its duties and to retain counsel for this purpose where appropriate.

Governance and Nominating Committee

As more fully described in its charter, our governance and nominating committee has the responsibility for, among other things:

- recommending persons to be selected by the board as nominees for election as directors and as chief executive officer;
- assessing our directors' and our board's performance;
- making recommendations to the board regarding membership and the appointment of chairpersons of the board's committees;
- recommending director compensation and benefits policies;
- reviewing its charter at least annually for appropriate revisions; and
- recommending to the board other actions related to corporate governance principles and policies.

Compensation Committee

As more fully described in its charter, our compensation committee has responsibility for, among other things:

- establishing the Company's philosophy, policies and strategy relative to executive compensation, including the mix of base salary, short-term and long-term incentive and equity based compensation within the context of the stated policies and philosophy including management development and succession planning practices and strategies;
- reviewing corporate goals and objectives relevant to compensation of our CEO and other senior executives including review and approval of performance measures and targets for all executive officers participating in the annual executive non-equity incentive bonus plan and certify achievement of performance goals after the annual measurement period to permit bonus payouts under the plan;
- determining and approving our CEO's compensation and making recommendations to the board with respect to compensation of other executive employees, including any special discretionary compensation and benefits;
- administering our incentive compensation plans and equity based plans and making recommendations to the board with respect to those plans;
- making recommendations to our board with respect to the compensation of directors;

- the sole authority to appoint, determine the funding for and oversee the independent compensation consultant; and
- reviewing its charter at least annually for appropriate revisions.

Succession Planning

Our CEO and board of directors review at least annually the succession plan of our CEO and each of our named executive officers (“NEO” or “NEOs”). The board of directors conducts an annual review of, and provides approval for, our management development and succession planning practices and strategies.

Our CEO provides an annual report to the board of directors assessing senior management and their potential successors. As part of this process, contingency plans are presented in the event of our CEO’s termination of employment for any reason (including death or disability). The report to the board of directors also contains the CEO’s recommendation as to his successor. The full board of directors has the primary responsibility to develop succession plans for the CEO position.

Meetings of the Board of Directors and Board and Committee Member Attendance

In fiscal 2012, our board of directors met seven times, the audit committee met four times, the compensation committee met three times and the governance and nominating committee met three times. The board of directors and the committees acted by unanimous written consent when required during the last fiscal year. Each board member attended 75% or more of the aggregate number of meetings of the board, and of the committees on which he or she served, that were held during the period for which he or she was a director or committee member, respectively, except as follows. Mr. Hyde and Ms. McCoy each attended 71% of the meetings of the board of directors. Mr. Weber attended 33% of the meetings of the compensation committee and 67% of the meetings of the governance and nominating committee. Although the Company does not have a formal policy requiring members of the board of directors to attend annual shareholder meetings, the Company encourages all directors to attend each annual shareholder meeting. Four of the then eight board members were in attendance at our 2012 annual shareholder meeting.

Shareholder Communications with the Board of Directors

The Company has a process by which shareholders may communicate directly with directors, including non-employee directors, by mailing such communication to the board of directors in care of the Company’s Corporate Secretary, at the Company’s headquarters in Lynnwood, Washington. The mailing envelope must contain a clear notation indicating that the enclosed letter is a “Shareholder-Board Communication” or “Shareholder-Director Communication.” All such letters must identify the author as a shareholder and clearly state whether the intended recipients are all members of the board or just certain specified individual directors. The Corporate Secretary will make copies of all such letters and circulate them to the appropriate director or directors. All such communications will be forwarded to the intended director(s) without editing or screening. If these foregoing procedures are modified, then updated procedures will be posted on the Company’s corporate website.

Code of Conduct and Ethics

Our board has adopted a code of conduct and ethics applicable to our directors, executive officers, including our chief financial officer and other of our senior financial officers, and employees in accordance with applicable rules and regulations of the SEC and Nasdaq. The code of conduct is available at <http://ir.zumiez.com> under the “Governance” section.

Corporate Governance Guidelines

Our board has adopted corporate governance guidelines that provide an overview of the governance structure maintained at the Company and policies related thereto. The guidelines are available at <http://ir.zumiez.com> under the “Governance” section.

Executive Compensation Recovery Policy

The Company maintains an executive compensation recovery policy. Pursuant to this policy, the Company may recover incentive income that was based on the achievement of quantitative performance targets if the executive officer engaged in fraud or intentional misconduct that resulted in an increase in his or her incentive income. Incentive income includes all incentive income and compensation that the compensation committee considers to be appropriate based upon the circumstance.

The compensation committee has the sole discretion to administer this policy and take actions under it, including soliciting recommendations from the audit committee and the full board of directors and retaining outside advisors to assist in making its determinations. The actions taken by the compensation committee are independent of any action imposed by law enforcement agencies, regulators or other authorities.

Director Nomination Procedures

The nominations to the board of directors were completed by the governance and nominating committee. The governance and nominating committee has established board membership criteria (discussed above, under the section entitled “Membership Criteria for Board Members”) and the procedures for selecting new directors.

The nominations to the board of directors in fiscal 2012 and through the date of this proxy statement were completed using procedures in accordance with the charter of the governance and nominating committee including the director qualifications, criteria and skills as outlined in such charter. These procedures include:

- Initial review of potential director candidates by the committee as submitted by the independent directors of the board based on our established criteria for board membership including (without limitation) experience, skill set, diversity and the ability to act effectively on behalf of the shareholders and such other criteria as the committee may deem relevant from time to time.
- Each director candidate was put forth for consideration as a director candidate independently by our independent directors based on their knowledge of the candidates. None of our independent directors had a relationship with any candidates that would impair his or her independence. Each candidate’s biography was reviewed by each member of the committee with the intention that each candidate would bring a unique perspective to benefit our shareholders and management.
- Interviews of director candidates were conducted by members of the committee and senior management. These interviews confirmed the committee’s initial conclusion that candidates met the qualifications, criteria and skills to serve as a director of the Company.
- Reference checks were conducted if further checks were required based on the level of knowledge about the candidate by members of the committee.
- Background checks were conducted, including criminal, credit and bankruptcy, SEC violations and/or sanctions, work history and education.
- Independence questionnaires were completed by candidates and then reviewed by the Company, the committee and the Company’s outside legal counsel to ensure candidates meet the requirements to be an independent director for the board, audit committee, compensation committee and the governance and nominating committee. The review also ensures the candidates positions do not conflict in any material way with Company business.
- Conclusion to nominate a candidate is based on all of the procedures reviewed previously and the information attached. It is ensured through these procedures that the candidate appears to be well qualified to serve on the Company’s board of directors and its committees and appears to meet Nasdaq and SEC requirements to be able to serve as an independent director and as a member of the audit committee and any other committee the board may assign to such director.

No fees were paid to any third party search firms in connection with any director nominations.

Travis D. Smith was appointed to our board of directors on August 14, 2012. Mr. Smith was originally recommended to the Company to join the board by our CEO.

The governance and nominating committee of the board will consider qualified nominees recommended by shareholders who may submit recommendations to the governance and nominating committee in care of our Chairman of the Board and Corporate Secretary at the following address:

Board of Directors and Chairman of the Board
c/o Corporate Secretary
Zumiez Inc.
4001 204th Street SW
Lynnwood, Washington 98036

Nominees for director who are recommended by our shareholders will be evaluated in the same manner as any other nominee for director. Shareholder recommendations for director should include the following information:

- the name, age, residence, personal address and business address of the shareholder who intends to make the nomination and of the person(s) to be nominated;
- the principal occupation or employment, the name, type of business and address of the organization in which such employment is carried on of each proposed nominee and of the shareholder who intends to make the nomination;
- a representation that the shareholder is a holder of record of stock of the Company, including the number of shares held and the period of holding;
- a description of all arrangements or understandings between the shareholder and the recommended nominee;
- such other information regarding the recommended nominee as would be required to be included in a proxy statement filed pursuant to Regulation 14A promulgated by the SEC pursuant to the Securities Exchange Act of 1934, as amended; and
- the consent of the recommended nominee to serve as a director of the Company if so elected.

The governance and nominating committee may require that the proposed nominee furnish the committee with other information as it may reasonably request to assist it in determining the eligibility of the proposed nominee to serve as a director.

To submit a recommendation for director for an upcoming annual shareholder meeting, it is necessary that a proposing shareholder notify the Company and provide the information set forth previously, no later than 120 days prior to the corresponding date on which the Company's annual proxy statement is mailed in connection with the most recent annual meeting.

General Director Nomination Right of All Shareholders

Any shareholder of the Company may nominate one or more persons for election as a director of the Company at an annual meeting of shareholders if the shareholder complies with the notice, information and consent provisions contained in Article I, Section 10 of the Company's bylaws. Specifically, these provisions require that written notice of a shareholder's intent to make a nomination for the election of directors be received by the Corporate Secretary not fewer than 120 days and not more than 150 days prior to the anniversary date of the prior year's annual meeting of shareholders.

The Corporate Secretary will send a copy of the Company's bylaws to any interested shareholder who requests them.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table provides information regarding the beneficial ownership of our common stock as of March 18, 2013 by: (i) each of our directors; (ii) each of our NEOs; (iii) all of our executive officers and directors as a group; and (iv) each person, or group of affiliated persons, known by us to beneficially own more than 5% percent of our common stock. The table is based upon information supplied by our officers, directors and principal shareholders and a review of Schedule 13G reports filed with the SEC. Unless otherwise indicated in the footnotes to the table and subject to community property laws where applicable, we believe that each of the shareholders named in the table has sole voting and investment power with respect to the shares indicated as beneficially owned.

Applicable percentages are based on shares outstanding on March 18, 2013, adjusted as required by rules promulgated by the SEC. These rules generally attribute beneficial ownership of securities to persons who possess sole or shared voting power or investment power with respect to those securities. In addition, the rules include shares of common stock issuable pursuant to the exercise of stock options that are either immediately exercisable or exercisable on or before May 17, 2013, which is 60 days after March 18, 2013. These shares are deemed to be outstanding and beneficially owned by the person holding those options for the purpose of computing the percentage ownership of that person, but they are not treated as outstanding for the purpose of computing the percentage ownership of any other person. Except as noted below, the address for each person that holds 5% or more of our common stock is c/o Zumiez Inc., 4001 204th Street SW, Lynnwood, Washington 98036.

<u>Name of Beneficial Owner</u>	<u>Number of Common Shares Beneficially Owned</u>	<u>Percentage of Shares Beneficially Owned</u>
Thomas D. Campion (1)	4,588,393	15.2%
Richard M. Brooks (2)	3,713,024	12.3%
Lynn K. Kilbourne (3)	273,676	*
Christopher C. Work (4)	17,065	*
Ford K. Wright (5)	246,349	*
Chris K. Visser (6)	4,969	*
William M. Barnum Jr. (7)	91,482	*
Gerald F. Ryles (8)	40,745	*
James M. Weber (9)	32,364	*
Matthew L. Hyde (10)	32,364	*
Sarah (Sally) G. McCoy (11)	6,248	*
Ernest R. Johnson (12)	6,298	*
Travis D. Smith (13)	2,255	*
Marc D. Stolzman (14)	0	*
All Executive Officers and Directors as a group (14 persons)	9,055,232	29.6%
T. Rowe Price Associates, Inc. (15)	4,795,200	15.2%
Waddell & Reed Financial, Inc. (16)	2,505,731	8.0%
Wasatch Advisors, Inc. (17)	2,285,955	7.3%
Massachusetts Financial Services Company (18)	1,967,460	6.3%
BlackRock, Inc. (19)	1,634,133	5.2%

* Less than one percent.

- (1) Includes shares of common stock held by grantor retained annuity trusts for which Thomas D. Campion is trustee. Mr. Campion is our Chairman of the Board.
- (2) Mr. Brooks is our CEO and a Director.
- (3) Consists of 65,612 shares of stock held by Ms. Kilbourne of which 22,056 shares are restricted and 208,064 vested stock options. Ms. Kilbourne is our President and General Merchandising Manager.
- (4) Consists of 16,231 shares of stock held by Mr. Work of which 5,461 shares are restricted and 834 vested stock options. Mr. Work is our Chief Financial Officer.

- (5) Consists of 68,781 shares of stock held by Mr. Wright of which 8,802 shares are restricted and 177,568 vested stock options. Mr. Wright is our Executive Vice President of Stores.
- (6) Consists of 4,969 shares of stock held by Mr. Visser of which 4,969 shares are restricted. Mr. Visser is our General Counsel and Corporate Secretary.
- (7) Consists of 67,482 shares of stock held by Mr. Barnum of which 2,211 shares are restricted and 24,000 vested stock options. Mr. Barnum is one of our directors.
- (8) Consists of 16,745 shares of stock held by Mr. Ryles of which 2,211 shares are restricted and 24,000 vested stock options. Mr. Ryles is one of our directors.
- (9) Consists of 18,364 shares of stock held by Mr. Weber of which 2,211 shares are restricted and 14,000 vested stock options. Mr. Weber is one of our directors.
- (10) Consists of 18,364 shares of stock held by Mr. Hyde of which 2,211 shares are restricted and 14,000 vested stock options. Mr. Hyde is one of our directors.
- (11) Consists of 6,248 shares of stock held by Ms. McCoy of which 2,211 shares are restricted. Ms. McCoy is one of our directors.
- (12) Consists of 6,298 shares of stock held by Mr. Johnson of which 2,211 shares are restricted. Mr. Johnson is one of our directors.
- (13) Consists of 2,255 shares of stock held by Mr. Smith of which 2,255 shares are restricted. Mr. Smith is one of our directors.
- (14) Mr. Stolzman is our former Chief Financial Officer and Secretary. Mr. Stolzman resigned effective August 23, 2012.
- (15) This information is based solely on a Schedule 13G/A filed February 6, 2013 by T. Rowe Price Associates, Inc. ("Price Associates"). These securities are owned by various individual and institutional investors including T. Rowe Price New Horizons Fund, Inc. (which owns 2,372,800 shares, representing 7.5% of the shares outstanding), which Price Associates serves as an investment adviser with power to direct investments and/or sole power to vote the securities. For purposes of the reporting requirements of the Securities Exchange Act of 1934, Price Associates is deemed to be a beneficial owner of such securities; however, Price Associates expressly disclaims that it is, in fact, the beneficial owner of such securities. The business address of T. Rowe Price Associates, Inc. is 100 E. Pratt Street, Baltimore, Maryland 21202.
- (16) This information is based solely on a Schedule 13G/A filed February 7, 2013 by Waddell & Reed Financial, Inc. The securities reported on are beneficially owned by one or more open-ended investment companies or other managed accounts which are advised or sub-advised by Ivy Investment Management Company ("IICO"), an investment advisory subsidiary of Waddell & Reed Financial, Inc. ("WDR") or Waddell & Reed Investment Management Company ("WRIMCO"), an investment advisory subsidiary of Waddell & Reed, Inc. ("WRI"). WRI is a broker-dealer and underwriting subsidiary of Waddell & Reed Financial Services, Inc., a parent holding company ("WRFSI"). In turn, WRFSI is a subsidiary of WDR, a publicly traded company. The investment advisory contracts grant IICO and WRIMCO all investment and/or voting power over securities owned by such advisory clients. The investment sub-advisory contracts grant IICO and WRIMCO investment power over securities owned by such sub-advisory clients and, in most cases, voting power. Any investment restriction of a sub-advisory contract does not restrict investment discretion or power in a material manner. Therefore, IICO and/or WRIMCO may be deemed the beneficial owner of the securities covered by this statement under Rule 13d-3 of the Securities Exchange Act of 1934 (the "1934 Act"). IICO, WRIMCO, WRI, WRFSI and WDR are of the view that they are not acting as a "group" for purposes of Section 13(d) under the 1934 Act. Indirect "beneficial ownership" is attributed to the respective parent companies solely because of the parent companies' control relationship to WRIMCO and IICO. The business address of Waddell & Reed Financial, Inc. is 6300 Lamar Avenue, Overland Park, Kansas 66202.
- (17) This information is based solely on a Schedule 13G filed February 14, 2013 by Wasatch Advisors, Inc. The business address of Wasatch Advisors, Inc. is 150 Social Hall Avenue, Salt Lake City, UT 84111.

- (18) This information is based solely on a Schedule 13G filed February 12, 2013 by Massachusetts Financial Services Company. The business address of Massachusetts Financial Services Company is 111 Huntington Avenue, Boston, MA 02199.
- (19) This information is based solely on a Schedule 13G filed January 30, 2013 by BlackRock, Inc. The business address of BlackRock, Inc. is 40 East 52nd Street New York, NY 10022.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

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

To our knowledge, based solely on a review of the copies of such reports furnished to us and written representations that no other reports were required, during fiscal 2012, all applicable Section 16(a) filing requirements were met, and that all such filings were timely except for a late Form 4 report filed on behalf of Thomas Campion relating to a prior gift of shares.

EXECUTIVE OFFICERS

As of the end of fiscal 2012 the names, ages and positions of the current non-director executive officers of the Company are listed below, along with their respective business experience during the past five years. No family relationships exist among any of the directors or executive officers of the Company.

Lynn K. Kilbourne, 50, has served as our President and General Merchandising Manager (“GMM”) since September 2008. Prior to September 2008 and since September 2004, Ms. Kilbourne served as our Executive Vice President and GMM. From July 1991 until May 2001, she was with Banana Republic, a subsidiary of Gap, Inc., in various senior management positions. After leaving Banana Republic, Ms. Kilbourne served as an independent consultant in the retail industry until she joined Zumiez in September 2004. Ms. Kilbourne holds a B.A. in Economics and Political Science from Yale University and an M.B.A. from the Harvard University Graduate School of Business Administration.

Chris K. Visser, 42, has served as our General Counsel and Corporate Secretary since October 2012. From 2001 until October 2012, Mr. Visser was with K&L Gates LLP where he was a partner in the corporate, securities, and mergers and acquisitions practice group. Mr. Visser also worked as a process engineer with Vista Chemical Company prior to earning his law degree. Mr. Visser holds a Bachelor of Science degree in Chemical Engineering from the University of Washington. Mr. Visser also obtained an M.B.A. with a Concentration in Finance, from the University of Houston and a J.D. from the University of Houston Law Center where he graduated with academic honors and served as an editor on the Houston Law Review.

Christopher C. Work, 34, has served as Chief Financial Officer since August 2012. Mr. Work has been employed with the Company since October 2007, where he last served as Vice President, Controller. From September 2002 to October 2007, Mr. Work was an employee of Ernst & Young LLP, obtaining the level of Manager. Mr. Work received a Master of Professional Accounting from the University of Washington and a B.A. in Accountancy from Western Washington University. Mr. Work is a Certified Public Accountant in the State of Washington.

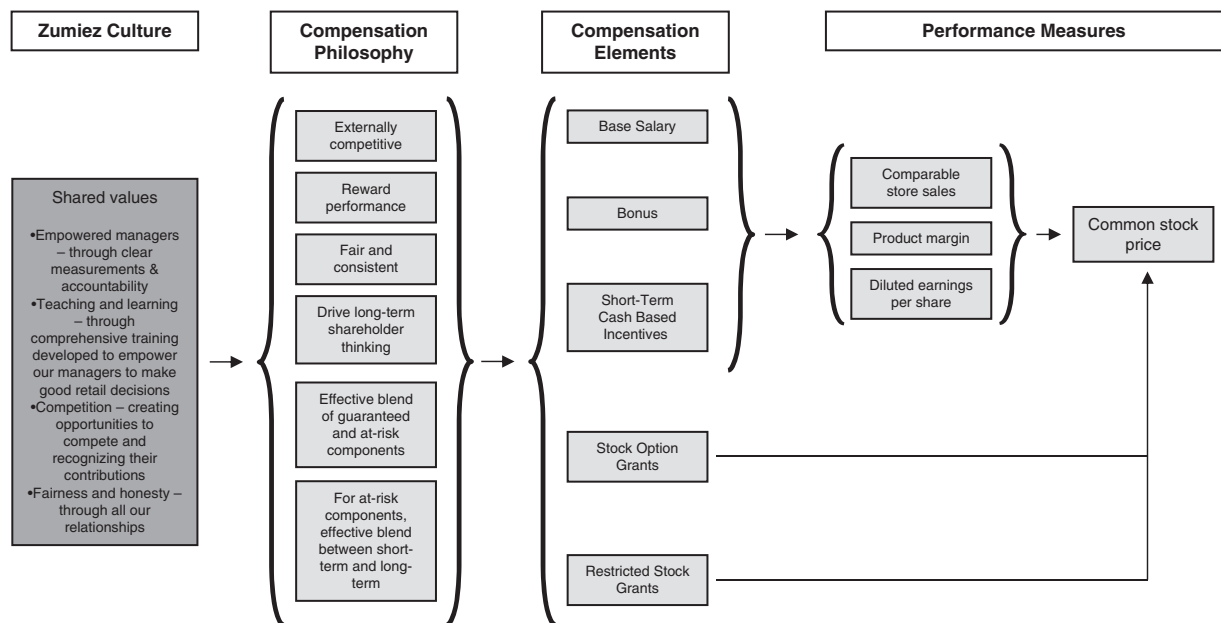
Ford K. Wright, 45, has served as our Executive Vice President of Stores since March 2007. From May of 2000 through February 2007, he served as the Director of Store Systems. From June 1994 through April 2000, Mr. Wright has served in Store, District and Regional Management positions. Prior to June of 1994, Mr. Wright was employed with Nordstrom. Mr. Wright has over 20 years experience in the retail and wholesale clothing industry.

EXECUTIVE COMPENSATION COMPENSATION DISCUSSION AND ANALYSIS

Our basis for competitive advantage is our culture—conceived, developed and maintained as a unique and powerful basis for engendering commitment, accountability, competitiveness and creativity among all of our employees. The objective of this compensation discussion and analysis is to describe how, for the NEOs, we link our culture to compensation philosophy and then to compensation strategy; and, to explain how we executed our compensation strategy during the last fiscal year. While the discussion and analysis focuses on the NEOs in the compensation tables in this proxy statement, we link culture, compensation philosophy and compensation strategy throughout the organization from the seasonal sales employee to each of the NEOs.

Value Creation Model

The following summary illustrates how the compensation philosophy and strategies are integrated with and derived from the Zumiez culture. We believe this integrated approach supports long-term growth in shareholder value.



The Zumiez Culture

While every organization has a culture, even if it is a culture by default, we believe that the Zumiez culture is unique. We believe it is well defined, understood widely and thoroughly among all employees, reinforced and exemplified by leaders held accountable for doing so and integrated into the daily practices and processes throughout the business. We believe the Zumiez culture is a competitive advantage and is built on a set of shared values that have been in place since the inception of the business. These shared values include:

- **Empowered managers**—The Zumiez culture pushes decision making down to the appropriate level in the organization within the context of appropriate guidelines, controls and procedures. This gives our managers throughout the organization the ability to impact their results creating increased accountability, clear measurements and a sense of ownership throughout the organization.
- **Teaching and learning**—Our culture strives to integrate quality teaching and learning experiences throughout the organization. We do this through a comprehensive training program, which primarily focuses on sales and customer service training. Our training programs have been developed internally and are almost exclusively taught internally by Zumiez employees to Zumiez employees. The training programs have been developed to empower our managers to make good retail decisions.

- **Competition**—We believe that Zumiez employees enjoy competing. Our entire system is built around creating opportunities for people to compete and to be recognized for their contributions. This is reflected in everything we do including empowering managers, building competition into almost all of our training and in how we recognize the successes of our employees throughout the organization.
- **Fairness and honesty**—Along with our employees, we strive to be fair and honest in all of our relationships. This includes how we work with each other, our vendors, our landlords and our customers.

Culture and Compensation Philosophy

The Zumiez culture guides how we manage our business and it permeates through our compensation philosophy. We believe our culture itself has value to our employees. Our culture allows our employees throughout the organization to make appropriate decisions to impact their results as well as the Company’s financial results. We believe the competitive people we hire and the training we provide helps us generate strong operating results and we believe that our employees value working in this kind of environment.

The compensation committee believes the purpose of the compensation program for our NEOs is to help attract, retain, align, motivate and reward executives capable of understanding, committing to, maintaining and enhancing the culture; and, with culture as a centerpiece of our competitive advantage, establishing and accomplishing business strategies and goals that we believe makes us an attractive investment for shareholders. To do so, the compensation committee believes the compensation program should offer compensation opportunities that:

- are externally competitive with compensation paid by companies in the market for executive talent;
- reward performance by linking compensation to quantitative and qualitative goals that the compensation committee believes is in the best long-term interest of shareholders;
- drive long-term shareholder thinking by delivering a substantial portion of the NEOs compensation or wealth in the form of equity that is directly linked to our stock price;
- are an effective blend of guaranteed and at-risk components, where the proportion of guaranteed pay is less than average and the proportion of at-risk pay is greater than average when compared against the competitive market; and
- for at-risk components of pay, are an effective balance between short-term and long-term interests of our shareholders.

The compensation committee believes that at-risk components should result in compensation for the executive in proportion to and to the extent justified by *performance*. For Zumiez executives, “performance” means, first of all, *doing the right things*—achieving the financial results that clearly drive the creation of shareholder value. The compensation program must align the interests and motivations of executives with those of shareholders. Secondly, performance means *doing things right*—acting as strong, respected and acknowledged leaders of staff; and, as role models of leadership behavior in the community at-large. We believe that exemplary executive behavior helps to support sustainable long-term creation of shareholder value.

The compensation committee intends to continually explore, consider and introduce enhanced or new compensation approaches and elements for NEOs as appropriate.

Compensation Goals and Strategy for NEOs

Simplicity and Transparency. The compensation committee seeks *simplicity and transparency* in the compensation program for our NEOs. Therefore, the program focuses on easily understood components of clearly determinable value—base salary, bonuses, short-term cash based incentives and long-term equity awards. We refer to the combination of these as “total direct compensation.” The compensation committee does not use supplemental executive benefits and perquisites that are generally not also made available to our employees.

Attractive Compensation Opportunities. The compensation committee believes in and commits to planning for internal succession; however, the Company must be positioned to *attract and retain high-caliber executive talent in the external marketplace*. It believes it must be positioned to bring in seasoned, proven individuals from within the industry and beyond who can perform the full scope of their roles from the time of hire. Establishing and maintaining the ability to attract and retain talent is a top priority for compensation of NEOs. To address this priority responsibly on behalf of shareholders, the compensation committee works each year to:

- Establish a conservative salary range for each position to guide salary hiring offers and salary increase decisions.
- Establish a competitive total annual cash compensation opportunity for each position through annual cash incentives where payout is contingent on performance.
- Provide opportunities to earn stock incentives in proportions so that the long-term opportunity for each NEO to earn total direct compensation (salary plus annual cash incentives plus stock incentives) is above average should shareholders realize above average returns.

Pay-at-Risk. The compensation committee is committed to *pay-at-risk*. “Pay-at-risk” means compensation that is earned only upon clear evidence that the interests of shareholders have been served. By design, we believe the proportion of each NEOs total direct compensation that is at-risk is greater than what is typically observed in the marketplace. Conservative base salaries are combined with above-average cash and stock incentives to create a total package that is competitive. We believe the *pay-at risk* philosophy is evidenced by the fact that no NEO has been paid the maximum total incentive compensation in our history of being a public company.

Pay-for-Performance. The compensation committee believes pay-at-risk enables *pay-for-performance*. It allows major portions of total direct compensation to be paid only when short-term and long-term interests of shareholders have been met.

For *short-term (annual) pay-for-performance* for the NEOs as a group, the compensation committee has the following goals:

- Drive alignment around three measures of performance: (1) comparable store sales results, (2) product margin and (3) diluted earnings per share. The compensation committee believes these are the best measures because they have the largest impact on Zumiez ability to grow profitability and provide clarity to individual executives. We calculate these performance measures as follows:
 - Comparable store sales—We report “comparable store sales” based on net sales beginning on the first anniversary of the first day of operation of a new store or ecommerce business. We operate a sales strategy that integrates our stores with our ecommerce platform. There is significant interaction between our in-store sales and our ecommerce sales channels and we believe that they are utilized in tandem to serve our customers. Therefore, our comparable store sales also include our ecommerce sales. Changes in our comparable store sales between two periods are based on net sales of “in-store” or ecommerce businesses which were in operation during both of the two periods being compared and, if a in-store or ecommerce business is included in the calculation of comparable store sales for only a portion of one of the two periods being compared, then that in-store or ecommerce business is included in the calculation for only the comparable portion of the other period. Any change in square footage of an existing comparable store, including remodels and relocations, does not eliminate that store from inclusion in the calculation of comparable store sales. Any store or ecommerce business that we acquire will be included in the calculation of comparable store sales after the first anniversary of the acquisition date.
 - Product margin—Product margin is calculated as net sales less cost of goods sold, divided by our net sales. For purposes of this calculation, our net sales consist of revenue recognized upon purchase by our customers, net of actual sales returns, excluding shipping revenue. For purposes

of this calculation, our cost of goods sold consist of the cost of goods purchased from our private label vendors, including importing and inbound freight costs, and the cost of goods purchased from third party manufacturers, sold to our customers.

- Diluted earnings per share—Diluted earnings per share is calculated in accordance with GAAP.
- Provide for the risk of zero annual short-term cash based incentives payout should minimum performance expectations not be met.
- Grant of awards that upon achievement of target performance measures, are in the best long-term interests of the shareholders.
- Provide for pay-at-risk, i.e., performance expectations that are challenging, but achievable.
- Communicate proactively to all NEOs performance expectations in order to establish clear incentive for achievement.
- Provide for upside compensation potential results that are beyond Company expectations.
- Set forth prudent limits, or caps, on upside potential to ensure no possibility of payouts that might be judged by shareholders as unjustifiable or excessive.

For *long-term pay-for-performance (long-term equity incentive)*, the compensation committee’s goal is to link the ultimate compensation amounts realized by NEOs directly and exclusively to the Company’s long-term common stock performance. To do so, the compensation committee makes use of stock-based awards for all NEOs (except as noted, below, under the section heading “The Compensation Decision-making Process”).

The compensation committee has used, and intends to make use of, both gain-based stock awards (stock options) and full-value stock awards (restricted stock). The compensation committee determines on an annual basis for each NEO the total value of an award, based on a competitive range, that best reflects in the compensation committee’s judgment both the individual’s long-term track record of success and potential for long-term value-added future contributions.

Gain-based awards have widespread use and have upside potential that can be highly motivational. However, the compensation committee: (i) is aware that gain-based awards have no downside potential similar to that of holding outright shares of stock; (ii) recognizes that the exclusive and substantial use of gain-based awards has been historically noted by the investment community as a potential contributor to misguided or unacceptable decisions on the part of executives in certain other companies; and, (iii) knows that historic accounting advantages for the use of gain-based awards no longer exist. In addition, the compensation committee is aware of the executive compensation trend among publicly-held companies to utilize less gain-based awards in favor of full-value awards such as restricted stock. Therefore, the compensation committee continues to review and has deployed full-value restricted stock awards to help offset and balance the disadvantages of gain-based awards for achieving pay-for-performance and other compensation goals while retaining the advantages of gain-based awards. The mix of gain-based awards and full-value awards is evaluated annually by the compensation committee and adjusted based on input from the compensation consultant and the CEO, all in the context of the marketplace, our compensation philosophy, and what the compensation committee believes is in the best interest of the shareholders and the NEOs. The compensation committee also allows some deference to the CEO in the allocation between stock options and restricted stock, so long as the total compensation charge to Zumiez is equal to what was approved by the compensation committee.

Executive Officer Continuity. Undesirable, unanticipated or untimely departure of an executive officer is a risk to the Company that the compensation committee works to avoid. The risk stems from the potentially high costs of recruiting, relocation, operational disruption, reduced morale, turnover ripple effects among staff, negative external perceptions, reduced external confidence and lost intellectual capital.

The compensation committee encourages executive officer continuity by granting stock awards to an NEO where the ultimate realization of value not only depends on stock price, but also on the NEO remaining with Zumiez for many years. Accordingly, if a NEO were to depart from Zumiez then he or she could forfeit substantial amounts of unrealized compensation.

Shareholder Mentality. We believe it is in the best interests of shareholders for our leaders to feel, think and act like shareholders, and to have a “shareholder mentality” as they go about envisioning, planning for and executing operations. The compensation committee seeks to cultivate NEOs with a shareholder mentality by having NEOs receive, accumulate and maintain significant ownership positions in Zumiez through annual equity grants.

Within this concept, through equity awards granted over time, each of our NEOs has the ability to establish and maintain a valuable ownership in Zumiez.

Summary of the Elements of NEO Compensation

The compensation committee utilizes five primary elements for compensating NEOs:

- Base Salary
- Non-Equity Incentive Plan Compensation (“short-term cash based incentives”)
- Bonus
- Stock Option Grants
- Restricted Stock Grants

Total Pay Philosophy—Our “Total Pay” compensation philosophy is designed to recognize and reward the contributions of all employees, including executives, in achieving our strategic goals and business objectives, while aligning our compensation program with shareholder interests. We regularly assess our total pay package, and we adjust it as appropriate to remain competitive and to enable us to attract and retain our NEOs. We believe our total pay practices motivate our executives to build long-term shareholder value.

Base Salary is a pre-set fixed cash amount that is delivered regularly in equal portions through the year. Each NEOs annual base salary rate is reviewed from time to time and at least annually by the compensation committee. Outside of the CEO, the review is based on recommendations of the CEO.

Short-Term Cash Based Incentives are based on pre-set opportunities for cash awards to be paid after the end of the year based on performance for the year. Actual payouts may be between zero and twice the target amount, where the target amount is that established for each NEO by the compensation committee if target goals are achieved.

Bonuses may be awarded from time to time in order to attract and retain key NEOs. These bonuses, when awarded, are generally in addition to those earned from participating in short-term cash based incentives and are considered in the executive’s total direct compensation. The intention is to pay such bonuses rarely and in modest amounts if and only if other elements of the executive pay system do not respond to outstanding achievements clearly pursued and delivered in the interests of shareholders.

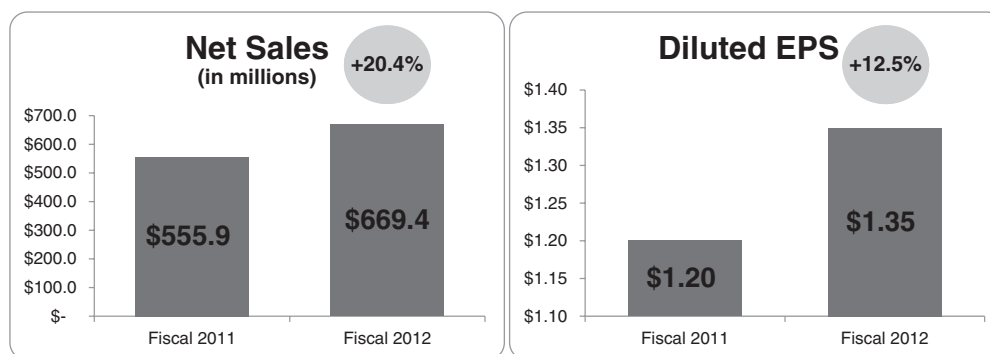
Stock Option Grants are opportunities granted from time to time (usually annually or at the time of hiring) to an NEO to purchase our common stock at some future time at a pre-established fixed price set at the time of grant. This price is the actual market price of the stock at the time of grant. The right to exercise options in a particular grant is accumulated over a number of years, and is subject to vesting based upon continued employment with us.

Restricted Stock Grants are awards of common voting shares of stock that are granted from time to time (usually annually or at the time of hiring) to each NEO. The right to earn the stock is contingent upon continued employment over a period of time.

The compensation committee views the elements of total direct compensation for NEOs as an integrated package to achieve all of the compensation goals described in the immediately preceding section of this discussion.

Fiscal 2012—A Review of This Past Year

In fiscal 2012 Zumiez achieved record sales and earnings levels and continued to build on the momentum we had seen in fiscal 2011. The charts below show net sales and diluted earnings per share (“diluted EPS”) on a GAAP basis for fiscal 2011 and 2012 and the percentage growth in fiscal 2012.



We had strong momentum entering fiscal 2012 and expected our financial performance would continue to reflect increasing year over year performance in both net sales and diluted earnings per share. Considering the prior year performance and the plans in motion for fiscal 2012, the compensation committee granted salary increases to the NEOs except our Chairman of the Board, to keep pay in line with the stated compensation philosophy and market data.

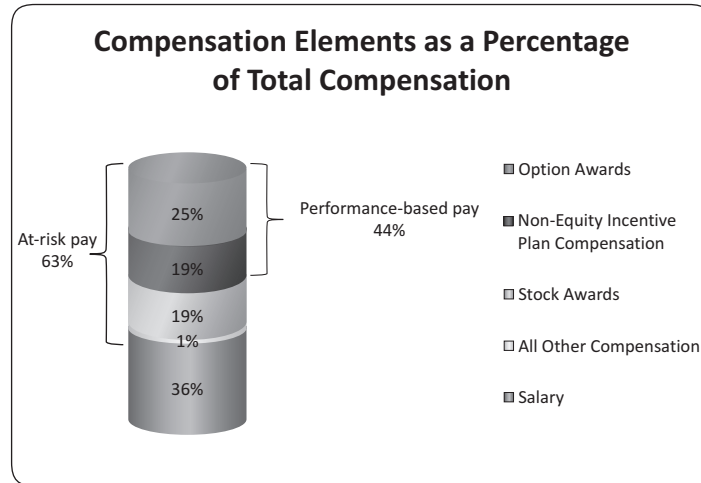
The compensation committee believes the compensation structure outlined in previous years is still relevant and appropriate, so the short-term cash based incentives and long-term equity incentives components of compensation were designed to follow the same methodology and is discussed in further detail below.

We believe the strong fiscal 2011 and fiscal 2012 results are due to focusing on long-term winning solutions and the unique business model and compensation structure that have been formed over many years. We continued to make key infrastructure and people investments that resonated with our customers. In July 2012, we completed the acquisition of Blue Tomato. Blue Tomato is a multi-channel retailer for board sports and related apparel and footwear in the European marketplace. The Blue Tomato acquisition represents a presence in the European action sports market with an established brand identity and operational philosophies that are strategically aligned with Zumiez.

We believe that by making these key investments over many years and looking at financial results over a longer time horizon will provide a better long-term return for our investors; and since owned stock or stock based awards are the material component of our NEOs compensation and wealth creation, we believe our compensation structure aligns management’s and shareholders’ interests.

Due to our executive compensation programs emphasis on pay for performance and pay at risk, compensation awarded to the NEOs for fiscal 2012 reflected Zumiez’ strong results. As shown below, for the named executive officers as a group, excluding the Chairman and the CEO, pay at risk and performance-based

pay for fiscal 2012 comprised an average of approximately 63% and 44%, respectively, of the total compensation as shown in the Summary Compensation Table. We have excluded our Chairman and CEO due to the difference in the compensation structure for the Chairman and CEO, who beneficially own 15.2% and 12.3% of the Company as of March 18, 2013, respectively, and have not received equity awards since before our initial public offering as discussed further under the section heading, “The Compensation Decision-making Process.”



Fiscal 2013—A Look at the Upcoming Year

While the results of fiscal 2012 were positive, we recognize that many consumers continue to face challenging economic conditions and uncertainty. Further as we enter fiscal 2013, consumers continue to confront both domestic and global economic news that cause concern in the retail environment and lead us to be cautious in our outlook for the coming year. The compensation committee evaluated compensation for fiscal 2012 with an eye toward balancing retention of key executive officers with our pay for performance principles and anticipated costs to the Company. With this in mind, the compensation committee kept the same elements of compensation for fiscal 2013 as the elements in place for fiscal 2012. As such, fiscal 2012 target total direct compensation consists of base salary, annual short-term cash based incentives, bonus and long-term equity incentive compensation in the form of stock options awards and restricted stock awards. The compensation committee believes this combination of elements of compensation is the appropriate mix to motivate future performance, drive Company results and retain executive officers. The compensation committee will continue to evaluate both quantitative and qualitative performance results relative to internal goals and standards as well as industry averages when evaluating and determining total direct compensation rewards and opportunities for its NEOs.

Base Salary

In March 2012, the compensation committee met and reviewed the evaluations of the NEOs and the overall performance of the Company against three objective measures; (1) comparable store sales performance, (2) product margin and (3) diluted earnings per share. Based upon our performance in fiscal 2011 and the contributions of the NEOs towards achieving these results, the following base salaries for fiscal 2012 were awarded:

<u>Executive Officer</u>	<u>Fiscal 2012 Base Salary (1)</u>	<u>Increase Over Prior Fiscal Year</u>
Thomas D. Campion, Chairman of the Board	\$306,600	0.0%
Richard M. Brooks, Chief Executive Officer and Director	\$631,600	3.0%
Lynn K. Kilbourne, President and General Merchandising Manager	\$489,250	3.0%
Christopher C. Work, Chief Financial Officer (2)	\$210,000	N/A
Ford K. Wright, Executive Vice President of Stores	\$278,250	3.0%
Marc D. Stolzman, former Chief Financial Officer and Secretary (3)	\$319,250	2.1%

- (1) Reflects annualized base salary as of the fiscal year end, with the exception of Mr. Stolzman as noted below. Refer to the Summary Compensation Table for actual base salary paid in fiscal 2012.
- (2) Mr. Work was appointed as our Chief Financial Officer effective August 23, 2012 and his base salary for the remainder of fiscal 2012 was set at \$210,000 per year. Mr. Work previously served as our Vice President and Controller.
- (3) Mr. Stolzman resigned as the Company's Chief Financial Officer and Secretary in August of 2012. His annualized salary for fiscal 2012 was set at \$319,250.

The compensation committee sets executive base salaries at levels it believes are competitive based on each individual executive's role and responsibilities. The compensation committee reviews base salaries for executive officers at the time of hire and thereafter on an annual basis. The compensation committee may also review base salary at the time of promotion or other significant changes in responsibilities. Base salary changes also impact target annual incentive bonus amounts, and actual annual incentive bonus payouts, because they are based on a percentage of base salary. When reviewing each executive's base salary, the compensation committee considers the level of responsibility and complexity of the executive's job, whether individual performance in the prior year was particularly strong or weak, and the salaries paid for the same or similar positions based on analysis of the competitive market. Consistent with the philosophy discussed previously, our executive base salaries generally are set at less than the median (at the 40th percentile) for comparable positions based on analysis of the competitive market.

Short-Term Cash Based Incentives

In March 2012, the compensation committee approved the terms of the fiscal 2012 short-term cash based incentives. Our NEOs short-term cash based incentives are targeted at approximately 0.2% of sales and 0.5% of sales at maximum payout. The short-term cash based incentives is appropriate to provide for increased payouts due to the significant shareholder returns commonly generated by above-target comparable store sales, product margin and diluted earnings per share performance. The compensation committee has the discretion under the plan to reduce the awards paid under the plan, but do not have discretion to increase payouts that are based on achievement of the objective performance goals or make a payout based on the objective performance goals if the first threshold targets are not achieved. All of our executives are subject to our Executive Compensation Recovery Policy, which further mitigates excessive risk taking. No payouts are made until audited financial results are received, reviewed and approved by the audit committee at our March meeting after our fiscal year has ended.

For each of the three performance measures, comparable store sales, product margin and diluted earnings per share, the compensation committee established performance thresholds for the NEOs. The first threshold relates to a minimum acceptable level of financial performance. Each succeeding threshold is designed to reward the NEOs based upon the improved financial performance of the business. The second threshold is the target threshold. The thresholds above the target threshold each pay out a higher percentage of base salary culminating in the top threshold, which is designed as a stretch challenge. The compensation committee believes these goals are not easily achieved; and, in the last seven years, no NEO has achieved all three of the stretch challenge measurement goals. The following table shows the performance thresholds for each measure for fiscal 2012:

Objective Measure	Performance Threshold				
	1	2	3	4	5
	Target				
Comparable Store Sales Growth	3.5%	5.5%	7.5%	9.0%	11.0%
Product Margin Improvement	Last year minus 0.3%	Last year minus 0.1%	Last year plus 0.0%	Last year plus 0.2%	Last year plus 0.4%
Diluted Earnings Per Share \$	1.37	\$ 1.43	\$ 1.50	\$ 1.58	\$ 1.69
Diluted Earnings Per Share Growth	14.2%	19.2%	25.0%	31.7%	40.8%

The following table represents the percentage of the respective NEOs base salary that will be earned upon achievement of the performance thresholds (“Threshold Percentage”):

<u>Executive Officer</u>	<u>Performance Threshold</u>				
	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>
Thomas D. Campion, Chairman of the Board	16%	65%	98%	114%	130%
Richard M. Brooks, Chief Executive Officer and Director	23%	90%	135%	158%	180%
Lynn K. Kilbourne, President and General Merchandising Manager	20%	80%	120%	140%	160%
Christopher C. Work, Chief Financial Officer	13%	50%	75%	88%	100%
Ford K. Wright, Executive Vice President of Stores	16%	65%	98%	114%	130%
Marc D. Stolzman, former Chief Financial Officer and Secretary	16%	65%	98%	114%	130%

The threshold percentages in the table above are multiplied by the percentages in the following table for each performance threshold achieved (“Objective Measure Weighting Percentage”). The compensation committee weights each threshold for each of the NEOs based upon that individual’s ability to impact the measure. For example, our Executive Vice President of Stores is more heavily weighted on the comparable store sales objective measure, while our President and General Merchandising Manager is more heavily weighted on product margin.

<u>Executive Officer</u>	<u>Objective Measure</u>		
	<u>Comparable Store Sales</u>	<u>Diluted Earnings Per Share Growth</u>	<u>Product Margin</u>
Thomas D. Campion, Chairman of the Board	30%	40%	30%
Richard M. Brooks, Chief Executive Officer and Director	30%	40%	30%
Lynn K. Kilbourne, President and General Merchandising Manager	30%	40%	30%
Christopher C. Work, Chief Financial Officer	30%	50%	20%
Ford K. Wright, Executive Vice President of Stores	40%	40%	20%
Marc D. Stolzman, former Chief Financial Officer and Secretary	30%	50%	20%

Therefore, for each performance threshold achieved, the calculation of the short-term cash based incentive earned is as follows:

Base Salary (\$) x Threshold Percentage x Objective Measure Weighting Percentage

During fiscal 2012, we achieved the level one performance threshold for comparable store sales growth of 5.0%, the level four performance threshold for product margin improvement of last year plus 0.3% and the level two (or target) performance threshold for diluted earnings per share of \$1.45. It should be noted that these performance threshold achievements do not take into account any results attributable to our acquisition of Blue Tomato, which was completed in July 2012. The compensation committee elected to exclude any results attributable to Blue Tomato because the acquisition was not contemplated or accounted for when the compensation committee set performance threshold targets for fiscal 2012.

Short-term cash based incentive awards for meeting these achievements were paid to the NEOs for fiscal 2012 in March 2013. The short-term cash based incentives target and compensation paid to the NEOs for fiscal 2012 are as follows:

<u>Executive Officer</u>	<u>Short-Term Cash Based Incentive Compensation Target</u>	<u>Short-Term Cash Based Incentive Compensation Paid</u>
Thomas D. Campion, Chairman of the Board	\$199,290	\$199,290
Richard M. Brooks, Chief Executive Officer and Director	\$568,350	\$568,350
Lynn K. Kilbourne, President and General Merchandising Manager	\$391,400	\$391,400
Christopher C. Work, Chief Financial Officer (1)	\$ 46,132	\$ 54,501
Ford K. Wright, Executive Vice President of Stores	\$180,863	\$153,733
Marc D. Stolzman, former Chief Financial Officer and Secretary (2)	\$207,350	\$ —

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- (1) Mr. Work was appointed as our Chief Financial Officer effective August 23, 2012 and received a short-term cash based incentive compensation prorated based on the length of service as our Chief Financial Officer in fiscal 2012 and as our Vice President and Controller. Mr. Work previously served as our Vice President and Controller. Mr. Work's short-term cash based incentive compensation target with respect to his appointment as our CFO on an annualized basis was \$105,000.
 - (2) Mr. Stolzman resigned as the Company's Chief Financial Officer and Secretary in August of 2012 and did not receive short-term cash based incentive compensation for fiscal 2012.

Bonus

While we continue to open new stores and invest for the future, and have been for many years, the compensation committee recognizes the uncertain economic environment that has the potential to negatively impact virtually every industry including consumer discretionary spending businesses such as ours. The compensation committee recognizes that in some circumstances it may be advisable to establish and pay discretionary bonuses in order to reward NEOs for managing the business during difficult economic conditions. For example, in a situation where at the beginning of a fiscal year there was believed to be a wide range of possible financial outcomes, this variability may make it difficult to set targets for short-term cash based incentives. Accordingly, at the end of the fiscal year the compensation committee retains the discretion to award a bonus if the NEOs were able to achieve meaningful results during the fiscal year by managing the business, such as in the following ways:

- Cash and marketable securities position at year-end versus plan and prior year.
- Working capital versus plan and prior year.
- Capital spending versus plan and prior year.
- Operating income and diluted earnings per share performance for the year versus plan and the prior year.
- The current year's performance relative to driving long-term value creation.

We may also award discretionary cash bonuses from time to time in order to attract and retain key NEOs.

The intention is to pay such bonuses rarely and in modest amounts if an only if other elements of the executive pay system to not respond to outstanding achievements clearly pursued and delivered in the interests of our shareholders.

Long-Term Equity Incentives

The compensation committee uses long-term equity incentives as a significant component of total compensation consistent with the culture and compensation philosophy. The compensation committee continues to believe in the importance of equity compensation for all executive officers and issues equity incentives broadly through the management population.

Additionally, because we do not have a pension or a supplemental executive retirement plan, we believe our executives should plan for their retirement substantially through potential wealth accumulation from equity gains.

Long-term equity incentive awards are determined through a combination of the Company's performance, execution of our total compensation strategy of rewarding executives and providing a foundation for wealth building. Our stock option awards generally have a ten-year term and typically vest 25% per year. Our restricted stock awards generally vest 33% per year.

The compensation committee met in March 2012 and considered the performance of the Company, its overall compensation strategy and the level of equity grants to align the NEOs with shareholders. Based on the compensation committee’s deliberations, the following equity incentive awards were granted:

<u>Executive Officer</u>	<u>Restricted Stock Grants</u>	<u>Stock Option Grants</u>
Thomas D. Campion, Chairman of the Board	—	—
Richard M. Brooks, Chief Executive Officer and Director	—	—
Lynn K. Kilbourne, President and General Merchandising Manager	8,548	13,985
Christopher C. Work, Chief Financial Officer (1)	1,833	13,066
Ford K. Wright, Executive Vice President of Stores	3,457	5,655
Marc D. Stolzman, former Chief Financial Officer and Secretary	3,949	6,460

(1) Mr. Work was appointed as our Chief Financial Officer effective August 23, 2012 and received an initial grant of stock options of 13,066 in connection with his new appointment.

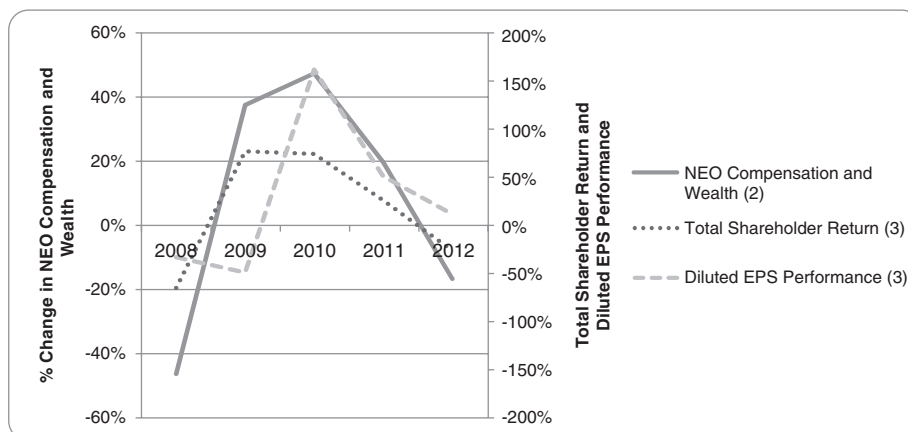
The compensation committee believes the levels of grants are appropriate, consistent with its compensation strategy and provide a meaningful alignment of the NEOs with the Company’s shareholders.

Equity Grant Timing Practices. All stock options granted at Zumiez have an exercise price equal to the closing market price of our stock on the grant date. Regular annual grants for employees are approved at the March compensation committee and board meetings, and the grant date for such annual grants is generally the second business day *after* the public release of fiscal year-end earnings. The grants are approved as formulas based on a specified dollar amount and approved dilution percentages; the number of shares and exercise price for each option grant are determined based on the closing market price of our stock on the grant date, and the number of shares for each restricted stock grant is determined by dividing the dollar amount by the closing market price of our stock on the grant date. The board gives the CEO the ability to grant a small number of equity awards for the current fiscal year at the March board meeting for new hires and promotions.

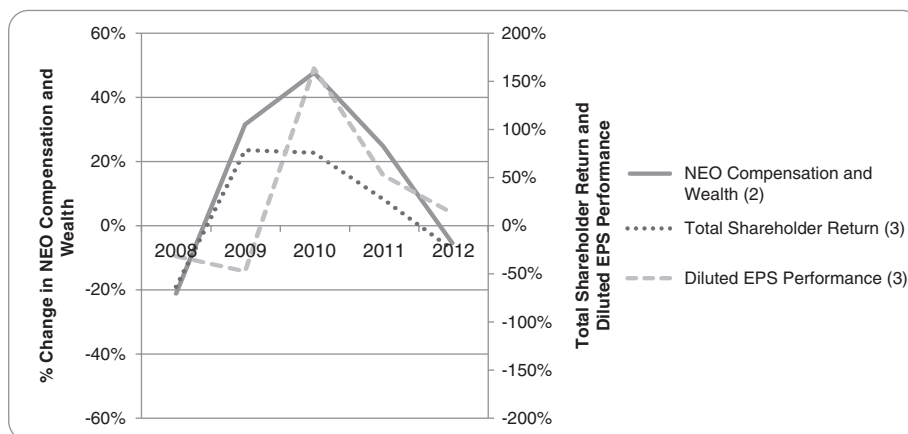
Executive Compensation and Change in Net Wealth of Zumiez Stock Compare to Total Shareholder Return and Diluted Earnings Per Share Performance

The following summary charts illustrate, over the previous five fiscal years, the relationship of the percentage change in executive compensation earned and change in net wealth of Zumiez stock value (“NEO Compensation and Wealth”) to total shareholder return and diluted earnings per share performance. For a discussion of how NEO Compensation and Wealth, total shareholder return and diluted earnings per share performance are calculated, please refer to the footnotes of these charts. Additionally, refer to our Summary Compensation Table for a summary of executive compensation calculated in accordance with SEC rules and regulations.

Chairman and Chief Executive Officer (1)



Other NEOs (4)



- (1) We have shown the comparison of our Chairman of the Board and Chief Executive Officer value to performance separately from the other NEOs due to the difference in the compensation structure for the Chairman and CEO (who beneficially own 15.2% and 12.3% of the Company as of March 18, 2013, respectively, and have not received equity awards since the time before our initial public offering).
- (2) NEO Compensation and Wealth is calculated based on (1) the cash compensation earned during the fiscal year (Salary, Bonus and Non-Equity Incentive Plan Compensation from the Summary Compensation Table), (2) all other compensation received during the fiscal year (All Other Compensation from the Summary Compensation Table), (3) the change in the ending value of owned stock, stock awards granted and in-the-money stock option awards and (4) realized gains on sales of stock.
- (3) Total shareholder return is measured by the percentage change in stock price as of the end of the fiscal year; diluted earnings per share (“diluted EPS”) performance is measured by the percentage change in annual diluted earnings per share.
- (4) This chart does not include Mr. Work as he was promoted to Chief Financial Officer in August 2012 and therefore does not have a comparable percentage change in NEO Compensation and Wealth from the prior years. Additionally, we have removed the NEO Compensation and Wealth for Mr. Stolzman from the chart as he resigned from the Company effective August 2012.

Who is Involved in Compensation Decisions for NEOs

The role of the compensation committee—The compensation committee oversees and governs the compensation of the NEOs. The compensation committee is currently composed of three independent outside directors. Its top priority is aligning the interests of the NEOs with those of shareholders and motivating them in the most effective manner possible to create maximum long-term shareholder value. The compensation committee's responsibilities are to:

- Establish and articulate the philosophy, rationale and strategy for compensating all NEOs.
- Approve and oversee group and individual compensation plans designed to fulfill our philosophy and strategy.
- Develop, recommend and justify to the board all compensation decisions and actions for the CEO.
- Review and approve all compensation decisions and actions for other NEOs.
- Review and approve any up-front performance measures, goals, standards, weightings and formulas that may be used to determine future conditional awards for NEOs.
- Ensure the ongoing success of our compensation program for NEOs by seeking, pursuing, evaluating and implementing improvements.
- Review total compensation compared to compensation opportunities and practices in the competitive market for executive talent.
- Evaluate the enterprise risk associated with all forms of compensation.
- Appoint, determine the funding for, and oversee the independent compensation consultant.

The role of NEOs—The NEOs, and in particular the CEO, provide and explain information requested by the compensation committee and are present at compensation committee meetings as requested by the compensation committee. The NEOs are not present during deliberations or determination of their respective compensation. On behalf of the compensation committee, the CEO has the following specific responsibilities:

- Develop, recommend and justify, to the compensation committee, compensation decisions and actions for NEOs other than the CEO.
- Develop, recommend and justify, to the compensation committee, any up-front performance measures, goals, standards, weightings and formulas that may be used to determine future conditional awards for the compensation program for NEOs.
- Report, to the compensation committee, experiences with the compensation program for NEOs and present any perceived opportunities for improvement.
- Communicate appropriate information about the compensation committee's actions and decisions to the other NEOs.

The role of external advisors—At the compensation committee's discretion, it may engage and consult with external advisors as it determines necessary to assist in the execution of its duties. External advisors have the following responsibilities:

- Provide research, analysis and expert opinions, on an as-requested basis, to assist the compensation committee in education, deliberations and decision-making.
- Maintain independence from our management.
- Interact with members of management only with the approval of the chair of the compensation committee.

All external advisors are engaged directly by the compensation committee and independently of the management of the Company.

The compensation committee periodically engages a compensation consultant, Ascend Consulting, to work with the compensation committee on its compensation deliberations. During fiscal 2012, the compensation committee asked the consultant to provide an assessment of compensation levels and advise the compensation committee on compensation strategies based on a market analysis taking into account recruiting goals, and retaining and motivating talent to build shareholder value. The compensation committee and the Company believe the compensation consultant is independent of Zumiez and our management.

The role of outside counsel—The compensation committee has consulted with outside legal counsel to advise on its deliberations. During fiscal 2012, outside legal counsel attended compensation committee meetings as deemed appropriate by the compensation committee and was also available between compensation committee meetings to advise the compensation committee.

The Compensation Decision-making Process

The compensation committee gathers together information to help it assess compensation for the NEOs, including:

- Tally sheets—We use tally sheets for each of the NEOs to summarize the significant components of compensation. At Zumiez, the components of compensation primarily include base salary, short-term cash based incentives, bonuses, equity incentives, 401K discretionary match and merchandise discounts. The tally sheets are compared to targeted total compensation. The tally sheets are used to help prepare the tables that follow this compensation discussion and analysis.
- Competitive Compensation Analysis—At the compensation committee’s direction, the compensation consultant developed and delivered analysis of competitive compensation for each NEO position. Analysis was performed using publicly-available information on executive pay levels compiled from the most recently available proxy statements of publicly-held companies. The focus was on selected samples of retail companies that best reflect the competitive market for executive talent: those of similar size, business profile and executive compensation practices. Supplemental analyses for the retail sector as a whole and across business sectors in both the Pacific Northwest and nationwide were also conducted. These, along with application of generally accepted methods of statistical analysis, helped ensure the accuracy, validity, reliability and defensibility of results. On the basis of this rigorous approach, the compensation consultant provided expert opinions and conclusions to the compensation committee about targets for base salary, short-term cash based incentives and long-term equity incentives for our NEO roles. The committee used this information to ensure that our stated philosophy and strategy for aligning executive compensation opportunities with the competitive market has been and continues to be fulfilled.
- Fiscal 2012 results—The compensation committee has access to fiscal 2012 operating plans and budgets as approved by the board of directors in March 2012. Management updates the compensation committee and the board on actual performance compared to budgets and summarizes for the compensation committee how the Company and the NEOs performed against the performance targets.
- Fiscal 2013 operating and financial plans—The compensation committee also receives the operating plan and budgets for fiscal 2013 as approved by the Company’s board of directors. The compensation committee uses this information to help establish performance targets for the upcoming fiscal year.
- Audited results—The compensation committee reviews the final audited results to confirm that performance targets were achieved. No incentive awards are made until audited results are received by the board.
- Wealth creation schedules—The compensation committee requests that management prepare wealth creation schedules for each NEO showing accumulated equity (both vested and unvested), the amount of vested equity awards exercised and the related pre-tax proceeds.

- Performance of teen specialty retailers—The compensation committee requests that management prepare a schedule for a group of teen retailers comparing comparable-store sales results for the last four fiscal years and the percentage change in diluted earnings per share comparing the most recent year-end results to the previous year. The teen retailers include: Abercrombie & Fitch, Aeropostale, American Eagle, Hot Topic, Tilly’s and Pacific Sunwear. The group was selected because they are generally considered to be leading lifestyle retailers in the teen market. All of the information for these retailers was summarized from publicly available data. The compensation committee compares our relative performance as an additional data point understanding that all of these companies are larger and may have significantly different business models with significantly different growth profiles.
- Evaluations—The compensation committee receives a self-evaluation and confidential upward evaluations of the CEO and summary evaluations of the remaining NEOs. The compensation committee chair solicits the full membership of the board for feedback on the CEO’s performance and prepares the CEO’s annual evaluation for review by the full compensation committee.

The compensation committee thoroughly and systematically reviews and discusses all information submitted. It asks management to clarify and supplement as appropriate. The committee then works with its consultant to determine fair and competitive compensation awards and opportunities for each of the NEOs.

The compensation committee currently structures the NEO compensation program to:

- Provide conservative (40th percentile) base salary opportunities against the Company’s competitive market for executive compensation talent.
- Establish average (50th percentile) total cash compensation opportunities (base salary, bonus and Short-Term Cash Based Incentives) against the competitive market.
- Provide long-term equity-based awards at the 50th percentile when compared to competitive practices for comparable roles. In the case of our Chairman and our CEO who beneficially own 15.2% and 12.3% of the Company, respectively, the compensation committee has concluded that each executive owns a sufficient amount of equity to align them with the long-term interests of shareholders. Because of this, neither our Chairman nor our CEO has received equity grants since before the Company’s initial public offering.

The compensation committee evaluates this approach to total direct compensation on an annual basis to best maintain alignment of the interests of NEO’s with the long-term economic interests of shareholders, given the maturity, complexity and size of the business. Included is a thorough review of the approach to the Chairman and CEO, where the committee reserves the right to provide additional equity-based awards to the incumbents if it determines doing so is in the best interests of shareholders and/or is needed to best reflect competitive practices.

During its deliberations, the compensation committee also considers:

- Long-term wealth accumulation—the accumulated wealth from previous equity incentives granted to each NEO.
- Internal pay equity—the relationship between the compensation of our CEO and the other NEOs, as well as staff at-large.

There is discretion inherent in the compensation committee’s role of establishing compensation for the NEOs. The compensation committee has attempted to minimize discretion by focusing on the three objective financial measures it considers to be the long-term drivers of the Company’s business: comparable store sales, product margin and diluted earnings per share. These three measures have historically been used exclusively to determine the short-term cash based incentives and are also key considerations in determining changes to base salary and long-term equity incentive awards. Some discretion is used by the compensation committee in evaluating the qualitative performance of the NEOs in determining base salary adjustments and payment of

discretionary bonuses. Some discretion is also used in the granting of long-term equity incentive awards to help NEOs build wealth through ownership of Zumiez stock. However, in all of these uses of discretion the compensation committee is also governed by the overall compensation philosophy; and, is guided by explicit competitive targets and ranges of reasonableness.

In making its final decisions, the committee works to ensure that all outcomes are thoroughly justifiable and defensible as well as fair and effective from all critical perspectives: those of the full board, shareholders, objective external experts and the NEOs themselves.

Advisory Vote on Executive Compensation. In May of 2011 the shareholders of the Company approved the Company's executive compensation in an advisory vote with 99.7% of the votes being cast in favor of the Company's executive compensation. The compensation committee viewed this vote as strong support for its executive compensation decisions and policies and, accordingly, it did not consider making changes to its executive compensation decisions and policies in response to this advisory shareholder vote.

Enterprise Risk and Compensation

The compensation committee considers all facets of the NEOs compensation structure and believes it appropriately balances the drive for financial results and risks to the Company. The compensation committee aligns executive compensation with shareholder interests by placing a majority of total compensation "at risk," and increasing the amount of pay that is "at risk" as the executives achieve higher levels of performance. "At risk" means the executive will not realize value unless performance goals are attained. The short-term incentives are tied to easily measureable financial metrics that the compensation committee believes are consistent, transparent and drive shareholder value; that is, comparable store sales, product margin and diluted earnings per share. The majority of the long-term based compensation vests over several years and is not tied to specific financial metrics. By combining annual cash incentives tied to short-term financial performance along with the majority of the NEOs long-term wealth creation tied to stock performance, the compensation committee believes an appropriate balance exists between rewarding performance without excessive risk taking. In addition the compensation committee believes the short-term incentives in place that are tied to financial performance do not provide excessive risk to the Company as they are capped at no more than 180% of base pay for our CEO, 160% for our President and GMM, 130% for our Chairman and Executive Vice President of Stores and 100% for our current CFO. The compensation committee believes that the overall executive compensation policy contains less than a 'reasonable likelihood' of material risk.

Employment Agreements

None of our U.S. employees have an employment agreement and all U.S. employees are "at will."

Tax Implications

Section 162(m) of the Internal Revenue Code limits the Company's ability to deduct certain compensation over \$1.0 million paid to the executive officers unless such compensation is based on performance objectives meeting certain criteria or is otherwise excluded from the limitation. The compensation committee believes that it is generally in the Company's best interests to comply with Section 162(m) and expects that most of the compensation paid to the named executives will either be under the \$1.0 million limit, eligible for exclusion (such as stock options) under the \$1.0 million limit, or based on qualified performance objectives. However, notwithstanding this general policy, the compensation committee also believes that there may be circumstances in which the Company's interests are best served by maintaining flexibility in the way compensation is provided, whether or not compensation is fully deductible under Section 162(m). Accordingly, it is possible that some compensation paid to executive officers may not be deductible to the extent that the aggregate of non-exempt compensation exceeds the \$1.0 million level. At our 2012 Annual Meeting of Shareholders, the Company's shareholders approved the material terms of the performance criteria

under the Executive Officer Non-Equity Incentive Plan and therefore, the short-term cash based incentive awards (discussed earlier in the Compensation Discussion and Analysis) are eligible for exclusion under the Section 162(m) \$1.0 million limit for fiscal 2012 and beyond.

Advisory Vote on Executive Compensation

We provided the Company's shareholders with the opportunity to vote to approve, on an advisory, non-binding basis, the compensation of our named executive officers at our 2011 Annual Meeting of Shareholders. As noted above under the section heading "The Compensation Decision-making Process," the result of this advisory shareholder vote was 99.7% of votes cast approved the compensation of our named executive officers.

Additionally, at our 2011 Annual Meeting of Shareholders, we provided the Company's shareholders with the opportunity to indicate their preference on how frequently we should seek an advisory vote on the compensation of our named executive officers, with the option for every "1 Year," every "2 Years," or every "3 Years." The result of this advisory vote was 58.9% of votes cast were in favor of an advisory vote on executive compensation every three years. Based on the board of directors' recommendation for a frequency of three years and the voting results with respect to the frequency of future advisory votes on executive compensation, the board of directors determined that it will include in the annual shareholder meeting proxy materials a shareholder vote on executive compensation every three years until the next required vote on frequency of advisory votes on executive compensation. Therefore, the next advisory vote on executive compensation will occur at the 2014 Annual Meeting of Shareholders.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Messrs. Ryles, Weber and Barnum currently serve as members of the compensation committee. No member of the compensation committee was at any time during fiscal 2012 or at any other time an officer or employee of Zumiez, and no member had any relationship with Zumiez requiring disclosure as a related-person in the section "Certain Relationships and Related Transactions." No executive officer of Zumiez has served on the board of directors or compensation committee of any other entity that has or has had one or more executive officers who served as a member of our board of directors or compensation committee during fiscal 2012.

REPORT OF THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS

The compensation committee of the Company has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussion, the compensation committee recommended to the board of directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

THE COMPENSATION COMMITTEE

Gerald F. Ryles, Chairman
William M. Barnum
James M. Weber

The compensation committee report does not constitute soliciting material, and shall not be deemed to be filed or incorporated by reference into any other filing under the Securities Act of 1933, or the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates the compensation committee report by reference therein.

Summary Compensation Table

The following table shows all compensation for fiscal 2012, 2011 and 2010 awarded to, earned by, or paid to our CEO, our CFO and our other three most highly paid executive officers, as well as our former Chief Financial Officer and Secretary. These executive officers are referred to as “NEOs.”

Name and Principal Position	Year	Salary (\$)	Stock Awards (\$ (1))	Option Awards (\$ (2))	Non-Equity Incentive Plan Compensation (\$ (3))	All Other Compensation (\$ (4))	Total (\$)
Thomas D. Campion Chairman of the Board	2012	306,600	—	—	199,290	8,421	514,311
	2011	305,752	—	—	348,758	8,646	663,156
	2010	262,500	—	—	252,656	6,363	521,519
Richard M. Brooks Chief Executive Officer and Director	2012	631,324	—	—	568,350	11,794	1,211,468
	2011	606,456	—	—	965,790	8,248	1,580,494
	2010	262,500	—	—	252,656	9,100	524,256
Lynn K. Kilbourne President and General Merchandising Manager	2012	489,113	295,504	295,503	391,400	4,363	1,475,883
	2011	472,596	253,100	248,911	581,875	5,092	1,561,574
	2010	350,000	134,610	204,512	505,313	613	1,195,048
Christopher C. Work (5) Chief Financial Officer	2012	158,265	63,532	224,997	54,501	6,926	508,221
Ford K. Wright Executive Vice President of Stores	2012	278,172	119,508	119,490	153,733	11,749	682,652
	2011	269,233	120,982	118,878	275,502	5,848	790,443
	2010	225,000	114,419	176,792	235,125	9,864	761,200
Marc D. Stolzman (6) former Chief Financial Officer and Secretary	2012	202,512	136,517	136,500	—	606	476,135
	2011	143,077	300,010	599,992	165,200	7,741	1,216,020

- (1) This column represents the aggregate grant-date fair value of restricted stock awards calculated in accordance with FASB ASC Topic 718, excluding the impact of estimated forfeitures related to service based vesting conditions. For assumptions used in determining these values, please see Note 2 (listed under Stock Compensation) in the Notes to Consolidated Financial Statements in our fiscal 2012, 2011 and 2010 Form 10-K. Information regarding the restricted stock awards granted to the NEOs during fiscal 2012 is set forth in the Grants of Plan-Based Awards Table on a grant-by-grant basis.
- (2) This column represents the aggregate grant-date fair value of stock option awards calculated in accordance with FASB ASC Topic 718, excluding the impact of estimated forfeitures related to service based vesting conditions. For assumptions used in determining these values, please see Note 2 (listed under Stock Compensation) in the Notes to Consolidated Financial Statements in our fiscal 2012, 2011 and 2010 Form 10-K. Information regarding the stock option awards granted to our NEOs during 2012 is set forth in the Grants of Plan-Based Awards Table on a grant-by-grant basis.
- (3) The amounts set forth in this column were earned during fiscal 2012, 2011 and 2010 and paid in early fiscal 2013, 2012 and 2011 respectively, to each of the NEOs under our executive Short-Term Cash Based Incentives. For additional information on the determination of the amounts related to Non-Equity Incentive Plan Compensation, see the previous discussion in the Compensation Discussion and Analysis entitled, “Short-Term Cash Based Incentives.” Information regarding the threshold, target and maximum estimated future payouts under non-equity incentive plan awards is set forth in the Grants of Plan-Based Awards Table.
- (4) All Other Compensation includes the amount of Company 401K employer match contributions, Company paid short-term and long-term disability insurance premiums, Company paid life insurance premiums and merchandise discounts, which are generally available to all qualified employees. For fiscal 2012, Company

401K employer match contributions were as follows: Mr. Champion (\$7,699); Mr. Brooks (\$7,699); Ms. Kilbourne (\$3,182); Mr. Work (\$5,726) and Mr. Wright (\$5,726). For fiscal 2012, the value of merchandise discounts received were as follows: Mr. Champion (\$305); Mr. Brooks (\$3,679); Ms. Kilbourne (\$764); Mr. Work (\$791); Mr. Wright (\$5,585) and Mr. Stolzman (\$348).

- (5) Mr. Work was appointed as the Company's Chief Financial Officer effective August 23, 2012. His fiscal 2012 base salary upon his promotion was \$210,000 on an annualized basis.
- (6) Mr. Stolzman was our Chief Financial Officer and Secretary from August 2011 to August 2012. His fiscal 2012 base salary was \$319,250 on an annualized basis. As a result of his termination of employment, Mr. Stolzman forfeited 44,466 in stock options with a grant date fair value of \$586,491 and 15,193 in unvested restricted stock with a grant date fair value of \$362,184.

Grants of Plan-Based Awards

The following table provides information about equity and non-equity awards granted to the NEOs in fiscal 2012. In the columns described as Estimated Future Payouts Under Non-Equity Incentive Plan Awards, this table quantifies potential awards under the executive short-term cash based incentives plan discussed previously.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			All Other Stock Awards: Number of Shares of Stock or Units (#) (2)	All Other Option Awards: Number of Securities Underlying Options (#) (3)	Exercise or Base Price of Option Awards (\$) (4)	Grant Date Fair Value of Stock and Option Awards (\$) (5)
		Threshold (\$)	Target (\$)	Maximum (\$)				
Thomas D. Campion Chairman of the Board		49,823	199,290	398,580				
Richard M. Brooks Chief Executive Officer and Director		142,088	568,350	1,136,700				
Lynn K. Kilbourne President and General	3/12/2012	97,850	391,400	782,800	8,548		295,504	
Merchandising Manager	3/12/2012					13,985	34.57	295,503
Christopher C. Work (6) Chief Financial Officer	3/16/2012 9/15/2012	11,533	46,132	92,264	1,833	13,066	28.30	63,532 224,997
Ford K. Wright Executive Vice	3/12/2012	45,216	180,863	361,725	3,457			119,508
President of Stores	3/12/2012					5,655	34.57	119,490
Marc D. Stolzman (7) former Chief Financial Officer and Secretary	3/12/2012 3/12/2012	51,838	207,350	414,700	3,949	6,460	34.57	136,517 136,500

- (1) These columns show what the potential payout for each NEO was under the executive short-term cash based incentives for fiscal 2012 if the threshold, target or maximum goals were satisfied for all performance measures. Please refer to the discussion in the Compensation Discussion and Analysis entitled, “Short-Term Cash Based Incentives” and the Summary Compensation Table for amounts earned by the NEOs in fiscal 2012.
- (2) This column shows the number of shares of restricted stock granted in fiscal 2012 to the NEOs. The restricted stock awards for Ms. Kilbourne, Mr. Wright and Mr. Stolzman vest over a three-year period in equal annual installments beginning on the first anniversary date of the grant. The restricted stock award for Mr. Work vests over a four-year period in equal annual installments beginning on the first anniversary date of the grant. Please refer to the discussion in the Compensation Discussion and Analysis entitled, “Long-Term Equity Incentives.” Information on the aggregate grant-date fair value of restricted stock awards is set forth in the Summary Compensation Table.
- (3) This column shows the number of stock options granted in fiscal 2012 to the NEOs. These stock options vest over a four-year period in equal annual installments beginning on the first anniversary date of the grant. Please refer to the discussion in the Compensation Discussion and Analysis entitled, “Long-Term Equity Incentives.” Information on the aggregate grant-date fair value of stock option awards is set forth in the Summary Compensation Table.
- (4) This column shows the exercise price for the stock options granted, which was the closing price of the Company’s stock on the grant date indicated.
- (5) This column represents the aggregate grant-date fair value of restricted stock and stock option awards calculated in accordance with FASB ASC Topic 718, excluding the impact of estimated forfeitures related to

service based vesting conditions. For assumptions used in determining these values, please see Note 2 (listed under Stock Compensation) in the Notes to Consolidated Financial Statements in our fiscal 2012 Form 10-K. These amounts reflect the Company's accounting expense for these stock option and restricted stock awards to be recognized over the vesting period of the grants, and do not correspond to the actual value that will be recognized by the NEO.

- (6) Mr. Work was appointed as the Company's Chief Financial Officer effective August 23, 2012 and received a short-term cash based incentive compensation prorated based on the length of service in that position in fiscal 2012. Mr. Work's short-term cash based incentive compensation target on an annualized basis was \$105,000 and his short-term cash based incentive compensation maximum on an annualized basis was \$210,000.
- (7) Mr. Stolzman forfeited 44,466 of stock options and 15,193 shares of unvested restricted stock upon his resignation of the position of Chief Financial Officer and Secretary effective August 23, 2012.

Outstanding Equity Awards at Fiscal Year-End

The following table provides information on the holdings of stock option awards and restricted stock awards for the NEOs at February 2, 2013. This table includes unexercised and unvested stock options and restricted stock awards. The vesting schedule for each grant of stock options and restricted stock awards is shown in the footnotes to this table. The market value of the restricted stock awards is based on the closing market price of our stock on February 2, 2013, which was \$21.11.

Name	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Options Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock that Have Not Vested (\$)
Thomas D. Campion Chairman of the Board	—	—	—	—	—	—
Richard M. Brooks Chief Executive Officer and Director	—	—	—	—	—	—
Lynn K. Kilbourne President and General Merchandising Manager	8,971 40,000 40,000 40,000 41,250 8,300 4,073 — — — —	— (1) — (2) — (3) — (4) 13,750(5) 8,300(6) 12,217(7) 13,985(8) — — — —	3.87 27.31 35.85 14.00 6.88 19.23 25.31 34.57 — — — —	9/9/2014 3/9/2016 3/13/2017 3/12/2018 3/16/2019 3/15/2020 3/14/2021 3/12/2022 — — — —	— — — — — — — — 2,332(9) 6,666(10) 8,548(11) — — — —	— — — — — — — — 49,229 140,719 180,448 — — — —
Christopher C. Work Chief Financial Officer	834 — —	831(12) 13,066(13) —	8.64 28.30 —	7/21/2019 9/15/2022 —	— — 1,575(14) 1,294(15) 1,875(16) 1,833(17)	— — 33,248 27,316 39,581 38,695
Ford K. Wright Executive Vice President of Stores	30,000 31,500 40,000 41,250 7,176 1,945 — — —	10,000(18) — (3) — (4) 13,750(5) 7,174(6) 5,835(7) 5,655(8) — — —	27.31 35.85 14.00 6.88 19.23 25.31 34.57 — — —	3/9/2016 3/13/2017 3/12/2018 3/16/2019 3/15/2020 3/14/2021 3/12/2022 — — —	— — — — — — 1,982(9) 3,186(10) 3,457(11)	— — — — — — 41,840 67,256 72,977
Marc D. Stolzman (19) former Chief Financial Officer and Secretary	—	—	—	—	—	—

(1) Options subject to this grant vest twenty percent on July 31, 2005 and 1/48th of the remaining options vest each month thereafter. The grant date was September 9, 2004.

(2) Options subject to this grant vest twenty percent on the one-year anniversary of the grant date and 1/48th of the remaining options vest each month thereafter. The grant date was March 9, 2006.

- (3) Options subject to this grant vest over a five-year period in equal annual installments beginning on the one-year anniversary of the grant date. The grant date was March 13, 2007.
- (4) Options subject to this grant vest over a four-year period in equal annual installments beginning on the one-year anniversary of the grant date. The grant date was March 12, 2008.
- (5) Options subject to this grant vest over a four-year period in equal annual installments beginning on the one-year anniversary of the grant date. The grant date was March 16, 2009.
- (6) Options subject to this grant vest over a four-year period in equal annual installments beginning on March 15, 2011. The grant date was June 3, 2010.
- (7) Options subject to this grant vest over a four-year period in equal annual installments beginning on the one-year anniversary of the grant date. The grant date was March 14, 2011.
- (8) Options subject to this grant vest over a four-year period in equal annual installments beginning on the one-year anniversary of the grant date. The grant date was March 12, 2012.
- (9) This restricted stock grant vest over a three-year period in equal annual installments beginning on the grant date anniversary. The grant date was March 15, 2010.
- (10) This restricted stock grant vest over a three-year period in equal annual installments beginning on the grant date anniversary. The grant date was March 14, 2011.
- (11) This restricted stock grant vest over a three-year period in equal annual installments beginning on the grant date anniversary. The grant date was March 12, 2012.
- (12) Options subject to this grant vest over a four-year period in equal annual installments beginning on the one-year anniversary of the grant date. The grant date was July 21, 2009.
- (13) Options subject to this grant vest over a four-year period in equal annual installments beginning on the one-year anniversary of the grant date. The grant date was September 15, 2012.
- (14) This restricted stock grant vest over a four-year period in equal annual installments beginning on the grant date anniversary. The grant date was March 16, 2009.
- (15) This restricted stock grant vest over a four-year period in equal annual installments beginning on the grant date anniversary. The grant date was March 15, 2010.
- (16) This restricted stock grant vest over a four-year period in equal annual installments beginning on the grant date anniversary. The grant date was March 14, 2011.
- (17) This restricted stock grant vest over a four-year period in equal annual installments beginning on the grant date anniversary. The grant date was March 16, 2012.
- (18) Options subject to this grant vest over an eight-year period in equal annual installments beginning on the grant date anniversary. The grant date was March 9, 2006.
- (19) Mr. Stolzman forfeited 44,466 of stock options and 15,193 of unvested restricted stock upon his resignation of the position of Chief Financial Officer and Secretary effective August 23, 2012.

Option Exercises and Stock Vested

The following table provides information for the NEOs on stock option exercises and on the vesting of other stock awards during fiscal 2012, including the number of shares acquired upon exercise or vesting and the value released before payment of any applicable withholding taxes and broker commissions.

<u>Name</u>	<u>Option Awards</u>		<u>Stock Awards</u>	
	<u>Number of Shares Acquired on Exercise (#)</u>	<u>Valued Realized on Exercise (1) (\$)</u>	<u>Number of Shares Acquired on Vesting (#)</u>	<u>Value Realized on Vesting (2) (\$)</u>
Thomas D. Campion Chairman of the Board	—	—	—	—
Richard M. Brooks Chief Executive Officer and Director	—	—	—	—
Lynn K. Kilbourne President and General Merchandising Manager	—	—	19,338	631,220
Christopher C. Work Chief Financial Officer	—	—	3,848	134,590
Ford K. Wright Executive Vice President of Stores	—	—	7,410	260,559
Marc D. Stolzman former Chief Financial Officer and Secretary	12,669	10,353	3,749	128,666

- (1) The dollar amount realized upon exercise was calculated by determining the difference between the market price of the underlying shares of common stock at exercise and the exercise price of the stock options.
- (2) The dollar amount realized upon vesting was calculated by applying the market price of the restricted stock shares on the vesting dates.

Pension Benefits

The Company does not maintain a defined benefit pension plan or supplemental pension plan.

Nonqualified Deferred Compensation

The Company does not maintain a nonqualified deferred compensation plan.

Potential Payments Upon Termination or Change in Control

Certain of the NEOs have unvested stock options and awards of restricted stock under the Company's 2005 Equity Incentive Plan, the vesting of which may accelerate in the event of a Change in Control (as defined below). The information below is a summary of certain provisions of these agreements and does not attempt to describe all aspects of the agreements. The rights of the parties are governed by the actual agreements and are in no way modified by the abbreviated summaries set forth in this proxy statement.

Acceleration of Stock Award Vesting

The Company's 2005 Equity Incentive Plan provides that in the event of a Change in Control (as defined below), if the surviving corporation does not assume or continue outstanding stock awards or substitute similar

stock awards for those outstanding under the 2005 Equity Incentive Plan, then all such outstanding stock awards will be accelerated and become fully vested and exercisable immediately prior to the consummation of the Change in Control transaction.

For purposes of the 2005 Equity Incentive Plan, “Change in Control” means:

- (i) the consummation of a merger or consolidation of the Company with or into another entity or any other corporate reorganization, if more than 50% of the combined voting power of the continuing or surviving entity’s securities outstanding immediately after such merger, consolidation or other reorganization is owned by persons who were not shareholders of the Company immediately prior to such merger, consolidation or other reorganization; or
- (ii) the sale, transfer or other disposition of all or substantially all of the Company’s assets.

A transaction shall not constitute a Change in Control if its sole purpose is to change the state of the Company’s incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company’s securities immediately before such transaction.

The following table shows the potential payments the NEOs could have received under these arrangements in connection with a Change in Control on February 2, 2013.

<u>Executive Officer</u>	<u>Stock Option Vesting in Connection with a Change in Control (1)</u>	<u>Restricted Stock Vesting in Connection with a Change in Control (2)</u>
Thomas D. Campion, Chairman of the Board	\$ —	\$ —
Richard M. Brooks, Chief Executive Officer and Director	\$ —	\$ —
Lynn K. Kilbourne, President and General Merchandising Manager	\$211,267	\$778,621
Christopher C. Work, Chief Financial Officer	\$ 10,363	\$138,840
Ford K. Wright, Executive Vice President of Stores	\$482,658	\$265,522
Marc D. Stolzman, former Chief Financial Officer and Secretary (3)	\$ —	\$ —

- (1) Represents the amount calculated by multiplying the number of in-the-money options with respect to which the vesting would accelerate as a result of a Change in Control under the circumstances noted by the difference between the exercise price and the closing price of a share of common stock on the last trading day of fiscal 2012. The number of shares subject to unvested stock options and exercise prices thereof are shown previously in the Outstanding Equity Awards at Fiscal Year-End table.
- (2) Represents the amount of unvested restricted stocks awarded with respect to which the vesting would accelerate as a result of a Change in Control noted by the number of restricted stock shares unvested at the closing price of a share of common stock on the last trading day of fiscal 2012.
- (3) Mr. Stolzman, our former Chief Financial Officer and Secretary, resigned on August 23, 2012.

EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth information concerning the Company's equity compensation plans at February 2, 2013:

<u>Plan Category</u>	<u>Number of securities to be issued upon exercise of outstanding options, warrants and rights</u>	<u>Weighted-average exercise price of outstanding options, warrants and rights</u>	<u>Number of securities remaining available for future issuance under equity compensation plans</u>
Equity compensation plans approved by security holders (1)	820,146	\$17.62	5,732,910
Equity compensation plans not approved by security holders (2) . . .	—	—	—
Employee stock purchase plans approved by security holders (3) . .	—	—	811,434

- (1) Equity compensation plans approved by shareholders include the 1993 Stock Option Plan, the 2004 Stock Option Plan and the 2005 Equity Incentive Plan.
- (2) The Company does not have any equity compensation plans that were not approved by the Company's shareholders.
- (3) Employee stock purchase plans approved by shareholders include the 2005 Employee Stock Purchase Plan.

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The fiscal 2012 audit committee operates under a written charter adopted by the Company's board of directors. The charter of the audit committee is available at <http://ir.zumiez.com>.

We have reviewed and discussed with management our consolidated financial statements as of and for the fiscal year ended February 2, 2013.

We have discussed with the independent public accountants 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.

We have received and reviewed the written disclosures and the letter from the independent public accountants required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the audit committee concerning independence, and have discussed with the independent accountants their independence.

Based on the reviews and discussions referred to previously, we recommended to our board of directors that the financial statements referred to previously be included in our Annual Report on Form 10-K.

THE AUDIT COMMITTEE

Ernest R. Johnson, Chairman
Sarah (Sally) G. McCoy
Gerald F. Ryles
Travis D. Smith

The audit committee report does not constitute soliciting material, and shall not be deemed to be filed or incorporated by reference into any other filing under the Securities Act of 1933, or the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates the audit committee report by reference therein.

Fees Paid to Independent Registered Public Accounting Firm for Fiscal 2012 and 2011

The aggregate fees billed by Moss Adams LLP for professional services rendered for fiscal 2012 and fiscal 2011, respectively, are as follows:

	<u>Fiscal 2012</u>	<u>Fiscal 2011</u>
Audit fees (1)	\$448,000	\$394,000
Audit-related fees (2)	15,000	15,000
Tax fees (3)	82,000	94,000
Total fees	<u>\$545,000</u>	<u>\$503,000</u>

- (1) Audit fees include services and costs in connection with the audit of the consolidated annual financial statements of the Company and reviews of the interim condensed consolidated financial statements included in the Company's quarterly reports.
- (2) Audit-related fees include services and costs in connection with the audit of the Company's 401K plan.
- (3) Tax fees include services and costs in connection with federal, state and foreign tax compliance and tax advice.

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm

The audit committee pre-approves all auditing services, internal control-related services and permitted non-audit services (including the fees and terms thereof) to be performed for the Company by its independent auditor, subject to the "de minimis exception" (discussed below) for non-audit services that are approved by the audit committee prior to the completion of the audit. The audit committee may form and delegate authority to subcommittees consisting of one or more members when appropriate, including the authority to grant pre-approvals of audit and permitted non-audit services, provided that decisions of such subcommittee to grant pre-approvals shall be presented to the full audit committee at its next scheduled meeting. The audit committee will evaluate whether any permitted non-audit services are compatible with maintaining the auditor's independence.

As discussed previously, all services of the auditor must be pre-approved by the audit committee except for certain services other than audit, review or attest services that meet the "de minimis exception" under 17 CFR Section 210.2-01, namely:

- the aggregate amount of fees paid for all such services is not more than 5% of the total fees paid by the Company to its auditor during the fiscal year in which the services are provided;
- such services were not recognized by the Company at the time of the engagement to be non-audit services; and
- such services are promptly brought to the attention of the audit committee and approved prior to the completion of the audit.

During fiscal 2012 and 2011, there were no services that were performed pursuant to the "*de minimis exception*."

PROPOSAL 2

RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Upon the recommendation of the audit committee, the board of directors has reappointed Moss Adams LLP to audit our consolidated financial statements for the fiscal year ending February 1, 2014 (“fiscal 2013”). Moss Adams LLP has served as our independent registered public accounting firm since fiscal 2006. A representative from Moss Adams LLP will be at the meeting to answer any questions that may arise.

If the shareholders do not ratify the selection of Moss Adams LLP as our independent registered public accounting firm for fiscal 2013, our board of directors will evaluate what would be in the best interests of our Company and our shareholders and consider whether to select a new independent registered public accounting firm for the current fiscal year or whether to wait until the completion of the audit for the current fiscal year before changing our independent registered public accounting firm.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR RATIFICATION OF ITS SELECTION OF MOSS ADAMS LLP AS THE COMPANY’S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL 2013

HOUSEHOLDING OF PROXY MATERIALS

The SEC has adopted rules that permit companies and intermediaries (e.g., brokers, banks and other agents) to satisfy the delivery requirements for proxy statements and annual reports with respect to two or more shareholders sharing the same address by delivering a single proxy statement addressed to those shareholders. This process, which is commonly referred to as “householding,” potentially means extra convenience for shareholders and cost savings for companies.

A number of brokers, banks or other agents with account holders who are shareholders of Zumiez will be “householding” our proxy materials. A single proxy statement will be delivered to multiple shareholders sharing an address unless contrary instructions have been received from the affected shareholders. Once you have received notice from your broker, bank or other agent that it will be “householding” communications to your address, “householding” will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in “householding” and would prefer to receive a separate proxy statement and annual report, please notify your broker, bank or other agent, and direct a written request for the separate proxy statement and annual report to Corporate Secretary, Zumiez Inc., 4001 204th Street SW, Lynnwood, Washington 98036. Shareholders whose shares are held by their broker, bank or other agent as nominee and who currently receive multiple copies of the proxy statement at their address that would like to request “householding” of their communications should contact their broker, bank or other agent.

PROPOSALS OF SHAREHOLDERS

We expect to hold our next annual meeting on or about May 21, 2014. If you wish to submit a proposal for inclusion in the proxy materials for that meeting, you must send the proposal to our Corporate Secretary at the address below. The proposal must be received at our executive offices no later than December 12, 2013, to be considered for inclusion. Among other requirements set forth in the SEC’s proxy rules and our bylaws, you must have continuously held at least \$2,000 in market value or 1% of our outstanding stock for at least one year by the date of submitting the proposal, and you must continue to own such stock through the date of the meeting.

If you intend to nominate candidates for election as directors or present a proposal at the meeting without including it in our proxy materials, you must provide notice of such proposal to us no later than January 22, 2014, and not before December 23, 2013. Our bylaws outline procedures for giving the required notice. If you would like a copy of the procedures contained in our bylaws, please contact:

Corporate Secretary
Zumiez Inc.
4001 204th Street SW
Lynnwood, Washington 98036

OTHER MATTERS

Our board of directors knows of no other matters that will be presented for consideration at the annual meeting. If any other matters are properly brought before the meeting, it is the intention of the persons named in the accompanying proxy to vote on such matters in accordance with their best judgment.

By Order of the Board of Directors
Chris K. Visser
General Counsel and Corporate Secretary

Lynnwood, Washington
April 11, 2013

A copy of our Annual Report on Form 10-K for the fiscal year ended February 2, 2013 filed with the SEC is available without charge upon written request to: Corporate Secretary, Zumiez Inc., 4001 204th Street SW, Lynnwood, Washington 98036.

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended: February 2, 2013

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 000-51300

ZUMIEZ INC.

(Exact name of Registrant as specified in its charter)

Washington
(State or other jurisdiction of
incorporation or organization)

91-1040022
(IRS Employer
Identification No.)

4001 204th Street SW
Lynnwood, Washington
(Address of principal executive offices)

98036
(Zip Code)

(425) 551-1500

(Registrant's telephone number, including area code)

Securities registered under Section 12(b) of the Act: **Common Stock**

Name of each exchange on which registered: **The Nasdaq Global Select Market**

Securities registered under Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the last 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark if the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the voting and non-voting stock held by non-affiliates of the registrant as of the last business day of the second fiscal quarter, July 27, 2012, was \$851,643,956.

At March 8, 2013, there were 29,989,450 shares outstanding of common stock.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III of this report is incorporated by reference from the Registrant's definitive proxy statement, relating to the Annual Meeting of Shareholders scheduled to be held May 22, 2013, which definitive proxy statement will be filed not later than 120 days after the end of the fiscal year to which this report relates.

ZUMIEZ INC.
FORM 10-K
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ZUMIEZ INC.
FORM 10-K
PART I.

This Form 10-K contains forward-looking statements. These statements relate to our expectations for future events and future financial performance. Generally, the words “anticipates,” “expects,” “intends,” “may,” “should,” “plans,” “believes,” “predicts,” “potential,” “continue” and similar expressions identify forward-looking statements. Forward-looking statements involve risks and uncertainties, and future events and circumstances could differ significantly from those anticipated in the forward-looking statements. These statements are only predictions. Actual events or results may differ materially. Factors which could affect our financial results are described in Item 1A below and in Item 7 of Part II of this Form 10-K. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Moreover, neither we nor any other person assume responsibility for the accuracy and completeness of the forward-looking statements. We undertake no duty to update any of the forward-looking statements after the date of this report to conform such statements to actual results or to changes in our expectations.

We use a fiscal calendar widely used by the retail industry that results in a fiscal year consisting of a 52- or 53-week period ending on the Saturday closest to January 31. Each fiscal year consists of four 13-week quarters, with an extra week added to the fourth quarter every five or six years. Fiscal 2013 will be the 52-week period ending February 1, 2014. Fiscal 2012 was the 53-week period ending February 2, 2013. Fiscal 2011 was the 52-week period ending January 28, 2012. Fiscal 2010 was the 52-week period ending January 29, 2011.

“Zumiez,” the “Company,” “we,” “us,” “its,” “our” and similar references refer to Zumiez Inc. and its wholly-owned subsidiaries.

Item 1. BUSINESS

Zumiez Inc. is a leading multi-channel specialty retailer of action sports related apparel, footwear, accessories and hardgoods, focusing on skateboarding, snowboarding, surfing, motocross and bicycle motocross (“BMX”) for young men and women. The Company was formed in August 1978 and is a Washington State corporation.

At February 2, 2013, we operated 500 stores; 472 in the United States (“U.S.”), 20 in Canada and eight in Europe. We operate under the names Zumiez and Blue Tomato. Additionally, we operate ecommerce websites at www.zumiez.com and www.blue-tomato.com.

We completed the acquisition of Snowboard Dachstein Tauern GmbH and Blue Tomato Graz Handel GmbH (collectively, “Blue Tomato”) during the second quarter of fiscal 2012. Blue Tomato is a multi-channel retailer for board sports and related apparel and footwear that operates primarily in the European marketplace.

Our stores bring the look and feel of an independent specialty shop by emphasizing the action sports lifestyle through a distinctive store environment and high-energy sales personnel. We seek to staff our stores with store associates who are knowledgeable users of our products, which we believe provides our customers with enhanced customer service and supplements our ability to identify and react quickly to emerging trends and fashions. We design our stores to appeal to teenagers and young adults and to serve as a destination for our customers. We believe that our distinctive store concepts and compelling store economics will provide continued opportunities for growth in both new and existing markets.

We believe that our customers desire authentic merchandise and fashion that is rooted in the action sports lifestyle and reflects their individuality. We strive to keep our merchandising mix fresh by continuously

introducing new brands, styles and categories of product. Our focus on a diverse collection of brands allows us to quickly adjust to changing fashion trends. We believe that our strategic mix of apparel, footwear, accessories and hardgoods, including skateboards, snowboards, bindings, components and other equipment, allows us to strengthen the potential of the brands we sell and helps to affirm our credibility with our customers. In addition, we supplement our stores with a select offering of private label apparel and products as a value proposition that we believe complements our overall merchandise selection.

Over our 34-year history, we have developed a corporate culture based on a passion for the action sports lifestyle. Our management philosophy emphasizes an integrated combination of results measurement, training and incentive programs, all designed to drive sales productivity at the individual store associate level. We have:

- increased our store count from 285 as of the end of fiscal 2007 to 500 as of the end of fiscal 2012, representing a compound annual growth rate of 11.9%;
- increased net sales from \$381.4 million in fiscal 2007 to \$669.4 million in fiscal 2012, representing a compound annual growth rate of 11.9%;
- been profitable in every fiscal year of our 34-year history.

Competitive Strengths

We believe that the following competitive strengths differentiate us from our competitors and are critical to our continuing success.

Attractive Lifestyle Retailing Concept. We target a large population of young men and women, many of whom we believe are attracted to the action sports lifestyle and desire to promote their personal independence and style through the apparel, footwear and accessories they wear and the equipment they use. We believe that action sports is a permanent aspect of youth culture, reaching not only consumers that actually participate in action sports, but also those who seek brands and styles that fit a desired action sports image. We believe we have developed a brand image that our customers view as consistent with their attitudes, fashion tastes and identity that should allow us to benefit in our market.

Differentiated Merchandising Strategy. We have created a highly differentiated retailing concept by offering an extensive selection of current and relevant action sports brands encompassing apparel, footwear, accessories and hardgoods. The breadth of merchandise offered at our stores exceeds that offered by many other action sports specialty stores and includes some brands and products that are available within many malls or shopping areas only at our stores. The action sports lifestyle includes activities that are popular at different times throughout the year, providing us the opportunity to shift our merchandise selection seasonally. Many of our customers desire to update their wardrobes and equipment as fashion trends evolve or the action sports season dictates. We believe that our ability to quickly recognize changing brand and style preferences and transition our merchandise offerings allows us to continually provide a compelling offering to our customers.

Deep-rooted Culture. Our culture and brand image enable us to successfully attract and retain high quality employees who are passionate and knowledgeable about the products we sell. We place great emphasis on customer service and satisfaction, and we have made this a defining feature of our corporate culture. To preserve our culture, we strive to promote from within and we provide our employees with the knowledge and tools to succeed through our comprehensive training programs and the flexibility to manage their stores to meet localized customer demand.

Distinctive Store Experience. We strive to provide a convenient shopping environment that is appealing and clearly communicates our distinct brand image. We seek to attract knowledgeable store associates who identify with the action sports lifestyle and are able to offer superior customer service, advice and product expertise. We believe that our distinctive store environment enhances our image as a leading source for apparel and equipment for the action sports lifestyle.

Disciplined Operating Philosophy. We have an experienced senior management team. Our management team has built a strong operating foundation based on sound retail principles that underlie our unique culture. Our philosophy emphasizes an integrated combination of results measurement, training and incentive programs, all designed to drive sales productivity to the individual store associate level. Our comprehensive training programs are designed to provide our employees with enhanced product knowledge, selling skills and operational expertise. We believe that our merchandising teams' immersion in the action sports lifestyle, supplemented with feedback from our customers, store associates and store leadership, allows us to consistently identify and react to emerging fashion trends. We believe that this, combined with our inventory planning and allocation processes and systems, helps us better manage markdown and fashion risk.

High-Impact, Integrated Marketing Approach. We seek to build relationships with our customers through a multi-faceted marketing approach that is designed to integrate our brand images with the action sports lifestyle. Our marketing efforts focus on reaching our customers in their environment and feature extensive grassroots marketing events. Our marketing efforts also incorporate local sporting and music event promotions, advertising in magazines popular with our target market, interactive contest sponsorships that actively involve our customers with our brands and products and various social network channels. Events and activities such as these provide opportunities for our customers to develop a strong identity with our culture and brands. We believe that our immersion in the action sports lifestyle allows us to build credibility with our customers and gather valuable feedback on evolving customer preferences.

Growth Strategy

We intend to expand our presence as a leading action sports lifestyle retailer by:

Opening New Store Locations. We believe that the action sports lifestyle has appeal that provides store expansion opportunities throughout the U.S. and internationally. During the last three fiscal years ending with fiscal 2012, we have opened or acquired 133 new stores consisting of 61 stores in fiscal 2012, 45 stores in fiscal 2011 and 27 stores in fiscal 2010. We have successfully opened stores in diverse markets throughout the U.S. and internationally, which we believe demonstrates the portability and growth potential of our concepts. To take advantage of what we believe to be a compelling economic store model, we plan to open approximately 60 new stores in fiscal 2013, including stores in our existing markets and in new markets domestically and internationally. The number of anticipated store openings may increase or decrease due to market conditions and other factors.

Continuing to Generate Sales Growth through Improved Store Level Productivity and Continued Ecommerce Sales Growth. We seek to maximize our comparable store sales, including sales from our ecommerce businesses, and net sales per square foot by maintaining consistent store-level execution and offering our customers a broad and relevant selection of action sports brands and products. We seek to continue to grow our ecommerce sales with a continued focus on enhancing and integrating the unique Zumiez and Blue Tomato brand experiences through this channel. In fiscal 2012, 2011 and 2010, ecommerce sales represented 11.2%, 7.3% and 4.7% of our total net sales.

Enhancing our Brand Awareness through Continued Marketing and Promotion. We believe that a key component of our success is the brand exposure that we receive from our marketing events, promotions and activities that embody the action sports lifestyle. These are designed to assist us in increasing brand awareness in our existing markets and expanding into new markets by strengthening our connection with our target customer base. We believe that our marketing efforts have also been successful in generating and promoting interest in our product offerings. In addition, we use our ecommerce presence, designed to convey our passion for the action sports lifestyle, to increase our brand awareness. We plan to continue to expand our integrated marketing efforts by promoting more events and activities in our existing and new markets. We also benefit from branded vendors' marketing.

Merchandising and Purchasing

Our goal is to be viewed by our customers as the definitive source of merchandise for the action sports lifestyle. We believe that the breadth of merchandise offered at our stores, which includes apparel, footwear, accessories and hardgoods, exceeds that offered by many other action sports specialty stores at a single location, and makes our stores a single-stop purchase destination for our target customers.

We seek to identify action sports oriented fashion trends as they develop and to respond in a timely manner with a relevant in-store product assortment. We strive to keep our merchandising mix fresh by continuously introducing new brands or styles in response to the evolving desires of our customers. We also take advantage of the change in action sports seasons during the year to maintain an updated product selection. Our merchandise mix may vary by region and country, reflecting the specific action sports preferences and seasons in each market.

We believe that offering an extensive selection of current and relevant brands used and sometimes developed by professional action sports athletes is integral to our overall success. No single brand, including private label, accounted for more than 9.0%, 6.3% and 6.5% of our net sales in fiscal 2012, 2011 and 2010. We believe that our strategic mix of both apparel, footwear, accessories and hardgoods allows us to strengthen the potential of the brands we sell and affirms our credibility with our customers.

We believe that our ability to maintain an image consistent with the action sports lifestyle is important to our key vendors. Given our scale and market position, we believe that many of our key vendors view us as an important retail partner. This position helps ensure our ability to procure a relevant product assortment and quickly respond to the changing fashion interests of our customers. Additionally, we believe we are presented with a greater variety of products and styles by some of our vendors, as well as certain specially designed items that are exclusively distributed to our stores. We supplement our merchandise assortment with a select offering of private label products across many of our product categories. Our private label products complement the branded products we sell, and some of our private label brands allow us to cater to the more value-oriented customer. For fiscal 2012, 2011 and 2010 our private label merchandise represented 16.9%, 17.7% and 18.0% of our net sales.

Our purchasing approach focuses on quality, speed and cost in order to provide timely delivery of merchandise to our stores. We have developed a disciplined approach to buying and a dynamic inventory planning and allocation process to support our merchandise strategy. We utilize a broad vendor base that allows us to shift our merchandise purchases as required to react quickly to changing consumer demands and market conditions. We manage the purchasing and allocation process by reviewing branded merchandise lines from new and existing vendors, identifying emerging fashion trends and selecting branded merchandise styles in quantities, colors and sizes to meet inventory levels established by management. We also coordinate inventory levels in connection with individual store sales strength, our promotions and seasonality.

Our merchandising staff remains in tune with the action sports culture by participating in action sports, attending relevant events and concerts, watching action sports related programming and reading action sports publications. In order to identify evolving trends and fashion preferences, our staff spends considerable time analyzing sales data, gathering feedback from our stores and customers, shopping in key markets and soliciting input from our vendors.

We source our private label merchandise from foreign manufacturers around the world. We have cultivated our private label sources with a view towards high quality merchandise, production reliability and consistency of fit. We believe that our knowledge of fabric and production costs combined with a flexible sourcing base enables us to source high-quality private label goods at favorable costs.

Stores

Store Locations. At February 2, 2013, we operated 500 stores in the following locations.

United States - 472 Stores

Alaska	3	Illinois	17	Montana	4	Pennsylvania	18
Arizona	13	Indiana	10	New Hampshire	6	Rhode Island	1
California	80	Iowa	3	New Jersey	18	South Dakota	2
Colorado	18	Kansas	3	Nevada	9	Tennessee	4
Connecticut	8	Maine	3	New Mexico	5	Texas	47
Delaware	3	Maryland	10	New York	32	Utah	14
Florida	19	Massachusetts	8	North Carolina	7	Virginia	9
Georgia	4	Michigan	8	Ohio	2	Washington	24
Hawaii	3	Minnesota	11	Oklahoma	6	Wisconsin	14
Idaho	6	Missouri	5	Oregon	13	Wyoming	2

Canada - 20 Stores

Alberta	3
British Columbia	6
Ontario	11

Europe - 8 Stores

Austria	5
Germany	3

The following table shows the number of stores (excluding temporary stores that we operate from time to time for special events) opened, acquired and closed in each of our last three fiscal years:

<u>Fiscal Year</u>	<u>Stores Opened</u>	<u>Stores Acquired</u>	<u>Stores Closed</u>	<u>Total Number of Stores End of Year</u>
2012	53	8	5	500
2011	45	0	1	444
2010	27	0	4	400

Store Design and Environment. We design our stores to create a distinctive and engaging shopping environment that we believe resonates with our customers. Our stores feature an industrial look, dense merchandise displays, action sports focused posters and signage and popular music, all of which are consistent with the look and feel of an independent action sports specialty shop. Our stores are designed to encourage our customers to shop for longer periods of time, to interact with each other and our store associates and to visit our stores more frequently. Our stores are constructed and finished to allow us to efficiently shift merchandise displays throughout the year as the action sports season dictates. We believe that our store atmosphere enhances our image as a leading provider of action sports lifestyle merchandise.

At February 2, 2013, our stores averaged approximately 3,000 square feet. All references in this Annual Report on Form 10-K to square footage of our stores refers to gross square footage, including retail selling, storage and back-office space. In fiscal 2013, we plan on opening new stores with square footage similar to this average.

Expansion Opportunities and Site Selection. In selecting a location for a new store, we target high-traffic locations with suitable demographics and favorable lease terms. For mall locations, we seek locations near busy areas of the mall such as food courts, movie theaters, game stores and other popular teen retailers. We generally

locate our stores in malls in which other teen-oriented retailers have performed well. We also focus on evaluating the market and mall-specific competitive environment for potential new store locations. We seek to diversify our store locations regionally and by caliber of mall.

Store Management, Operations and Training. We believe that our success is dependent in part on our ability to attract, train, retain and motivate qualified employees at all levels of our organization. We have developed a corporate culture that we believe empowers the individual store managers to make store-level business decisions and consistently rewards their success. We are committed to improving the skills and careers of our workforce and providing advancement opportunities for employees.

We believe we provide our managers with the knowledge and tools to succeed through our comprehensive training programs and the flexibility to manage their stores to meet customer demands. While general guidelines for our merchandise assortments, store layouts and in-store visuals are provided by our home offices, we give our managers substantial discretion to tailor their stores to the individual market and empower them to make store-level business decisions. We design group training programs for our managers to improve both operational expertise and supervisory skills.

Our store associates generally have an interest in the action sports lifestyle and are knowledgeable about our products. Through our training, evaluation and incentive programs, we seek to enhance the productivity of our store associates. These programs are designed to promote a competitive, yet fun, culture that is consistent with the action sports lifestyle we seek to promote.

Marketing and Advertising

We seek to reach our target customer audience through a multi-faceted marketing approach that is designed to integrate our brand image with the action sports lifestyle. Our marketing efforts focus on reaching our customers in their environment, and feature extensive grassroots marketing events, which give our customers an opportunity to experience and participate in the action sports lifestyle. Our grassroots marketing events are built around the demographics of our customer base and offer an opportunity for our customers to develop a strong identity with our brands and culture. For example, the Zumiez Couch Tour is a series of entertainment events that includes skateboarding demonstrations from top professionals, autograph sessions, competitions and live music, and has featured some of today's most popular personalities in action sports and music. The Zumiez Couch Tour provides a high-impact platform where customers can interact with some of their favorite action sports athletes and vendors can showcase new products.

Our marketing efforts also incorporate local sporting and music event promotions, advertising in magazines popular with our target market, interactive contest sponsorships that actively involve our customers with our brands and products, the Zumiez Stash, which is our customer loyalty program, and various social network channels. We believe that our immersion in the action sports lifestyle allows us to build credibility with our target audience and gather valuable feedback on evolving customer preferences.

Distribution and Fulfillment

Timely and efficient distribution of merchandise to our stores is an important component of our overall business strategy. During fiscal 2010, we relocated our domestic distribution center from Everett, Washington to Corona, California to reduce distribution costs, expand capacity and increase speed of merchandise delivery to our customers. At our Corona, California facility, merchandise is inspected, allocated to stores, ticketed when necessary and boxed for distribution to our stores. Each store is typically shipped merchandise five times a week, providing our stores with a steady flow of new merchandise. We currently use United Parcel Service to ship the majority of our merchandise to our domestic stores.

During fiscal 2012, we relocated our domestic ecommerce fulfillment center from Everett, Washington to Edwardsville, Kansas to provide the additional capacity needed to support the continued growth of our domestic

ecommerce operations, while also increasing the speed at which we get product to our customers and lowering the freight and distribution costs once the Edwardsville, Kansas fulfillment center is running effectively and at full capacity.

Internationally, we operate a combined distribution and ecommerce fulfillment center located in Graz, Austria that support our Blue Tomato ecommerce and store operations in Europe and we use a third-party distribution center located in Kamloops, British Columbia to distribute our merchandise to our Canadian stores.

Management Information Systems

Our management information systems provide integration of store, merchandising, distribution, financial and human resources functions. The systems include applications related to point-of-sale, inventory management, supply chain, planning, sourcing, merchandising and financial reporting. We continue to invest in technology to align our systems with our business requirements and to support our continuing growth.

Competition

The teenage and young adult retail apparel, hardgoods and accessories industry is highly competitive. We compete with other retailers for vendors, customers, suitable store locations and qualified store associates and management personnel. In the softgoods market, which includes apparel, footwear and accessories, we currently compete with other teenage and young adult focused retailers. In addition, in the softgoods markets we compete with independent specialty shops, department stores and direct marketers that sell similar lines of merchandise and target customers through catalogs and ecommerce. In the hardgoods markets, which includes skateboards, snowboards, bindings, components and other equipment, we compete directly or indirectly with the following categories of companies: other specialty retailers that compete with us across a significant portion of our merchandising categories, such as local snowboard and skate shops; large-format sporting goods stores and chains and ecommerce retailers.

Competition in our sector is based on, among other things, merchandise offerings, store location, price and the ability to identify with the customer. We believe that we compete favorably with many of our competitors based on our differentiated merchandising strategy, compelling store environment and deep-rooted culture.

Seasonality

Historically, our operations have been seasonal, with the largest portion of net sales and net income occurring in the third and fourth fiscal quarters, reflecting increased demand during the back-to-school and winter holiday selling seasons. During fiscal 2012, approximately 60% of our net sales occurred in the third and fourth quarters combined, similar to previous years. As a result of this seasonality, any factors negatively affecting us during the last half of the year, including unfavorable economic conditions, adverse weather or our ability to acquire seasonal merchandise inventory, could have a material adverse effect on our financial condition and results of operations for the entire year. Our quarterly results of operations may also fluctuate based upon such factors as the timing of certain holiday seasons, the popularity of seasonal merchandise offered, the timing and amount of markdowns, competitive influences, the number and timing of new store openings and store remodels and closings.

Trademarks

The “Zumiez” and “Blue Tomato” trademarks and certain other trademarks, have been registered, or are the subject of pending trademark applications, with the U.S. Patent and Trademark Office and with the registries of certain foreign countries. We regard our trademarks as valuable and intend to maintain such marks and any related registrations and vigorously protect our trademarks. We also own numerous domain names, which have been registered with the Corporation for Assigned Names and Numbers.

Employees

At February 2, 2013, we employed approximately 1,700 full-time and approximately 3,600 part-time employees globally. However, the number of part-time employees fluctuates depending on our seasonal needs and generally increases during peak selling seasons, particularly the back-to-school and the winter holiday seasons. None of our employees are represented by a labor union and we believe that our relationship with our employees is good.

Financial Information about Geographic Areas

See Note 21, "Segment Reporting," in the Notes to Consolidated Financial Statements found in Part IV Item 15 of this Form 10-K, for information regarding net sales and long-lived assets related to domestic and foreign operations.

Available Information

Our principal website address is www.zumiez.com. We make available, free of charge, our proxy statement, annual report to shareholders, annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission ("SEC") at <http://ir.zumiez.com>. Information available on our website is not incorporated by reference in, and is not deemed a part of, this Form 10-K.

Item 1A. RISK FACTORS

Investing in our securities involves a high degree of risk. The following risk factors, issues and uncertainties should be considered in evaluating our future prospects. In particular, keep these risk factors in mind when you read "forward-looking" statements elsewhere in this report. Forward-looking statements relate to our expectations for future events and time periods. Generally, the words "anticipates," "expects," "intends," "may," "should," "plans," "believes," "predicts," "potential," "continue" and similar expressions identify forward-looking statements. Forward-looking statements involve risks and uncertainties, and future events and circumstances could differ significantly from those anticipated in the forward-looking statements. Any of the following risks could harm our business, operating results or financial condition and could result in a complete loss of your investment. Additional risks and uncertainties that are not yet identified or that we currently think are immaterial may also harm our business and financial condition in the future.

Our ability to attract customers to our stores depends heavily on the success of the shopping malls in which many of our stores are located; any decrease in customer traffic in those malls could cause our sales to be less than expected.

In order to generate customer traffic we depend heavily on locating many of our stores in prominent locations within successful shopping malls. Sales at these stores are derived, in part, from the volume of traffic in those malls. Our stores benefit from the ability of a mall's other tenants to generate consumer traffic in the vicinity of our stores and the continuing popularity of malls as shopping destinations. Our sales volume and mall traffic generally may be adversely affected by, among other things, economic downturns in a particular area, competition from ecommerce retailers, non-mall retailers and other malls, increases in gasoline prices and the closing or decline in popularity of other stores in the malls in which we are located. An uncertain economic outlook could curtail new shopping mall development, decrease shopping mall traffic, reduce the number of hours that shopping mall operators keep their shopping malls open or force them to cease operations entirely. A reduction in mall traffic as a result of these or any other factors could have a material adverse effect on our business, results of operations and financial condition.

Our growth strategy depends on our ability to open and operate new stores each year, which could strain our resources and cause the performance of our existing stores to suffer.

Our growth largely depends on our ability to open and operate new stores successfully. However, our ability to open new stores is subject to a variety of risks and uncertainties, and we may be unable to open new stores as planned, and any failure to successfully open and operate new stores could have a material adverse effect on our results of operations. We intend to continue to open new stores in future years while remodeling a portion of our existing store base annually. In addition, our proposed expansion will place increased demands on our operational, managerial and administrative resources. These increased demands could cause us to operate our business less effectively, which in turn could cause deterioration in the financial performance of our individual stores and our overall business. To the extent our new store openings are in markets where we already have stores, we may experience reduced net sales in existing stores in those markets. In addition, successful execution of our growth strategy may require that we obtain additional financing, and we cannot assure you that we will be able to obtain that financing on acceptable terms or at all.

If we fail to effectively execute our expansion strategy, we may not be able to successfully open new store locations in a timely manner, if at all, which could have an adverse affect on our net sales and results of operations.

Our ability to open and operate new stores successfully depends on many factors, including, among others, our ability to:

- identify suitable store locations, the availability of which is outside of our control;
- negotiate acceptable lease terms, including desired tenant improvement allowances;
- source sufficient levels of inventory at acceptable costs to meet the needs of new stores;
- hire, train and retain qualified store personnel;
- successfully integrate new stores into our existing operations; and
- identify and satisfy the merchandise preferences of new geographic areas.

In addition, we plan to open new stores in regions of the U.S. or international locations in which we currently have few, or no, stores. The expansion into these markets may present competitive, merchandising, hiring and distribution challenges that are different from those currently encountered in our existing markets. Any of these challenges could adversely affect our business and results of operations.

Failure to successfully integrate any businesses or stores that we acquire could have an adverse impact on our results of operations and financial performance.

We may, from time to time, acquire other retail stores or businesses, such as our acquisition of Blue Tomato, a leading European multi-channel retailer for board sports and related apparel and footwear, which was completed in the second quarter of fiscal 2012. We may experience difficulties in integrating any stores or businesses we may acquire, including their facilities, personnel, financial systems, distribution, operations and general operating procedures, and any such acquisitions may also result in the diversion of our capital and our management's attention from other business issues and opportunities. If we experience difficulties in integrating acquisitions or if such acquisitions do not provide the benefits that we expect to receive, we could experience increased costs and other operating inefficiencies, which could have an adverse effect on our results of operations and overall financial performance.

Our plans for international expansion include risks that could have a negative impact on our results of operations.

In fiscal 2011, we opened our first store locations in Canada and we plan to continue to open new stores in Canada. During the second quarter of fiscal 2012, we acquired Blue Tomato, which operates primarily in the

European market, and we plan to open new stores in Europe in the future. We may continue to expand internationally, either organically, or through additional acquisitions. International markets may have different competitive conditions, consumer tastes and discretionary spending patterns than our existing U.S. market. As a result, operations in international markets may be less successful than our operations in the U.S. Additionally, consumers in international markets may not be familiar with our brands, and we may need to build brand awareness in the markets. Furthermore, we have limited experience with the legal and regulatory environments and market practices outside of the U.S. and cannot guarantee that we will be able to penetrate or successfully operate in international markets. We also expect to incur additional costs in complying with applicable foreign laws and regulations as they pertain to both our products and our operations.

Additionally, the results of operations of our international subsidiaries are exposed to foreign exchange rate fluctuations. Upon translation, operating results may differ materially from expectations. As we expand our international operations, our exposure to exchange rate fluctuations will increase.

Our business is dependent upon our being able to anticipate, identify and respond to changing fashion trends, customer preferences and other fashion-related factors; failure to do so could have a material adverse effect on us.

Customer tastes and fashion trends in the action sports lifestyle market are volatile and tend to change rapidly. Our success depends on our ability to effectively anticipate, identify and respond to changing fashion tastes and consumer preferences, and to translate market trends into appropriate, saleable product offerings in a timely manner. If we are unable to successfully anticipate, identify or respond to changing styles or trends and misjudge the market for our products or any new product lines, our sales may be lower than predicted and we may be faced with a substantial amount of unsold inventory or missed opportunities. In response to such a situation, we may be forced to rely on markdowns or promotional sales to dispose of excess or slow-moving inventory, which could have a material adverse effect on our results of operations.

The current uncertainty surrounding the U.S. and global economies, including the European economy, coupled with cyclical economic trends in action sports retailing could have a material adverse effect on our results of operations.

The action sports retail industry historically has been subject to substantial cyclicalities. As the U.S. and global economic conditions change, the trends in discretionary consumer spending become unpredictable and discretionary consumer spending could be reduced due to uncertainties about the future. When discretionary consumer spending is reduced, purchases of action sports apparel and related products may decline. The current uncertainty in the U.S. and global economies and increased government debt may have a material adverse impact on our results of operations and financial position.

Because of this cycle, we believe the “value” message has become more important to consumers. As a retailer that sells approximately 80% to 85% branded merchandise, this trend may negatively affect our business, as we generally will have to charge more than vertically integrated private label retailers.

Our sales and inventory levels fluctuate on a seasonal basis, leaving our operating results particularly susceptible to changes in back-to-school and winter holiday shopping patterns. Accordingly, our quarterly results of operations are volatile and may fluctuate significantly.

Our quarterly results of operations have fluctuated significantly in the past and can be expected to continue to fluctuate significantly in the future. Our sales and profitability are typically disproportionately higher in the third and fourth fiscal quarters of each fiscal year due to increased sales during the back-to-school and winter holiday shopping seasons. Sales during these periods cannot be used as an accurate indicator of annual results. As a result of this seasonality, any factors negatively affecting us during the last half of the year, including unfavorable economic conditions, adverse weather or our ability to acquire seasonal merchandise inventory,

could have a material adverse effect on our financial condition and results of operations for the entire year. In addition, in order to prepare for the back-to-school and winter holiday shopping seasons, we must order and keep in stock significantly more merchandise than we carry during other times of the year. Any unanticipated decrease in demand for our products during these peak shopping seasons could require us to sell excess inventory at a substantial markdown, which could have a material adverse effect on our business, results of operations and financial condition.

Our quarterly results of operations are affected by a variety of other factors, including:

- the timing of new store openings and the relative proportion of our new stores to mature stores;
- whether we are able to successfully integrate any new stores that we acquire and the presence of any unanticipated liabilities in connection therewith;
- fashion trends and changes in consumer preferences;
- calendar shifts of holiday or seasonal periods;
- changes in our merchandise mix;
- timing of promotional events;
- general economic conditions and, in particular, the retail sales environment;
- actions by competitors or mall anchor tenants;
- weather conditions;
- the level of pre-opening expenses associated with our new stores; and
- inventory shrinkage beyond our historical average rates.

Significant fluctuations and volatility in the price of cotton, foreign labor costs and other raw materials used in the production of our merchandise may have a material adverse effect on our business, results of operations and financial conditions.

Increases in the cost of cotton, other raw materials, foreign labor costs and transportation costs used in the production of our merchandise can result in higher costs in the price we pay for this merchandise. The costs for cotton are affected by weather, consumer demand, speculation on the commodities market and other factors that are generally unpredictable and beyond our control. Our gross profit and earnings per share could be adversely affected to the extent that the selling prices of our products do not increase proportionately with the increases in the costs of cotton or other materials. Increasing labor costs and oil-related product costs, such as manufacturing and transportation costs, could also adversely impact gross profit. Additionally, significant changes in the relationship between carrier capacity and shipper demand could increase transportation costs, which could also adversely impact gross profit.

Most of our merchandise is produced by foreign manufacturers; therefore, the availability and costs of these products may be negatively affected by risks associated with international trade and other international conditions.

Most of our merchandise is produced by manufacturers around the world. Some of these facilities are located in regions that may be affected by natural disasters, political instability or other conditions that could cause a disruption in trade. Trade restrictions such as increased tariffs or quotas, or both, could also affect the importation of merchandise generally and increase the cost and reduce the supply of merchandise available to us. Any reduction in merchandise available to us or any increase in its cost due to tariffs, quotas or local issues that disrupt trade could have a material adverse effect on our results of operations. Although the prices charged by vendors for the merchandise we purchase are primarily denominated in U.S. dollars, a continued decline in the relative value of the U.S. dollar to foreign currencies could lead to increased merchandise costs, which could negatively affect our competitive position and our results of operations.

Our business is susceptible to weather conditions that are out of our control, including the potential risks of unpredictable weather patterns and any weather patterns associated with naturally occurring global climate change, and the resultant unseasonable weather could have a negative impact on our results of operations.

Our business is susceptible to unseasonable weather conditions. For example, extended periods of unseasonably warm temperatures during the winter season or cool weather during the summer season (including any weather patterns associated with global warming and cooling) could render a portion of our inventory incompatible with those unseasonable conditions. These prolonged unseasonable weather conditions could have a material adverse effect on our business and results of operations.

We may be unable to compete favorably in the highly competitive retail industry, and if we lose customers to our competitors, our sales could decrease.

The teenage and young adult retail apparel, footwear, accessories and hardgoods industry is highly competitive. We compete with other retailers for vendors, teenage and young adult customers, suitable store locations, qualified store associates and management personnel. Some of our competitors are larger than we are and have substantially greater financial, marketing, including advanced ecommerce marketing capabilities, and other resources than we do. Additionally, some of our competitors may offer more options for free and/or expedited shipping for ecommerce sales. Direct competition with these and other retailers may increase significantly in the future, which could require us, among other things, to lower our prices and could result in the loss of our customers. Current and increased competition could have a material adverse effect on our business, results of operations and financial condition.

If we fail to maintain good relationships with vendors or if a vendor is otherwise unable or unwilling to supply us with adequate quantities of their products at acceptable prices, our business and financial performance could suffer.

Our business is dependent on continued good relations with our vendors. In particular, we believe that we generally are able to obtain attractive pricing and other terms from vendors because we are perceived as a desirable customer, and deterioration in our relationship with our vendors could have a material adverse effect on our business. There can be no assurance that our vendors will provide us with an adequate supply or quality of products or acceptable pricing. Our vendors could discontinue selling to us, raise the prices they charge at any time or allow their merchandise to be discounted by other retailers. There can be no assurance that we will be able to acquire desired merchandise in sufficient quantities on terms acceptable to us in the future. In addition, certain of our vendors sell their products directly to the retail market and therefore compete with us directly and other vendors may decide to do so in the future. There can be no assurance that such vendors will not decide to discontinue supplying their products to us, supply us only less popular or lower quality items, raise the prices they charge us or focus on selling their products directly. In addition, a number of our vendors are smaller, less capitalized companies and are more likely to be impacted by unfavorable general economic and market conditions than larger and better capitalized companies. These smaller vendors may not have sufficient liquidity during economic downturns to properly fund their businesses and their ability to supply their products to us could be negatively impacted. Any inability to acquire suitable merchandise at acceptable prices, or the loss of one or more key vendors, could have a material adverse effect on our business, results of operations and financial condition.

Our ecommerce operations subject us to numerous risks that could have an adverse effect on our results of operations.

Our ecommerce operations subject us to certain risks that could have an adverse effect on our operational results, including:

- diversion of traffic and sales from our stores;
- rapid technological change;

- liability for online content; and
- risks related to the computer systems that operate our website and related support systems, including computer viruses, electronic break-ins and similar disruptions.

In addition, risks beyond our control, such as governmental regulation of ecommerce, entry of our vendors in the ecommerce business in competition with us, online security breaches and general economic conditions specific to ecommerce could have an adverse effect on our results of operations.

If we lose key executives or are unable to attract and retain the talent required for our business, our financial performance could suffer.

Our performance depends largely on the efforts and abilities of our key executives. If we lose the services of one or more of our key executives, we may not be able to successfully manage our business or achieve our growth objectives. As our business grows, we will need to attract and retain additional qualified personnel in a timely manner and we may not be able to do so.

Our failure to meet our staffing needs could adversely affect our ability to implement our growth strategy and could have a material impact on our results of operations.

Our success depends in part upon our ability to attract, motivate and retain a sufficient number of qualified employees who understand and appreciate our culture based on a passion for the action sports lifestyle and are able to adequately represent this culture to our customers. Qualified individuals of the requisite caliber, skills and number needed to fill these positions may be in short supply in some areas, and the employee turnover rate in the retail industry is high. Competition for qualified employees could require us to pay higher wages to attract a sufficient number of suitable employees. If we are unable to hire and retain store managers and store associates capable of consistently providing a high level of customer service, as demonstrated by their enthusiasm for our culture and knowledge of our merchandise, our ability to open new stores may be impaired and the performance of our existing and new stores could be materially adversely affected. We are also dependent upon temporary personnel to adequately staff our stores and distribution and ecommerce fulfillment centers particularly during busy periods such as the back-to-school and winter holiday seasons. There can be no assurance that we will receive adequate assistance from our temporary personnel, or that there will be sufficient sources of temporary personnel. Although none of our employees are currently covered by collective bargaining agreements, we cannot guarantee that our employees will not elect to be represented by labor unions in the future, which could increase our labor costs and could subject us to the risk of work stoppages and strikes. Any such failure to meet our staffing needs, any material increases in employee turnover rates, any increases in labor costs or any work stoppages, interruptions or strikes could have a material adverse effect on our business or results of operations.

Our business could suffer with the closure or disruption of any of our distribution or ecommerce fulfillment centers.

Domestically, we rely on a single distribution center located in Corona, California to receive, store and distribute the vast majority of our merchandise to our domestic stores and we rely on a single ecommerce fulfillment center located in Edwardsville, Kansas to ship merchandise purchased on the www.zumiez.com website. Internationally, we operate a combined distribution and ecommerce fulfillment center located in Graz, Austria that support our Blue Tomato ecommerce and store operations in Europe and we use a third-party distribution center located in Kamloops, British Columbia to distribute our merchandise to our Canadian stores. As a result, a natural disaster or other catastrophic event that affects one of the regions where we operate these centers could significantly disrupt our operations and have a material adverse effect on our business, results of operations and financial condition.

Additionally, we relocated our ecommerce fulfillment center to Edwardsville, Kansas during the second quarter of fiscal 2012. As a result, events may occur during the operating periods subsequent to the relocation

that could significantly disrupt our operations and have a material adverse effect on our business, results of operations and financial condition.

We are required to make substantial rental payments under our operating leases and any failure to make these lease payments when due could have a material adverse effect on our business and growth plans.

Payments under operating leases account for a significant portion of our operating expenses and has historically been our third largest expense behind cost of sales and our employee related costs. Total rent expense, including contingent rent (or “percentage rent”) based on sales of some of our stores, real estate taxes, insurance and common area maintenance charges, was \$78.0 million, \$68.8 million and \$61.8 million for fiscal 2012, 2011 and 2010. At February 2, 2013, we were committed to property owners for minimum operating leases obligations for \$485.6 million. In addition, substantially all of our store leases provide for contingent rent payments based on sales of the respective stores, as well as real estate taxes, insurance and common area maintenance charges. These amounts generally escalate each year. We expect that any new stores we open will also be leased by us under operating leases, which will further increase our operating lease expenses.

Our substantial operating lease obligations could have significant negative consequences, including:

- increasing our vulnerability to general adverse economic and industry conditions;
- limiting our ability to obtain additional financing;
- requiring that a substantial portion of our available cash be applied to pay our rental obligations, thus reducing cash available for other purposes; and
- limiting our flexibility in planning for or reacting to changes in our business or in the industry in which we compete, and placing us at a disadvantage with respect to some of our competitors.

We depend on cash flow from operations to pay our lease expenses and to fulfill our other cash needs. If our business does not generate sufficient cash flow from operating activities, and sufficient funds are not otherwise available to us from borrowings under bank loans or from other sources, we may not be able to service our operating lease expenses, grow our business, respond to competitive challenges or fund our other liquidity and capital needs, which could have a material adverse effect on our business.

The terms of our primary credit facility impose operating and financial restrictions on us that may impair our ability to respond to changing business and economic conditions. These restrictions could have a significant adverse impact on our business. Additionally, our business could suffer if our ability to acquire financing is reduced or eliminated.

We maintain a secured credit agreement with Wells Fargo Bank, N.A., which provides us with a secured revolving credit facility until September 1, 2013 of up to \$25.0 million, which, pursuant to an accordion feature, may be increased to \$35.0 million at our discretion. The credit agreement contains a number of restrictions and covenants that generally limit our ability to, among other things, (1) incur additional debt, (2) undergo a change in ownership and (3) enter into certain transactions. The credit agreement also contains financial covenants that require us to meet certain specified financial tests and ratios, including, a maximum net loss not to exceed \$10.0 million after taxes on a trailing four-quarter basis provided, that, there shall be added to net income all charges for impairment of goodwill and store assets not to exceed \$5.0 million in aggregate, and a minimum quick ratio of 1.25. The quick ratio is defined as our cash and near cash equivalents plus certain defined receivables divided by the outstanding borrowings. Our accounts receivable, general intangibles, inventory and equipment have been pledged to secure our obligations under the credit agreement. We must also provide financial information and statements to our lender. We were in compliance with all such covenants at February 2, 2013. There were no outstanding borrowings under the secured revolving credit facility at February 2, 2013 and January 28, 2012. We had open commercial letters of credit outstanding under our secured revolving credit facility of \$0.2 million at February 2, 2013 and \$0.9 million at January 28, 2012.

A breach of any of these restrictive covenants or our inability to comply with the required financial tests and ratios could result in a default under the credit agreement. If a default occurs, the lender may elect to declare all borrowings outstanding, together with accrued interest and other fees, to be immediately due and payable. If we are unable to repay outstanding borrowings when due, whether at their maturity or if declared due and payable by the lender following a default, the lender has the right to proceed against the collateral granted to it to secure the indebtedness. As a result, any breach of these covenants or failure to comply with these tests and ratios could have a material adverse effect on us. There can be no assurance that we will not breach the covenants or fail to comply with the tests and ratios in our credit agreement or any other debt agreements we may enter into in the future and, if a breach occurs, there can be no assurance that we will be able to obtain necessary waivers or amendments from the lenders.

The restrictions contained in our credit agreement could: (1) limit our ability to plan for or react to market conditions or meet capital needs or otherwise restrict our activities or business plans; and (2) adversely affect our ability to finance our operations, strategic acquisitions, investments or other capital needs or to engage in other business activities that would be in our interest.

Additionally, in the current economic environment, we cannot be assured that our borrowing relationship with our lenders will continue or that our lenders will remain able to support their commitments to us in the future. If our lenders fail to do so, then we may not be able to secure alternative financing on commercially reasonable terms, or at all.

Our business could suffer if a manufacturer fails to use acceptable labor practices.

We do not control our vendors or the manufacturers that produce the products we buy from them, nor do we control the labor practices of our vendors and these manufacturers. The violation of labor or other laws by any of our vendors or these manufacturers, or the divergence of the labor practices followed by any of our vendors or these manufacturers from those generally accepted as ethical in the U.S., could interrupt, or otherwise disrupt, the shipment of finished products to us or damage our reputation. Any of these, in turn, could have a material adverse effect on our financial condition and results of operations. In that regard, most of the products we sell are manufactured overseas, primarily in Asia and Central America, which may increase the risk that the labor practices followed by the manufacturers of these products may differ from those considered acceptable in the U.S.

Additionally, our products are subject to regulation of and regulatory standards set by various governmental authorities with respect to quality and safety. Regulations and standards in this area are currently in place. These regulations and standards may change from time to time. Our inability to comply on a timely basis with regulatory requirements could result in significant fines or penalties, which could adversely affect our reputation and sales. Issues with the quality and safety of merchandise we sell, regardless of our culpability, or customer concerns about such issues, could result in damage to our reputation, lost sales, uninsured product liability claims or losses, merchandise recalls and increased costs.

Our failure to adequately anticipate a correct mix of private label merchandise may have a material adverse effect on our business.

Sales from private label merchandise account for approximately 15% to 20% of our net sales and generally carry higher gross margins than our other merchandise. We may take steps to increase the percentage of net sales of private label merchandise in the future, although there can be no assurance that we will be able to achieve increases in private label merchandise sales as a percentage of net sales. Our failure to anticipate, identify and react in a timely manner to fashion trends with our private label merchandise, could have a material adverse effect on our comparable store sales, financial condition and results of operations.

If our information systems hardware or software fails to function effectively or does not scale to keep pace with our planned growth, our operations could be disrupted and our financial results could be harmed.

If our information systems and software do not work effectively, this could adversely impact the promptness and accuracy of our transaction processing, financial accounting and reporting and our ability to manage our business and properly forecast operating results and cash requirements. Additionally, we rely on third-party service providers for certain information systems functions. If a service provider fails to provide the data quality, communications capacity or services we require, the failure could interrupt our services and could have a material adverse effect on our business, financial condition and results of operations. To manage the anticipated growth of our operations and personnel, we may need to continue to improve our operational and financial systems, transaction processing, procedures and controls, and in doing so could incur substantial additional expenses that could impact our financial results.

The security of our databases that contain personal information of our retail customers could be breached, which could subject us to adverse publicity, litigation and expenses. In addition, if we are unable to comply with security standards created by the credit card industry, our operations could be adversely affected.

Database privacy, network security and identity theft are matters of growing public concern. In an attempt to prevent unauthorized access to our network and databases containing confidential, third-party information, we have installed privacy protection systems, devices and activity monitoring on our networks. Nevertheless, if unauthorized parties gain access to our networks or databases, they may be able to steal, publish, delete or modify our private and sensitive third-party information. In such circumstances, we could be held liable to our customers or other parties or be subject to regulatory or other actions for breaching privacy rules. This could result in costly investigations and litigation, civil or criminal penalties and adverse publicity that could adversely affect our financial condition, results of operations and reputation. Further, if we are unable to comply with the security standards established by banks and the credit card industry, we may be subject to fines, restrictions and expulsion from card acceptance programs, which could adversely affect our retail operations.

Our inability or failure to protect our intellectual property or our infringement of other's intellectual property could have a negative impact on our operating results.

We believe that our trademarks and domain names are valuable assets that are critical to our success. The unauthorized use or other misappropriation of our trademarks or domain names could diminish the value of the Zumiez or Blue Tomato brands, our store concepts, our private label brands or our goodwill and cause a decline in our net sales. Although we have secured or are in the process of securing protection for our trademarks and domain names in a number of countries outside of the U.S., there are certain countries where we do not currently have or where we do not currently intend to apply for protection for certain trademarks or at all. Also, the efforts we have taken to protect our trademarks may not be sufficient or effective. Therefore, we may not be able to prevent other persons from using our trademarks or domain names outside of the U.S., which also could adversely affect our business. We are also subject to the risk that we may infringe on the intellectual property rights of third parties. Any infringement or other intellectual property claim made against us, whether or not it has merit, could be time-consuming, result in costly litigation, cause product delays or require us to pay royalties or license fees. As a result, any such claim could have a material adverse effect on our operating results.

The effects of war or acts of terrorism could adversely affect our business.

Most of our stores are located in shopping malls. Any threat of terrorist attacks or actual terrorist events, particularly in public areas, could lead to lower customer traffic in shopping malls. In addition, local authorities or mall management could close shopping malls in response to security concerns. Mall closures, as well as lower customer traffic due to security concerns, could result in decreased sales. Additionally, the armed conflicts in the Middle East, or the threat, escalation or commencement of war or other armed conflict elsewhere, could significantly diminish consumer spending, and result in decreased sales for us. Decreased sales could have a material adverse effect on our business, financial condition and results of operations.

The outcome of litigation could have a material adverse effect on our business, and may result in substantial costs and could divert management's attention.

We are involved, from time to time, in litigation incidental to our business including complaints filed by investors. This litigation could result in substantial costs, and could divert management's attention and resources, which could harm our business. Risks associated with legal liability are often difficult to assess or quantify, and their existence and magnitude can remain unknown for significant periods of time. There can be no assurance that the actual outcome of pending or future litigation will not have a material adverse effect on our results of operations or financial condition. Additionally, while we maintain director and officer liability insurance for litigation surrounding investor lawsuits, the amount of insurance coverage may not be sufficient to cover a claim and the continued availability of this insurance cannot be assured.

Our operations expose us to the risk of litigation, which could lead to significant potential liability and costs that could harm our business, financial condition or results of operations.

We employ a substantial number of full-time and part-time employees, a majority of whom are employed at our store locations. As a result, we are subject to a large number of federal, state and foreign laws and regulations relating to employment. This creates a risk of potential claims that we have violated laws related to discrimination and harassment, health and safety, wage and hour laws, criminal activity, personal injury and other claims. We are also subject to other types of claims in the ordinary course of our business. Some or all of these claims may give rise to litigation, which could be time-consuming for our management team, costly and harmful to our business.

In addition, we are exposed to the risk of class action litigation. The costs of defense and the risk of loss in connection with class action suits are greater than in single-party litigation claims. Due to the costs of defending against such litigation, the size of judgments that may be awarded against us, and the loss of significant management time devoted to such litigation, we cannot assure you that such litigation will not disrupt our business or impact our financial results.

Our failure to comply with federal, state, local or foreign laws, or changes in these laws, could have an adverse impact on our results of operations and financial performance.

Our business is subject to a wide array of laws and regulations. Changes in the regulations, the imposition of additional regulations, or the enactment of any new legislation including those related to health care, taxes, privacy, environmental issues and trade, could adversely affect our results of operations or financial condition.

Enacted federal health care legislation could increase our expenses.

We are self-insured with respect to our health care coverage in the U.S. and do not purchase third party insurance for the health insurance benefits provided to employees with the exception of pre-defined stop loss coverage, which helps limit the cost of large claims. In March 2010, The Patient Protection and Affordable Care Act was enacted requiring employers such as us to provide health insurance for all qualifying employees or pay penalties for not providing coverage. The most significant increases in cost will occur in fiscal 2014. We are evaluating the impact the new law will have on us, and although we cannot predict with certainty the financial and operational impacts the new law will have, we expect to be required to provide health benefits to more employees than we currently do, which could raise our labor costs. While the majority of these costs will begin in fiscal 2014, there is no assurance that we will be able to absorb and/or pass through the costs of such legislation in a manner that will not adversely impact our results or operations.

We have incurred and will continue to incur significant expenses as a result of being a public company, which will negatively impact our financial performance.

We completed our initial public offering in May 2005 and we have incurred and could continue to incur significant legal, accounting, insurance and other expenses as a result of being a public company. Rules and

regulations implemented by Congress, the SEC and the Nasdaq Global Select Market have required changes in corporate governance practices of public companies. Compliance with these laws could cause us to incur significant costs and expenses, including legal and accounting costs, and could make some compliance activities more time-consuming and negatively impact our financial performance. Additionally, these rules and regulations may make it more expensive for us to obtain director and officer liability insurance. As a result, it may be more difficult for us to attract and retain qualified persons to serve on our board of directors or as officers.

Failure to maintain adequate financial and management processes and controls could lead to errors in our financial reporting and could harm our ability to manage our expenses.

Reporting obligations as a public company and our anticipated growth, both domestically and internationally, are likely to place a considerable strain on our financial and management systems, processes and controls, as well as on our personnel. In addition, we are required to document and test our internal controls over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 so that our management can certify as to the effectiveness of our internal controls and our independent registered public accounting firm can render an opinion on the effectiveness of our internal control over financial reporting on an annual basis. This process requires us to document our internal controls over financial reporting and to potentially make significant changes thereto, if applicable. As a result, we have incurred and expect to continue to incur substantial expenses to test our financial controls and systems, and we have been and in the future may be required to improve our financial and managerial controls, reporting systems and procedures, to incur substantial expenses to make such improvements and to hire additional personnel. If our management is ever unable to certify the effectiveness of our internal controls or if our independent registered public accounting firm cannot render an opinion on the effectiveness of our internal control over financial reporting, or if material weaknesses in our internal controls are ever identified, we could be subject to regulatory scrutiny and a loss of public confidence, which could have a material adverse effect on our business and our stock price. In addition, if we do not maintain adequate financial and management personnel, processes and controls, we may not be able to accurately report our financial performance on a timely basis, which could cause a decline in our stock price and adversely affect our ability to raise capital.

Changes to accounting rules or regulations could significantly affect our financial results.

Our consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”). New accounting rules or regulations and changes to existing accounting rules or regulations have occurred and may occur in the future. Future changes to accounting rules or regulations, such as changes to lease accounting guidance or a requirement to convert to international financial reporting standards, could negatively affect our results of operations and financial condition through increased cost of compliance.

We may fail to meet analyst expectations, which could cause the price of our stock to decline.

Our common stock is traded publicly and various securities analysts follow our financial results and issue reports on us. These reports include information about our historical financial results as well as the analysts’ estimates of our future performance. The analysts’ estimates are based upon their own independent opinions and can be different from our estimates or expectations. If our operating results are below the estimates or expectations of public market analysts and investors, our stock price could decline. In December 2007, a securities class action litigation and associated derivative lawsuits was brought against us and such actions are frequently brought against other companies following a decline in the market price of their securities. These lawsuits were dismissed with prejudice in March 2009. If our stock price is volatile, we may become involved in this type of litigation in the future. Any litigation could result in substantial costs and a diversion of management’s attention and resources that are needed to successfully run our business.

The value of our investments may fluctuate.

We have our excess cash primarily invested in state and local municipal securities, corporate debt securities and variable-rate demand notes. These investments have historically been considered very safe investments with minimal default rates. At February 2, 2013, we had \$87.6 million of investments in state and local government securities and variable-rate demand notes. These securities are not guaranteed by the U.S. government and are subject to additional credit risk based upon each local municipality's tax revenues and financial stability. As a result, we may experience a reduction in value or loss of liquidity of our investments, which may have a negative adverse effect on our results of operations, liquidity and financial condition.

A decline in the market price of our stock and our performance may trigger an impairment of the goodwill and other indefinite-lived intangible assets recorded on the consolidated balance sheets.

Goodwill and other indefinite-lived intangible assets are required to be tested for impairment at least annually or more frequently if management believes indicators of impairment exist. Any reduction in the carrying value of our goodwill or other indefinite-lived intangible assets as a result of our impairment analysis could result in a non-cash impairment charge. An impairment charge could have a significant impact on earnings and potentially result in a violation of our financial covenants, thereby limiting our ability to secure short-term financing.

Reduced operating results and cash flows may cause us to incur impairment charges.

We review the carrying value of our fixed assets for impairment whenever events or changes in circumstances indicate that the carrying value of such asset may not be recoverable. The review could result in a non-cash impairment charge related to underperforming stores, which could impact our results of operations.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

All of our stores are occupied under operating leases and encompassed approximately 1,480,000 total square feet at February 2, 2013.

We own approximately 356,000 square feet of developable land in Lynnwood, Washington, and completed construction of our new 63,071 square foot global home office in fiscal 2012. Additionally, we lease 12,917 square feet of office space in Schladming, Austria for our European home office.

We own a 168,450 square foot building in Corona, California that serves as our domestic warehouse and distribution center. We lease 94,428 square feet of a facility in Edwardsville, Kansas that serves as our domestic ecommerce fulfillment center. This lease expires in 2022 and we have the option to lease up to 153,095 square feet of the facility under this lease agreement.

We lease a 51,667 square feet combined distribution and ecommerce fulfillment center in Graz, Austria that supports our Blue Tomato ecommerce and store operations in Europe.

Additionally, we are under lease for a 59,972 square foot location in Everett, Washington that was previously used for a portion of our combined home office and ecommerce fulfillment center. This lease expires in 2017. See Note 19, "Exit and Disposal Activities," in the Notes to Consolidated Financial Statements found in Part IV Item 15 of this Form 10-K, for additional information related to this location.

Item 3. LEGAL PROCEEDINGS

We are involved from time to time in litigation incidental to our business. We believe that the outcome of current litigation is not expected to have a material adverse effect on our results of operations or financial condition.

See Note 11, “Commitments and Contingencies,” and Note 22, “Subsequent Event,” in the Notes to Consolidated Financial Statements found in Part IV Item 15 of this Form 10-K, for additional information related to legal proceedings.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock is traded on the Nasdaq Global Select Market under the symbol "ZUMZ." At February 2, 2013, there were 30,113,878 shares of common stock outstanding. The following table sets forth the high and low sales prices for our common stock on the Nasdaq Global Select Market for fiscal 2012 and fiscal 2011.

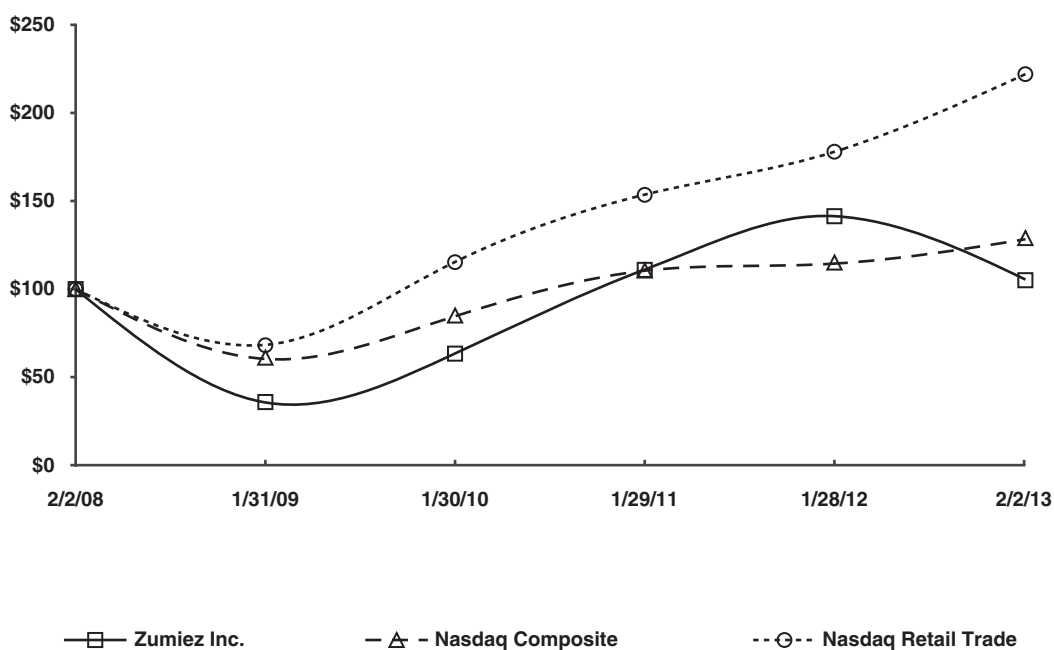
<u>Fiscal 2012</u>	<u>High</u>	<u>Low</u>
First Fiscal Quarter (January 29, 2012—April 28, 2012)	\$38.79	\$27.66
Second Fiscal Quarter (April 29, 2012—July 28, 2012)	\$41.96	\$31.65
Third Fiscal Quarter (July 29, 2012—October 27, 2012)	\$38.57	\$24.60
Fourth Fiscal Quarter (October 28, 2012—February 2, 2013)	\$26.94	\$17.93
<u>Fiscal 2011</u>	<u>High</u>	<u>Low</u>
First Fiscal Quarter (January 30, 2011—April 30, 2011)	\$29.88	\$22.13
Second Fiscal Quarter (May 1, 2011—July 30, 2011)	\$30.90	\$21.91
Third Fiscal Quarter (July 31, 2011—October 29, 2011)	\$27.23	\$15.85
Fourth Fiscal Quarter (October 30, 2011—January 28, 2012)	\$32.49	\$20.74

Performance Measurement Comparison

The following graph shows a comparison for total cumulative returns for Zumiez Inc., the Nasdaq Composite Index and the Nasdaq Retail Trade Index during the period commencing on February 2, 2008 and ending on February 2, 2013. The comparison assumes \$100 was invested on February 2, 2008 in each Zumiez, the Nasdaq Composite Index and the Nasdaq Retail Trade Index, and assumes the reinvestment of all dividends, if any. The comparison in the following graph and table is required by the SEC and is not intended to be a forecast or to be indicative of future Company common stock performance.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Zumiez Inc., the Nasdaq Composite Index,
and the Nasdaq Retail Trade Index



*\$100 invested on 2/2/08 in stock or 1/31/08 in index, including reinvestment of dividends.
Indexes calculated on month-end basis.

	2/2/08	1/3/09	1/30/10	1/29/11	1/28/12	2/2/13
Zumiez Inc.	\$100.00	\$35.68	\$ 63.52	\$111.33	\$141.37	\$105.34
Nasdaq Composite	100.00	60.26	84.82	110.53	114.46	128.46
Nasdaq Retail Trade	100.00	68.37	115.76	153.63	178.14	221.93

Holder of the Company's Capital Stock

We had 326 shareholders of record as of March 1, 2013.

Dividends

No cash dividends have been declared on our common stock to date nor have any decisions been made to pay a dividend in the foreseeable future. Payment of dividends is evaluated on a periodic basis.

Recent Sales of Unregistered Securities

None

Issuer Purchases of Equity Securities

The following table presents information with respect to purchases of our common stock made during the fourteen weeks ended February 2, 2013 (in thousands, except average price paid per share):

<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)</u>	<u>Dollar Value of Shares that May Yet be Repurchased Under the Plans or Programs (1)</u>
October 28, 2012—November 24, 2012	—	\$ —	—	\$ 22,000
November 25, 2012—December 29, 2012 . . .	1,081	20.36	1,081	20,000
December 30, 2012—February 2, 2013	<u>184</u>	20.86	<u>184</u>	16,155
Total	<u>1,265</u>		<u>1,265</u>	

- (1) The share repurchase program is conducted under authorizations made from time to time by our Board of Directors. In November 2012, we publicly announced that our Board of Directors authorized us to repurchase up to \$22.0 million of our common stock. This repurchase program was completed in December 2012. In December 2012, we publicly announced that our Board of Directors authorized us to repurchase up to an additional \$20.0 million of our common stock. The repurchase program is expected to continue through fiscal 2013 that will end on February 1, 2014, unless the time period is extended or shortened by the Board of Directors.

Item 6. SELECTED FINANCIAL DATA

The following selected consolidated financial information has been derived from our audited Consolidated Financial Statements. The data should be read in conjunction with our Consolidated Financial Statements and the notes thereto, and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere herein.

	Fiscal Year Ended				
	February 2, 2013 (1)	January 28, 2012	January 29, 2011	January 30, 2010	January 31, 2009
Statement of Operations Data (in thousands, except per share data):					
Net sales	\$669,393	\$555,874	\$478,849	\$407,603	\$408,669
Cost of goods sold	428,109	354,198	311,028	274,396	274,134
Gross profit	241,284	201,676	167,821	133,207	134,535
Selling, general and administrative expenses	172,742	141,444	130,454	120,472	109,927
Operating profit	68,542	60,232	37,367	12,735	24,608
Interest income, net	1,410	1,836	1,496	1,176	2,059
Other income (expense), net	327	(379)	(8)	96	36
Earnings before income taxes	70,279	61,689	38,855	14,007	26,703
Provision for income taxes	28,115	24,338	14,652	4,876	9,499
Net income	<u>\$ 42,164</u>	<u>\$ 37,351</u>	<u>\$ 24,203</u>	<u>\$ 9,131</u>	<u>\$ 17,204</u>
Earnings per share:					
Basic	<u>\$ 1.37</u>	<u>\$ 1.22</u>	<u>\$ 0.81</u>	<u>\$ 0.31</u>	<u>\$ 0.59</u>
Diluted	<u>\$ 1.35</u>	<u>\$ 1.20</u>	<u>\$ 0.79</u>	<u>\$ 0.30</u>	<u>\$ 0.58</u>
Weighted average shares outstanding:					
Basic	30,742	30,527	29,971	29,499	29,127
Diluted	31,273	31,119	30,794	30,133	29,694
Other Financial Data (in thousands, except gross margin and operating margin):					
Gross margin (2)	36.0%	36.3%	35.0%	32.7%	32.9%
Operating margin (3)	10.2%	10.8%	7.8%	3.1%	6.0%
Capital expenditures	\$ 41,070	\$ 25,508	\$ 29,124	\$ 16,004	\$ 28,349
Depreciation, amortization and accretion	\$ 22,957	\$ 19,744	\$ 17,923	\$ 22,092	\$ 19,470
Store Data:					
Number of stores open at end of period	500	444	400	377	343
Comparable store sales increase (decrease) (4)	5.0%	8.7%	11.9%	(10.0%)	(6.5%)
Net sales per store (5) (in thousands)	\$ 1,240	\$ 1,210	\$ 1,162	\$ 1,081	\$ 1,240
Total store square footage (6) (in thousands)	1,480	1,308	1,174	1,107	1,005
Average square footage per store (7)	2,961	2,945	2,935	2,937	2,930
Net sales per square foot (8)	\$ 421	\$ 411	\$ 396	\$ 367	\$ 424

	<u>February 2, 2013</u>	<u>January 28, 2012</u>	<u>January 29, 2011</u>	<u>January 30, 2010</u>	<u>January 31, 2009</u>
Balance Sheet Data (in thousands):					
Cash, cash equivalents and current marketable securities	\$103,172	\$172,798	\$128,801	\$108,051	\$ 78,582
Working capital (9)	146,115	197,927	155,400	133,927	112,092
Total assets	409,098	362,157	301,631	260,265	233,349
Total long-term liabilities	48,478	34,304	29,435	27,802	24,177
Total shareholders' equity	303,421	272,277	226,735	192,676	177,951

- (1) The fiscal year ended February 2, 2013 consisted of 53 weeks. All other fiscal years presented consisted of 52 weeks. Additionally, in July 2012, we acquired Blue Tomato for cash consideration of 59.5 million Euros (\$74.8 million).
- (2) Gross margin represents gross profit divided by net sales.
- (3) Operating margin represents operating profit divided by net sales.
- (4) Comparable store sales percentage changes are calculated by comparing comparable store sales for the applicable fiscal year to comparable store sales for the prior fiscal year. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—General" for more information about how we compute comparable store sales.
- (5) Net sales per store represents net sales, excluding ecommerce sales, for the period divided by the average number of stores open during the period. For purposes of this calculation, the average number of stores open during the period is equal to the sum of the number of stores open as of the end of each month during the fiscal year divided by the number of months in the fiscal year.
- (6) Total store square footage includes retail selling, storage and back office space at the end of the fiscal year.
- (7) Average square footage per store is calculated based on the total store square footage at the end of the fiscal year, including retail selling, storage and back office space, of all stores open at the end of the fiscal year.
- (8) Net sales per square foot represents net sales, excluding ecommerce sales, for the period divided by the average square footage of stores open during the period. For purposes of this calculation, the average square footage of stores open during the period is equal to the sum of the total square footage of the stores open as of the end of each month during the fiscal year divided by the number of months in the fiscal year.
- (9) Working capital is defined as current assets minus current liabilities.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this document. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those discussed in "Item 1A Risk Factors." See the cautionary note regarding forward-looking statements set forth at the beginning of Part I of the Annual Report on Form 10-K.

Fiscal 2012—A Review of This Past Year

In fiscal 2012, Zumiez achieved record sales and earnings levels and continued to build on the momentum we had seen in fiscal 2011. During the year, we continued to make strategic investments that we believe will reap long-term benefits focused on enhancing the customer experience across multiple sales channels, domestic and international growth and on our people and infrastructure aimed at improving decision making and product speed to market. In July 2012, we completed the acquisition of Blue Tomato. Blue Tomato is a multi-channel retailer

for board sports and related apparel and footwear in the European marketplace. The Blue Tomato acquisition represents a presence in the European action sports market with an established brand identity and operational philosophies that are strategically aligned with Zumiez.

The following table shows net sales, operating profit and margin and diluted earnings per share growth for fiscal 2012 compared to fiscal 2011. The fiscal 2012 results include \$7.3 million in costs associated with the acquisition of Blue Tomato, including one-time acquisition costs, amortization of intangible assets and the costs associated with the future incentive payments related to the transaction as well as \$2.1 million in charges for the relocation of our home office and ecommerce fulfillment center:

	Fiscal Year Ended		
	February 2, 2013 (1)	January 28, 2012	% Change
Net sales (in thousands)	\$669,393	\$555,874	20%
Operating profit (in thousands)	\$ 68,542	\$ 60,232	14%
Operating margin	10.2%	10.8%	
Diluted earnings per share	\$ 1.35	\$ 1.20	13%

(1) The fiscal year ended February 2, 2013 consisted of 53 weeks versus 52 weeks in the fiscal year ended January 28, 2012.

The increase in net sales reflected a comparable store sales increase of 5.0% for fiscal 2012 as well as the net addition of 56 stores (61 new or acquired stores offset by five store closures), which includes the acquisition of Blue Tomato during the second quarter of fiscal 2012. The increase in comparable stores sales was primarily driven by an increase in dollars per transaction partially offset by a decrease in comparable store transactions. Dollars per transaction increased primarily due to an increase in average unit retail, partially offset by a decline in units per transaction. These sales results were achieved with record product margins, demonstrating the strength of our distinctive product offering and the unique customer experience our store associates provide. As a result of our continued focus on managing our cost structure, these sales results translated into strong operating profit and diluted earnings per share growth despite the impact of charges related to the acquisition costs associated with Blue Tomato and relocation of our home office and ecommerce fulfillment center.

While the results of fiscal 2012 were positive, the back half of the year trended downward, particularly in the fourth quarter when same store sales decreased 1.0%. Contributing to these results were category challenges as we faced headwinds, such as footwear and snow hardgoods and outerwear.

Fiscal 2013—A Look At the Upcoming Year

As we enter fiscal 2013, we continue to face some of the challenges we encountered during the second half of fiscal 2012. In addition, we believe that consumers continue to face challenging economic conditions and uncertainty both domestically and globally that cause concern in the retail environment and lead us to be cautious in our outlook for the coming year. However, regardless of the macro economic landscape, we believe that we are well positioned to perform well relative to other retailers by staying true to what makes us unique while continuing to make return based investments.

Long-term we aim to grow sales annually and grow operating profit at a faster rate than sales by focusing on our growth initiatives while managing our cost structure. Our primary growth vehicles are:

1. Initiatives that drive comparable store sales gains;
2. Opening high return stores;
3. Ecommerce penetration; and
4. International growth

In fiscal 2013, we expect total sales to increase driven by an increase in comparable store sales, the opening of approximately 60 new stores, including approximately 15 stores through international expansion in Canada and Europe, increased sales from our ecommerce channel and a full year of sales attributed to the Blue Tomato acquisition. If we achieve our sales projections, we expect earnings will increase. We will make further investments in people and infrastructure in fiscal 2013, building on the progress we have made through fiscal 2012, primarily focused on the development of our omni-channel sales strategies and our international growth. We anticipate inventory levels per square foot to grow slightly. We expect our cash, short-term investments and working capital to increase, and do not anticipate any new borrowings during the year.

General

Net sales constitute gross sales net of actual and estimated returns, deductions for promotions and shipping revenue. Net sales include our in-store sales and our ecommerce sales. We record the sale of gift cards as a current liability and recognize revenue when a customer redeems a gift card. Additionally, the portion of gift cards that will not be redeemed (“gift card breakage”) is recognized in net sales after 24 months, at which time the likelihood of redemption is considered remote based on our historical redemption data.

We report “comparable store sales” based on net sales beginning on the first anniversary of the first day of operation of a new store or ecommerce business. We operate a sales strategy that integrates our stores with our ecommerce platform. There is significant interaction between our in-store sales and our ecommerce sales channels and we believe that they are utilized in tandem to serve our customers. Therefore, our comparable store sales also include our ecommerce sales. Changes in our comparable store sales between two periods are based on net sales of “in-store” or ecommerce businesses which were in operation during both of the two periods being compared and, if a in-store or ecommerce business is included in the calculation of comparable store sales for only a portion of one of the two periods being compared, then that in-store or ecommerce business is included in the calculation for only the comparable portion of the other period. Any change in square footage of an existing comparable store, including remodels and relocations, does not eliminate that store from inclusion in the calculation of comparable store sales. Any store or ecommerce business that we acquire will be included in the calculation of comparable store sales after the first anniversary of the acquisition date. As such, Blue Tomato results will not be included in the calculation of comparable store sales until July 2013. There may be variations in the way in which some of our competitors and other apparel retailers calculate comparable or same store sales. As a result, data herein regarding our comparable store sales may not be comparable to similar data made available by our competitors or other retailers.

Cost of goods sold consists of branded merchandise costs and our private label merchandise costs including design, sourcing, importing and inbound freight costs. Our cost of goods sold also includes shrinkage, buying, occupancy, ecommerce fulfillment, distribution and warehousing costs (including associated depreciation) and freight costs for store merchandise transfers. This may not be comparable to the way in which our competitors or other retailers compute their cost of goods sold. Cash consideration received from vendors, is reported as a reduction of cost of goods sold if the inventory has sold, a reduction of the carrying value of the inventory if the inventory is still on hand, or a reduction of selling, general and administrative expense if the amounts are reimbursements of specific, incremental and identifiable costs of selling the vendors’ products.

With respect to the freight component of our ecommerce sales, amounts billed to our customers are included in net sales and the related freight cost is charged to cost of goods sold.

Selling, general and administrative expenses consist primarily of store personnel wages and benefits, administrative staff and infrastructure expenses, freight costs for merchandise shipments from the distribution centers to the stores, store supplies, depreciation on fixed assets at our home office and stores, facility expenses and training, advertising and marketing costs. Credit card fees, insurance, public company expenses, legal expenses, amortization of intangibles and other miscellaneous operating costs are also included in selling, general and administrative expenses. This may not be comparable to the way in which our competitors or other retailers compute their selling, general and administrative expenses.

Key Performance Indicators

Our management evaluates the following items, which we consider key performance indicators, in assessing our performance:

Comparable store sales. As previously described in detail under the caption “General,” comparable store sales provide a measure of sales growth for stores and ecommerce businesses open at least one year over the comparable prior year period.

We consider comparable store sales to be an important indicator of our current performance. Comparable store sales results are important to achieve leveraging of our costs, including store payroll and store occupancy. Comparable store sales also have a direct impact on our total net sales, operating profit, cash and working capital.

Gross profit. Gross profit measures whether we are optimizing the price and inventory levels of our merchandise. Gross profit is the difference between net sales and cost of goods sold. Any inability to obtain acceptable levels of initial markups or any significant increase in our use of markdowns could have an adverse effect on our gross profit and results of operations.

Operating profit. We view operating profit as a key indicator of our success. The key drivers of operating profit are comparable store sales, gross profit, our ability to control selling, general and administrative expenses and our level of capital expenditures affecting depreciation expense.

Critical Accounting Estimates

Our consolidated financial statements are prepared in accordance with U.S. GAAP. In connection with the preparation of our consolidated financial statements, we are required to make assumptions and estimates about future events, and apply judgments that affect the reported amounts of assets, liabilities, revenue, expenses and the related disclosures. We base our assumptions, estimates and judgments on historical experience, current trends and other factors that management believes to be relevant at the time our consolidated financial statements are prepared. On a regular basis, we review the accounting policies, assumptions, estimates and judgments to ensure that our consolidated financial statements are presented fairly and in accordance with U.S. GAAP. However, because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such differences could be material.

Our significant accounting policies are discussed in Note 2, “Summary of Significant Accounting Policies,” in the Notes to Consolidated Financial Statements found in Part IV Item 15 of this Form 10-K. We believe that the following accounting estimates are the most critical to aid in fully understanding and evaluating our reported financial results, and they require our most difficult, subjective or complex judgments, resulting from the need to make estimates about the effect of matters that are inherently uncertain.

Description	Judgments and Uncertainties	Effect If Actual Results Differ From Assumptions
<i>Valuation of Merchandise Inventories</i>		
<p>We value our inventory at the lower of cost or fair market value through the establishment of write-down and inventory loss reserves.</p> <p>Our write-down reserve represents the excess of the carrying value over the amount we expect to realize from the ultimate sales or other disposal of the inventory. Write-downs establish a new cost basis for our inventory. Subsequent changes in facts or circumstances do not result in the restoration of previously recorded write-downs or an increase in that newly established cost basis.</p> <p>Our inventory loss reserve represents anticipated physical inventory losses (“shrinkage reserve”) that have occurred since the last physical inventory dates.</p>	<p>Our write-down reserve contains uncertainties because the calculation requires management to make assumptions based on the current rate of sales, the age and profitability of inventory and other factors.</p> <p>Our shrinkage reserve contains uncertainties because the calculation requires management to make assumptions and to apply judgment regarding a number of factors, including historical percentages that can be affected by changes in merchandise mix and changes in actual shrinkage trends.</p>	<p>We have not made any material changes in the accounting methodology used to calculate our write-down and shrinkage reserves in the past three fiscal years. We do not believe there is a reasonable likelihood that there will be a material change in the future estimates or assumptions we use to calculate our inventory reserves. However, if actual results are not consistent with our estimates and assumptions, we may be exposed to losses or gains that could be material.</p> <p>A 10% decrease in ultimate sales price at February 2, 2013 would have decreased net income by \$0.1 million in fiscal 2012.</p> <p>A 10% increase in actual physical inventory shrinkage reserved at February 2, 2013 would have decreased net income by \$0.2 million in fiscal 2012.</p>
<i>Fixed Assets</i>		
<p>We review the carrying value of our fixed assets for impairment whenever events or changes in circumstances indicate that the carrying value of such asset may not be recoverable.</p> <p>Recoverability of assets to be held and used is determined by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered impaired, the impairment recognized is measured by comparing the projected discounted cash flow of the asset to the asset carrying value. Declines in projected cash flow of the assets could result in impairment.</p> <p>The actual economic lives of our fixed assets may be different from our estimated useful lives, thereby resulting in a different carrying value. These evaluations could result in a change in the depreciable lives of these assets and therefore our depreciation expense in future periods.</p>	<p>Our impairment loss calculations contain uncertainties because they require management to make assumptions and to apply judgment to estimate future cash flows and asset fair values, including forecasting future sales, gross profit and operating expenses.</p> <p>Our fixed assets accounting methodology contains uncertainties because it requires management to make estimates with respect to the useful lives of our fixed assets that we believe are reasonable.</p>	<p>We do not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions we use to calculate fixed asset impairment losses. However, if actual results are not consistent with our estimates and assumptions, our operating results could be adversely affected.</p> <p>Although management believes that the current useful lives estimates assigned to our fixed assets are reasonable, factors could cause us to change our estimates, thus affecting the future calculation of depreciation.</p>

Description	Judgments and Uncertainties	Effect If Actual Results Differ From Assumptions
<p>Revenue Recognition</p> <p>Revenue is recognized upon purchase at our retail store locations. For our ecommerce sales, revenue is recognized upon estimated delivery to the customer. Revenue is recorded net of estimated and actual sales returns and deductions for promotions.</p> <p>Revenue is not recorded on the sale of gift cards. We record the sale of gift cards as a current liability and recognize revenue when a customer redeems a gift card. Additionally, an estimate of the portion of gift cards that is not expected to be redeemed (“gift card breakage”) is recognized in net sales after 24 months, at which time the likelihood of redemption is considered remote based on our historical redemption data.</p>	<p>Our revenue recognition accounting methodology contains uncertainties because it requires management to make assumptions regarding future sales returns and the amount and timing of gift cards projected to be redeemed by gift card recipients. Our estimate of the amount and timing of sales returns and gift cards to be redeemed is based primarily on historical transaction experience.</p>	<p>We have not made any material changes in the accounting methodology used to measure future sales returns or recognize revenue for our gift card program in the past three fiscal years. We do not believe there is a reasonable likelihood that there will be a material change in the future estimates or assumptions we use to recognize revenue. However, if actual results are not consistent with our estimates or assumptions, we may be exposed to losses or gains that could be material.</p> <p>A 10% increase in our sales return reserve at February 2, 2013 would have decreased net income by \$0.1 million in fiscal 2012.</p> <p>A 10% increase in our unredeemed gift card breakage life at February 2, 2013 would have decreased net income by \$0.3 million in fiscal 2012.</p>
<p>Stock-Based Compensation</p> <p>We maintain the Zumiez Inc. 2005 Equity Incentive Plan under which restricted stock and non-qualified stock options have been granted to employees and non-employee directors.</p> <p>We determine the fair value of our restricted stock awards based on the closing market price of our stock on the grant date. In determining the fair value of our stock options, we use the Black-Scholes option pricing model. The estimated fair value of stock-based awards is recognized as compensation expense over the vesting period, net of estimated forfeitures.</p>	<p>The calculation of stock-based compensation expense requires management to make assumptions and to apply judgment to estimate the number of stock awards that will ultimately vest and to determine the fair value of our stock option awards. These assumptions and judgments include estimating future employee turnover rates and the inputs to the Black-Scholes option pricing model, including expected term. Changes in these assumptions can materially affect our stock-based compensation expense.</p>	<p>We do not believe there is a reasonable likelihood there will be a material change in the future estimates or assumptions we use to determine stock-based compensation expense. However, if actual results are not consistent with our estimates or assumptions, we may be exposed to changes in stock-based compensation expense that could be material.</p>

Description	Judgments and Uncertainties	Effect If Actual Results Differ From Assumptions
<p><i>Accounting for Income Taxes</i></p> <p>As part of the process of preparing the consolidated financial statements, income taxes are estimated for each of the jurisdictions in which we operate. This process involves estimating actual current tax exposure together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included on the consolidated balance sheets. Valuation allowances may be established when necessary to reduce deferred tax assets to the amount expected to be realized.</p>	<p>Significant judgment is required in evaluating our tax positions and determining our provision for income taxes. During the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. For example, our effective tax rates could be adversely affected by earnings being lower than anticipated in jurisdictions where we have lower statutory rates and higher than anticipated in jurisdictions where we have higher statutory rates, by changes in the valuation of our deferred tax assets and liabilities or by changes in the relevant tax, accounting and other laws, regulations, principles and interpretations.</p>	<p>Although management believes that the income tax related judgments and estimates are reasonable, actual results could differ and we may be exposed to losses or gains that could be material.</p> <p>Upon income tax audit, any unfavorable tax settlement generally would require use of our cash and may result in an increase in our effective income tax rate in the period of resolution. A favorable tax settlement may be recognized as a reduction in our effective income tax rate in the period of resolution.</p>
<p><i>Accounting for Contingencies</i></p> <p>We are subject to various claims and contingencies related to lawsuits, insurance, regulatory and other matters arising out of the normal course of business. We accrue a liability if the likelihood of an adverse outcome is probable and the amount is estimable. If the likelihood of an adverse outcome is only reasonably possible (as opposed to probable), or if an estimate is not determinable, we provide disclosure of a material claim or contingency in the Notes to the Consolidated Financial Statements.</p>	<p>Significant judgment is required in evaluating our claims and contingencies, including determining the probability that a liability has been incurred and whether such liability is reasonably estimable. The estimated accruals for claims and contingencies are made based on the best information available, which can be highly subjective.</p>	<p>Although management believes that the contingencies related judgments and estimates are reasonable, our accrual for claims and contingencies could fluctuate as additional information becomes known, thereby creating variability in our results of operations from period to period. Additionally, actual results could differ and we may be exposed to losses or gains that could be material.</p>

Description	Judgments and Uncertainties	Effect If Actual Results Differ From Assumptions
<p><i>Goodwill and Other Indefinite-lived Intangible Assets</i></p> <p>We test goodwill and other indefinite-lived intangible assets for impairment on an annual basis, or as indicators of impairment are present.</p> <p>We have an option to first assess qualitative factors for our goodwill impairment analysis to determine whether it is necessary to perform the qualitative test based on whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If we chose not to perform the quantitative test, or we determine that it is more likely than not that the fair value of the reporting unit is less than the carrying amount, we perform a quantitative two-step impairment test.</p> <p>We test our indefinite-lived assets by estimating the fair value of the asset and comparing that to the carrying value, an impairment loss is recorded for the amount that carrying value exceeds the estimated fair value. The fair value of the trade names and trademarks is determined using the relief from royalty method, which requires management to make assumptions and to apply judgment, including forecasting future sales, expenses, discount rates and royalty rates.</p> <p><i>Future Incentive Payments</i></p> <p>In conjunction with our acquisition of Blue Tomato in July 2012, there is the possibility of future incentive payments to the sellers of Blue Tomato in an aggregate amount of up to 22.1 million Euros (\$30.1 million, using the exchange rate as of February 2, 2013) to the extent that certain financial metrics are met for the fiscal year ending April 30, 2015 and the sellers remain employed with Blue Tomato through April 30, 2015. Of the 22.1 million Euros future incentive payments, 17.1 million Euros (\$23.3 million) is payable in cash, while 5.0 million Euros (\$6.8 million) is payable in shares of our common stock. We estimate future incentive payments based on internal projections of future Blue Tomato financial performance.</p>	<p>Our goodwill and other indefinite-lived intangible assets impairment loss calculations contain uncertainties because they require management to make assumptions in the qualitative assessment of relevant events and circumstances and estimating the fair value of our reporting units and indefinite-lived intangible assets, including estimating future cash flows. These calculations contain uncertainties because they require management to make assumptions and to apply judgment to estimate economic factors and the profitability of future business operations and if necessary, the fair value of a reporting units' assets and liabilities. Further, our ability to realize the future cash flows used in our fair value calculations is affected by factors such as changes in economic conditions, changes in our operating performance and changes in our business strategies.</p> <p>Our future incentive payments calculation contains uncertainties because it requires management to make assumptions and to apply judgment to estimate future Blue Tomato performance, including forecasting future sales, gross profit, operating expenses, number of new stores and capital expenditures.</p>	<p>We do not believe there is a reasonable likelihood that there will be a material change in the future estimates or assumptions we use to test for impairment losses on goodwill and other indefinite-lived intangible assets. Based on the results of our annual impairment test for goodwill and other indefinite-lived intangible assets, no impairment was recorded. We believe based on our assessment discussed above our goodwill and other indefinite-lived intangible assets are not at risk of impairment. However, if actual results are not consistent with our estimates or assumptions or there are significant changes in any of these estimates, projections and assumptions it could have a material effect on the fair value of these assets in future measurement periods and result in an impairment which could materially affect our results of operations.</p> <p>Although management believes that the judgments and estimates related to the future incentive payments are reasonable, actual results could differ and we may be exposed to losses or gains that could be material.</p>

Results of Operations

The following table presents, for the periods indicated, selected items on the consolidated statements of income as a percent of net sales:

	Fiscal Year Ended		
	February 2, 2013	January 28, 2012	January 29, 2011
Net sales	100.0%	100.0%	100.0%
Cost of goods sold	64.0%	63.7%	65.0%
Gross profit	36.0%	36.3%	35.0%
Selling, general and administrative expenses	25.8%	25.5%	27.2%
Operating profit	10.2%	10.8%	7.8%
Interest and other income, net	0.3%	0.3%	0.3%
Earnings before income taxes	10.5%	11.1%	8.1%
Provision for income taxes	4.2%	4.4%	3.0%
Net income	6.3%	6.7%	5.1%

Fiscal 2012 Results Compared With Fiscal 2011

Net Sales

Fiscal 2012 had 53 weeks versus 52 weeks in fiscal 2011. Net sales numbers for the year include this additional week and fiscal 2012 comparable stores sales are compared to the comparable store sales for the 53 weeks ended February 4, 2012. Net sales were \$669.4 million for fiscal 2012 compared to \$555.9 million for fiscal 2011, an increase of \$113.5 million or 20.4%. The increase reflected a comparable store sales increase of 5.0% for fiscal 2012 as well as the net addition of 56 stores (61 new or acquired stores offset by five store closures), which includes the acquisition of Blue Tomato during the second quarter of fiscal 2012. Included in the results for fiscal 2012 were \$28.3 million in net sales of Blue Tomato.

The 5.0% increase in comparable store sales was a result of a 2.9% increase for our comparable in-store sales and a 31.8% increase for our comparable ecommerce sales. Total ecommerce sales represented 11.2% of sales for fiscal 2012, compared to 7.3% of sales for fiscal 2011, and this increase was driven by the growth in comparable ecommerce sales mentioned above and our Blue Tomato acquisition. The increase in comparable stores sales was primarily driven by an increase in dollars per transaction, partially offset by a decline in comparable store transactions. Dollars per transaction increased due to an increase in average unit retail, partially offset by a decrease in units per transaction. Comparable store sales increases in men's apparel, junior's apparel, footwear and hardgoods were partially offset by comparable store sales decreases in accessories and boy's apparel. For information as to how we define comparable store sales, see "General" above.

Gross Profit

Gross profit was \$241.3 million for fiscal 2012 compared to \$201.7 million for fiscal 2011, an increase of \$39.6 million, or 19.6%. As a percentage of net sales, gross profit decreased 30 basis points in fiscal 2012 to 36.0%. The decrease was primarily due to an 80 basis points increase in ecommerce fulfillment and ecommerce shipping expenses due to ecommerce sales increasing as a percentage of total sales and a 30 basis points impact of a \$2.2 million charge recorded during fiscal 2012 related to a step-up in inventory to estimated fair value in conjunction with our acquisition of Blue Tomato. These decreases were partially offset by a 70 basis points impact from leveraging our store occupancy costs on a 20.4% net sales increase and 30 basis points in distribution center efficiencies.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses were \$172.7 million for fiscal 2012 compared to \$141.4 million for fiscal 2011, an increase of \$31.3 million, or 22.1%. SG&A expenses as a percent of sales

increased by 30 basis points in fiscal 2012 to 25.8%. The increase was primarily due to a 60 basis points increase in ecommerce corporate costs due to the growth in our ecommerce business, a 30 basis points impact of a \$2.3 million charge incurred during fiscal 2012 related to the estimated future incentive payments to be paid in conjunction with our acquisition of Blue Tomato, a 30 basis points impact of the \$1.9 million in transaction costs incurred during fiscal 2012 in conjunction with our acquisition of Blue Tomato and a 20 basis points impact of \$1.3 million in amortization of intangible assets acquired as part of our Blue Tomato acquisition. These increases were partially offset by 90 basis points in store operating efficiencies and a 30 basis points decrease in incentive compensation.

Net Income

Net income for fiscal 2012 was \$42.2 million, or \$1.35 per diluted share, compared with net income of \$37.4 million, or \$1.20 per diluted share, for fiscal 2011. Our effective income tax rate for fiscal 2012 was 40.0% compared to 39.5% for fiscal 2011. Our effective tax rate for fiscal 2012 was adversely impacted by the tax effects of the acquisition of Blue Tomato.

Fiscal 2011 Results Compared With Fiscal 2010

Net Sales

Net sales were \$555.9 million for fiscal 2011 compared to \$478.8 million for fiscal 2010, an increase of \$77.1 million or 16.1%. The increase reflected a comparable store sales increase of 8.7% for fiscal 2011 as well as the net addition of 44 stores (45 new stores offset by one store closure) in fiscal 2011.

The 8.7% increase in comparable store sales was a result of a 5.3% increase for our comparable in-store sales and an 80.1% increase for our comparable ecommerce sales. Total ecommerce sales represented 7.3% of sales for fiscal 2011, compared to 4.7% of sales for fiscal 2010, and this increase was driven by the growth in comparable ecommerce sales mentioned above. The increase in comparable stores sales was primarily driven by an increase in dollars per transaction, partially offset by a decline in comparable store transactions. Dollars per transaction increased due to an increase in average unit retail, partially offset by a decrease in units per transaction. Comparable store sales increases in footwear, men's apparel, accessories and junior's apparel were partially offset by comparable store sales decreases in hardgoods and boy's apparel. For information as to how we define comparable store sales, see "General" above.

Gross Profit

Gross profit was \$201.7 million for fiscal 2011 compared to \$167.8 million for fiscal 2010, an increase of \$33.9 million, or 20.2%. As a percentage of net sales, gross profit increased 130 basis points in fiscal 2011 to 36.3%. The increase was primarily due to a 50 basis points impact of the exit costs and other charges of \$2.4 million incurred in fiscal 2010 related to the relocation of our distribution center, 50 basis points due to leveraging our store occupancy costs on a 16.1% net sales increase, 30 basis points in distribution center efficiencies and product margin improvement of 20 basis points, partially offset by a 30 basis points increase in ecommerce shipping costs due to the growth of the ecommerce business.

Selling, General and Administrative Expenses

SG&A expenses were \$141.4 million for fiscal 2011 compared to \$130.5 million for fiscal 2010, an increase of \$10.9 million, or 8.4%. SG&A expenses as a percent of sales decreased by 170 basis points in fiscal 2011 to 25.5%. The primary contributors to this decrease were 120 basis points due to store operating expense efficiencies, a 40 basis points impact of a litigation settlement charge of \$2.1 million incurred in fiscal 2010 and a 60 basis points decrease in corporate costs, partially offset by an increase in ecommerce operating expenses as a percent of total sales of 30 basis points due to the growth of the ecommerce business.

Net Income

Net income for fiscal 2011 was \$37.4 million, or \$1.20 per diluted share, compared with net income of \$24.2 million, or \$0.79 per diluted share, for fiscal 2010. Our effective income tax rate for fiscal 2011 was 39.5% compared to 37.7% for fiscal 2010.

Seasonality and Quarterly Results

As is the case with many retailers of apparel and related merchandise, our business is subject to seasonal influences. As a result, we have historically experienced, and expect to continue to experience, seasonal and quarterly fluctuations in our net sales and operating results. Our net sales and operating results are typically lower in the first and second quarters of our fiscal year, while the back-to-school and winter holiday periods in our third and fourth fiscal quarters historically have accounted for the largest percentage of our annual net sales. Quarterly results of operations may also fluctuate significantly as a result of a variety of factors, including the timing of store openings and the relative proportion of our new stores to mature stores, fashion trends and changes in consumer preferences, calendar shifts of holiday or seasonal periods, changes in merchandise mix, timing of promotional events, general economic conditions, competition and weather conditions.

The following table sets forth selected unaudited quarterly consolidated statements of income data for the last two fiscal years. The unaudited quarterly information has been prepared on a basis consistent with the audited consolidated financial statements included elsewhere herein and includes all adjustments that we consider necessary for a fair presentation of the information shown. This information should be read in conjunction with our audited consolidated financial statements and the notes thereto. The operating results for any fiscal quarter are not indicative of the operating results for a full fiscal year or for any future period and there can be no assurance that any trend reflected in such results will continue in the future.

	Fiscal Year Ended February 2, 2013 (1)			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(in thousands, except stores and per share data)			
Net sales	\$129,899	\$135,066	\$180,023	\$224,405
Gross profit	\$ 42,101	\$ 46,425	\$ 67,075	\$ 85,683
Operating profit	\$ 7,262	\$ 3,778	\$ 21,401	\$ 36,101
Net income	\$ 4,527	\$ 2,086	\$ 12,667	\$ 22,884
Basic earnings per share	\$ 0.15	\$ 0.07	\$ 0.41	\$ 0.75
Diluted earnings per share	\$ 0.14	\$ 0.07	\$ 0.40	\$ 0.74
Number of stores open at the end of the period	455	479	495	500
Comparable store sales increase (decrease)	12.9%	9.5%	3.7%	(1.0%)

	Fiscal Year Ended January 28, 2012 (2)			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(in thousands, except stores and per share data)			
Net sales	\$105,851	\$112,213	\$153,951	\$183,859
Gross profit	\$ 33,190	\$ 37,062	\$ 59,921	\$ 71,503
Operating profit	\$ 2,552	\$ 3,550	\$ 22,817	\$ 31,313
Net income	\$ 1,886	\$ 2,591	\$ 14,137	\$ 18,737
Basic earnings per share	\$ 0.06	\$ 0.08	\$ 0.46	\$ 0.61
Diluted earnings per share	\$ 0.06	\$ 0.08	\$ 0.45	\$ 0.60
Number of stores open at the end of the period	408	424	442	444
Comparable store sales increase	12.6%	7.5%	6.0%	9.7%

(1) The quarters in the fiscal year ended February 2, 2013 are 13 week periods ended April 28, 2012, July 28, 2012 and October 27, 2012 and a 14 week period ended February 2, 2013.

- (2) All quarters in the fiscal year ended January 28, 2012 are 13 week periods ended April 30, 2011, July 30, 2011, October 29, 2011 and January 28, 2012.

Liquidity and Capital Resources

Our primary uses of cash are for operational expenditures, inventory purchases and capital investments, including new stores, store remodels, store relocations, store fixtures and ongoing infrastructure improvements. Additionally, we may use cash for the repurchase of our common stock. Historically, our main source of liquidity has been cash flows from operations.

The significant components of our working capital are inventory and liquid assets such as cash, cash equivalents, current marketable securities and receivables, reduced by accounts payable and accrued expenses. Our working capital position benefits from the fact that we generally collect cash from sales to customers the same day or within several days of the related sale, while we typically have longer payment terms with our vendors.

At February 2, 2013 and January 28, 2012, cash, cash equivalents and current marketable securities were \$103.2 million and \$172.8 million. Working capital, the excess of current assets over current liabilities, was \$146.1 million at the end of fiscal 2012, a decrease of 26.2% from \$197.9 million at the end of fiscal 2011. The decrease in cash, cash equivalents and current marketable securities and working capital in fiscal 2012 were due primarily to the costs associated with the acquisition of Blue Tomato for \$69.7 (net of cash acquired), capital expenditures of \$41.1 million due primarily to the opening of 53 new stores in fiscal 2012 and the construction of our new home office building in Lynnwood, Washington and the \$25.2 million repurchase of common stock, partially offset by cash provided by operating activities of \$66.2 million.

The following table summarizes our cash flows from operating, investing and financing activities for each of the past three fiscal years (in thousands):

	Fiscal Year Ended		
	February 2, 2013	January 28, 2012	January 29, 2011
Total cash provided by (used in)			
Operating activities	\$ 66,225	\$ 68,065	\$ 48,455
Investing activities	(41,079)	(68,074)	(43,774)
Financing activities	(22,519)	3,415	5,108
Effect of exchange rate changes on cash and cash equivalents	173	16	—
Increase in cash and cash equivalents	<u>\$ 2,800</u>	<u>\$ 3,422</u>	<u>\$ 9,789</u>

Operating Activities

Net cash provided by operating activities decreased by \$1.9 million in fiscal 2012 to \$66.2 million from \$68.1 million in fiscal 2011. Net cash provided by operating activities increased by \$19.6 million in fiscal 2011 to \$68.1 million from \$48.5 million in fiscal 2010. Our operating cash flows result primarily from cash received from our customers, offset by cash payments we make for inventory, employee compensation, store occupancy expenses and other operational expenditures. Cash received from our customers generally corresponds to our net sales. Because our customers primarily use credit cards or cash to buy from us, our receivables from customers settle quickly. Changes to our operating cash flows have historically been driven primarily by changes in operating income, which is impacted by changes to non-cash items such as depreciation, amortization and accretion, deferred taxes, excess tax benefit from stock-based compensation and changes to the components of working capital.

Investing Activities

Net cash used in investing activities was \$41.1 million in fiscal 2012 primarily related to \$69.7 million cash paid (net of cash acquired) for the acquisition of Blue Tomato and \$41.1 million of capital expenditures primarily for new store openings, existing store remodels or relocations and the construction of our new home office building in Lynnwood, Washington, partially offset by \$70.7 million in net sales of marketable securities. Net cash used in investing activities was \$68.1 million in fiscal 2011 primarily related to net purchases of marketable securities of \$42.6 million and capital expenditures of \$25.5 million for new store openings and existing store remodels or relocations. Net cash used in investing activities was \$43.8 million in fiscal 2010 primarily related to capital expenditures of \$29.1 million for new store openings, existing store remodels or relocations and the purchase of our new distribution center in Corona, California and net purchases of marketable securities of \$14.7 million.

Financing Activities

Net cash used in financing activities in fiscal 2012 was \$22.5 million, primarily related to \$25.2 million cash paid for the repurchase of common stock, partially offset by proceeds from stock-based compensation exercises and related tax benefits of \$3.0 million. Net cash provided by financing activities in fiscal 2011 and 2010 was \$3.4 million and \$5.1 million related to proceeds from stock-based compensation exercises and related tax benefits.

Sources of Liquidity

Our most significant sources of liquidity continue to be funds generated by operating activities, available cash, cash equivalents and current marketable securities. We expect these sources of liquidity and available borrowings under our revolving credit facility will be sufficient to meet our foreseeable cash requirements for operations and planned capital expenditures for at least the next twelve months. Beyond this time frame, if cash flows from operations and borrowings under our revolving credit facility are not sufficient to meet our capital requirements, then we will be required to obtain additional equity or debt financing in the future. However, there can be no assurance that equity or debt financing will be available to us when we need it or, if available, that the terms will be satisfactory to us and not dilutive to our then-current shareholders.

We maintain a secured credit agreement with Wells Fargo Bank, N.A., which provides us with a secured revolving credit facility until September 1, 2013 of up to \$25.0 million, which, pursuant to an accordion feature, may be increased to \$35.0 million at our discretion. The secured revolving credit facility provides for the issuance of a standby letter of credit in an amount not to exceed \$5.0 million outstanding at any time and with a term not to exceed 365 days. The commercial line of credit provides for the issuance of a commercial letter of credit in an amount not to exceed \$10.0 million and with terms not to exceed 120 days. The amount of borrowings available at any time under our secured revolving credit facility is reduced by the amount of standby and commercial letters of credit outstanding at that time. There were no outstanding borrowings under the secured revolving credit facility at February 2, 2013 and January 28, 2012. We had open commercial letters of credit outstanding under our secured revolving credit facility of \$0.2 million at February 2, 2013 and \$0.9 million at January 28, 2012. The secured revolving credit facility bears interest at the Daily One Month LIBOR rate plus 1.00%.

Additionally, in conjunction with our acquisition of Blue Tomato, we assumed \$2.3 million in long-term debt, which relates to amounts borrowed to fund operations. At February 2, 2013, the amount of borrowings under this debt was \$2.3 million.

Capital Expenditures

Our capital requirements include construction and fixture costs related to the opening of new stores and remodel and relocation expenditures for existing stores. Future capital requirements will depend on many factors, including the pace of new store openings, the availability of suitable locations for new stores and the nature of

arrangements negotiated with landlords. In that regard, our net investment to open a new store has varied significantly in the past due to a number of factors, including the geographic location and size of the new store, and is likely to vary significantly in the future.

During fiscal 2012, we spent \$41.1 million on capital expenditures, which consisted of \$28.7 million of costs related to investment in 53 new stores and 19 remodeled or relocated stores, \$9.8 million of costs associated with the construction of our new home office building in Lynnwood, Washington and \$2.6 million in other improvements.

During fiscal 2011, we spent \$25.5 million on capital expenditures, which consisted of \$21.2 million of costs related to investment in 45 new stores and 11 remodeled or relocated stores, \$2.4 million of costs associated with the construction of our new home office building in Lynnwood, Washington and \$1.9 million in other improvements.

During fiscal 2010, we spent \$29.1 million on capital expenditures, which consisted of \$9.7 million related to investment in 27 new stores and three remodeled or relocated stores, the acquisition and build-out costs of our new distribution center in Corona, California of \$12.9 million, the acquisition costs of \$3.2 million for land for our new home office in Lynnwood, Washington and \$3.3 million in other improvements.

In fiscal 2013, we expect to spend approximately \$42 million to \$44 million on capital expenditures, a majority of which will relate to leasehold improvements and fixtures for the approximately 60 new stores we plan to open in fiscal 2013 and remodels or relocations of existing stores. There can be no assurance that the number of stores that we actually open in fiscal 2013 will not be different from the number of stores we plan to open, or that actual fiscal 2013 capital expenditures will not differ from this expected amount.

Contractual Obligations and Commercial Commitments

There were no material changes outside the ordinary course of business in our contractual obligations during the fiscal year ended February 2, 2013, with the exception of the long-term debt that we assumed in conjunction with the acquisition of Blue Tomato. The following table summarizes the total amount of future payments due under our contractual obligations at February 2, 2013 (in thousands):

	<u>Total</u>	<u>Fiscal 2013</u>	<u>Fiscal 2014 and Fiscal 2015</u>	<u>Fiscal 2016 and Fiscal 2017</u>	<u>Thereafter</u>
Operating lease obligations (1)	\$485,627	\$ 65,932	\$132,031	\$117,391	\$170,273
Purchase obligations (2)	120,353	120,353	—	—	—
Debt obligations (3)	2,421	358	716	532	815
Total (4)	<u>\$608,401</u>	<u>\$186,643</u>	<u>\$132,747</u>	<u>\$117,923</u>	<u>\$171,088</u>

- (1) Amounts do not include percentage rent, real estate taxes, insurance or common area maintenance charges unless these costs are fixed and determinable.
- (2) We have an option to cancel these commitments with no notice prior to shipment, except for private label purchase orders in which we are obligated to repay certain contractual amounts upon cancellation.
- (3) Amounts include debt principal and scheduled interest payments on our long-term debt assumed in conjunction with our acquisition of Blue Tomato.
- (4) The table above excludes the potential future incentive payments to the sellers of Blue Tomato in an aggregate amount of up to 22.1 million Euros (\$30.1 million, using the exchange rate as of February 2, 2013) to the extent that certain financial metrics are met and the sellers remain employed with Blue Tomato through April 2015. At February 2, 2013, we estimated that we will be obligated for future incentive payments of 9.0 million Euros (\$12.3 million). See Note 4, "Business Combinations," in the Notes to Consolidated Financial Statements found in Part IV Item 15 of the Form 10-K, for additional information related to the future incentive payments.

Off-Balance Sheet Obligations

At February 2, 2013, we did not have any off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K.

Impact of Inflation/Deflation

We do not believe that inflation has had a material impact on our net sales or operating results for the past three fiscal years. However, substantial increases in costs, including the price of raw materials, labor, energy and other inputs used in the production of our merchandise, could have a significant impact on our business and the industry in the future. Additionally, while deflation could positively impact our merchandise costs, it could have an adverse effect on our average unit retail price, resulting in lower sales and operating results.

Recent Accounting Pronouncements

See Note 3, "Recent Accounting Pronouncements," in the Notes to Consolidated Financial Statements found in Part IV Item 15 of this Form 10-K.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

Our earnings are affected by changes in market interest rates as a result of our short-term and long-term marketable securities, which are primarily invested in state and local municipal securities, corporate debt securities and variable-rate demand notes, which have long-term nominal maturity dates but feature variable interest rates that reset at short-term intervals. If our current portfolio average yield rate decreased by 10% in fiscal 2012, our net income would have decreased by \$0.1 million. This amount is determined by considering the impact of the hypothetical yield rates on our cash, cash equivalents, short-term and long-term marketable securities balances and assumes no changes in our investment structure.

During different times of the year, due to the seasonality of our business, we may borrow under our revolving credit facility. To the extent we borrow under our revolving credit facility, which bears interest at the Daily One Month LIBOR rate plus 1.00%, we are exposed to market risk related to changes in interest rates. At February 2, 2013, we had no borrowings outstanding under our secured revolving credit facility. At February 2, 2013, we had a long-term debt obligation of \$2.3 million, which we assumed in conjunction with our acquisition of Blue Tomato.

Foreign Exchange Rate Risk

Our international subsidiaries operate with functional currencies other than the U.S. dollar. Therefore, we must translate revenues, expenses, assets and liabilities from functional currencies into U.S. dollars at exchange rates in effect during, or at the end of, the reporting period. The fluctuation in the value of the U.S. dollar against other currencies affects the reported amounts of revenues, expenses, assets and liabilities. As we expand our international operations, our exposure to exchange rate fluctuations will increase.

Item 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Information with respect to this item is set forth in "Index to the Consolidated Financial Statements," found in Part IV Item 15 of this Form 10-K.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

Item 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures. We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Securities Exchange Act Rule 13a-15(e)). Based on this evaluation, our CEO and CFO concluded that, as of February 2, 2013, our disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting. There has been no change in our internal control over financial reporting (as defined in Securities Exchange Act Rule 13a-15(f)) during the quarter ended February 2, 2013 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Management’s Annual Report on Internal Control Over Financial Reporting. The management of Zumiez Inc. (the “Company”) is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) of the Securities Exchange Act of 1934. The Company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

This process includes policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company’s assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements, and can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Furthermore, because of changes in conditions, the effectiveness of internal control may vary over time.

The Company’s management, with the participation of the Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of the Company’s internal control over financial reporting as of February 2, 2013. Management’s assessment was based on criteria described in the Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). On July 4, 2012, the Company completed the acquisition of Snowboard Dachstein Tauern GmbH and Blue Tomato Graz Handel GmbH (collectively, “Blue Tomato”). As permitted by applicable guidelines established by the Securities and Exchange Commission, the Company’s management excluded Blue Tomato’s operations from its assessment of internal control over financial reporting as of February 2, 2013. Blue Tomato’s operations represented 7% of the Company’s consolidated total assets, excluding goodwill and intangible assets, net, and 4% of the Company’s consolidated net sales as of and for the year ended February 2, 2013. Based on management’s assessment and those criteria, the Company’s management concluded that the Company’s internal control over financial reporting was effective as of February 2, 2013.

The effectiveness of the Company’s internal control over financial reporting as of February 2, 2013 has been audited by Moss Adams LLP, the Company’s independent registered public accounting firm, as stated in their report, which appears herein.

Item 9B. OTHER INFORMATION

None.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information regarding our directors and nominees for directorship is presented under the headings “Election of Directors,” in our definitive proxy statement for use in connection with our 2013 Annual Meeting of Shareholders (the “Proxy Statement”) that will be filed within 120 days after our fiscal year ended February 2, 2013 and is incorporated herein by this reference thereto. Information concerning our executive officers is set forth under the heading “Executive Officers” in our Proxy Statement, and is incorporated herein by reference thereto. Information regarding compliance with Section 16(a) of the Exchange Act, our code of conduct and ethics and certain information related to the Company’s Audit Committee, Compensation Committee and Governance Committee is set forth under the heading “Corporate Governance” in our Proxy Statement, and is incorporated herein by reference thereto.

Item 11. EXECUTIVE COMPENSATION

Information regarding the compensation of our directors and executive officers and certain information related to the Company’s Compensation Committee is set forth under the headings “Executive Compensation,” “Director Compensation,” “Compensation Discussion and Analysis,” “Report of the Compensation Committee of the Board of Directors” and “Compensation Committee Interlocks and Insider Participation” in our Proxy Statement, and is incorporated herein by this reference thereto.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS, AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS

Information with respect to security ownership of certain beneficial owners and management is set forth under the headings “Security Ownership of Certain Beneficial Owners and Management” and “Equity Compensation Plan Information” in our Proxy Statement, and is incorporated herein by this reference thereto.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

Information regarding certain relationships and related transactions and director independence is presented under the heading “Corporate Governance” in our Proxy Statement, and is incorporated herein by this reference thereto.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information concerning principal accounting fees and services is presented under the heading “Fees Paid to Independent Registered Public Accounting Firm for Fiscal Years 2012 and 2011” in our Proxy Statement, and is incorporated herein by this reference thereto.

PART IV

Item 15. EXHIBITS AND CONSOLIDATED FINANCIAL STATEMENTS

(a)(1) Consolidated Financial Statements

(2) Consolidated Financial Statement Schedules:

All financial statement schedules are omitted because the required information is presented either in the consolidated financial statements or notes thereto, or is not applicable, required or material.

(3) Exhibits included or incorporated herein:

See Exhibit Index.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders
Zumiez Inc.

We have audited Zumiez Inc.'s (the "Company") internal control over financial reporting as of February 2, 2013, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. As discussed in Management's Annual Report on Internal Control Over Financial Reporting, on July 4, 2012, the Company acquired Snowboard Dachstein Tauern GmbH and Blue Tomato Graz Handel GmbH (collectively, "Blue Tomato"). For the purposes of assessing internal control over financial reporting, management excluded Blue Tomato, whose financial statements constitute 7% of the Company's consolidated total assets (excluding \$71.7 million of goodwill and intangible assets, which were integrated into the Company's control environment) and 4% of consolidated net sales as of and for the year ended February 2, 2013. Accordingly, our audit did not include the internal control over financial reporting of Blue Tomato. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Zumiez Inc. maintained, in all material respects, effective internal control over financial reporting as of February 2, 2013, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Zumiez Inc. as of February 2, 2013 and January 28, 2012, and the consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the three fiscal years in the period ended February 2, 2013, and our report dated March 19, 2013 expressed an unqualified opinion on those consolidated financial statements.

/s/ Moss Adams LLP

Seattle, Washington
March 19, 2013

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
Zumiez Inc.

We have audited the accompanying consolidated balance sheets of Zumiez Inc. (the “Company”) as of February 2, 2013 and January 28, 2012, and the related consolidated statements of income, comprehensive income, changes in shareholders’ equity and cash flows for each of the three years in the period ended February 2, 2013. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Zumiez Inc. as of February 2, 2013 and January 28, 2012 and the consolidated results of its operations and its cash flows for each of the three years in the period ended February 2, 2013, in conformity with generally accepted accounting principles in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Zumiez Inc.’s internal control over financial reporting as of February 2, 2013, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 19, 2013 expressed an unqualified opinion thereon.

/s/ Moss Adams LLP

Seattle, Washington
March 19, 2013

ZUMIEZ INC.
CONSOLIDATED BALANCE SHEETS
(In thousands)

	<u>February 2, 2013</u>	<u>January 28, 2012</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 17,579	\$ 14,779
Marketable securities	85,593	158,019
Receivables	9,467	6,284
Inventories	77,598	65,037
Prepaid expenses and other	9,192	7,907
Deferred tax assets	3,885	1,477
Total current assets	<u>203,314</u>	<u>253,503</u>
Fixed assets, net	115,474	89,478
Goodwill	64,576	13,154
Intangible assets, net	20,480	—
Long-term other assets	5,254	6,022
Total long-term assets	<u>205,784</u>	<u>108,654</u>
Total assets	<u>\$409,098</u>	<u>\$362,157</u>
Liabilities and Shareholders' Equity		
Current liabilities		
Trade accounts payable	\$ 16,052	\$ 21,743
Accrued payroll and payroll taxes	11,057	9,062
Income taxes payable	6,957	5,835
Deferred rent and tenant allowances	4,901	4,230
Other liabilities	18,232	14,706
Total current liabilities	<u>57,199</u>	<u>55,576</u>
Long-term deferred rent and tenant allowances	36,928	32,321
Long-term deferred tax liabilities	5,544	—
Long-term debt and other liabilities	6,006	1,983
Total long-term liabilities	<u>48,478</u>	<u>34,304</u>
Total liabilities	<u>105,677</u>	<u>89,880</u>
Commitments and contingencies (Note 11)		
Shareholders' equity		
Preferred stock, no par value, 20,000 shares authorized; none issued and outstanding . . .	—	—
Common stock, no par value, 50,000 shares authorized; 30,114 shares issued and outstanding at February 2, 2013 and 31,170 shares issued and outstanding at January 28, 2012	108,360	99,412
Accumulated other comprehensive income	6,010	135
Retained earnings	189,051	172,730
Total shareholders' equity	<u>303,421</u>	<u>272,277</u>
Total liabilities and shareholders' equity	<u>\$409,098</u>	<u>\$362,157</u>

See accompanying notes to consolidated financial statements

ZUMIEZ INC.
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share amounts)

	Fiscal Year Ended		
	February 2, 2013	January 28, 2012	January 29, 2011
Net sales	\$669,393	\$555,874	\$478,849
Cost of goods sold	428,109	354,198	311,028
Gross profit	<u>241,284</u>	<u>201,676</u>	<u>167,821</u>
Selling, general and administrative expenses	172,742	141,444	130,454
Operating profit	68,542	60,232	37,367
Interest income, net	1,410	1,836	1,496
Other income (expense), net	327	(379)	(8)
Earnings before income taxes	<u>70,279</u>	<u>61,689</u>	<u>38,855</u>
Provision for income taxes	28,115	24,338	14,652
Net income	<u>\$ 42,164</u>	<u>\$ 37,351</u>	<u>\$ 24,203</u>
Basic earnings per share	<u>\$ 1.37</u>	<u>\$ 1.22</u>	<u>\$ 0.81</u>
Diluted earnings per share	<u>\$ 1.35</u>	<u>\$ 1.20</u>	<u>\$ 0.79</u>
Weighted average shares used in computation of earnings per share:			
Basic	30,742	30,527	29,971
Diluted	31,273	31,119	30,794

See accompanying notes to consolidated financial statements

ZUMIEZ INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

	Fiscal Year Ended		
	February 2, 2013	January 28, 2012	January 29, 2011
Net income	\$42,164	\$37,351	\$24,203
Other comprehensive income (loss), net of tax and reclassification adjustments:			
Foreign currency translation	6,040	(19)	—
Net change in unrealized (loss) gain on available-for-sale investments	(165)	171	(118)
Other comprehensive income (loss), net	5,875	152	(118)
Comprehensive income	\$48,039	\$37,503	\$24,085

See accompanying notes to consolidated financial statements

ZUMIEZ INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(In thousands)

	Common Stock		Accumulated Other Comprehensive	Retained	Total
	Shares	Amount	Income (Loss)	Earnings	
Balance at January 30, 2010	30,251	\$ 81,399	\$ 101	\$111,176	\$192,676
Net income	—	—	—	24,203	24,203
Other comprehensive loss, net	—	—	(118)	—	(118)
Issuance and exercise of stock-based compensation, including tax benefit of \$3,248	584	5,108	—	—	5,108
Stock-based compensation expense	—	4,866	—	—	4,866
Balance at January 29, 2011	30,835	91,373	(17)	135,379	226,735
Net income	—	—	—	37,351	37,351
Other comprehensive income, net	—	—	152	—	152
Issuance and exercise of stock-based compensation, including tax benefit of \$1,826	335	2,736	—	—	2,736
Stock-based compensation expense	—	5,303	—	—	5,303
Balance at January 28, 2012	31,170	99,412	135	172,730	272,277
Net income	—	—	—	42,164	42,164
Other comprehensive income, net	—	—	5,875	—	5,875
Issuance and exercise of stock-based compensation, including tax benefit of \$2,094	209	2,952	—	—	2,952
Stock-based compensation expense	—	5,996	—	—	5,996
Repurchase of common stock	(1,265)	—	—	(25,843)	(25,843)
Balance at February 2, 2013	30,114	\$108,360	\$6,010	\$189,051	\$303,421

See accompanying notes to consolidated financial statements

ZUMIEZ INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Fiscal Year Ended		
	February 2, 2013	January 28, 2012	January 29, 2011
Cash flows from operating activities:			
Net income	\$ 42,164	\$ 37,351	\$ 24,203
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization and accretion	22,957	19,744	17,923
Deferred taxes	(1,630)	3,441	537
Stock-based compensation expense	5,996	5,303	4,866
Excess tax benefit from stock-based compensation	(2,094)	(1,826)	(3,248)
Lease termination costs	1,397	—	—
Other	389	608	458
Changes in operating assets and liabilities:			
Receivables	(2,568)	(671)	(998)
Inventories	(2,987)	(8,833)	(5,387)
Prepaid expenses and other	(1,125)	(607)	(1,137)
Trade accounts payable	(5,626)	4,295	(52)
Accrued payroll and payroll taxes	1,207	1,485	987
Income taxes payable	1,843	2,868	3,350
Deferred rent and tenant allowances	5,469	5,334	1,838
Other liabilities	833	(427)	5,115
Net cash provided by operating activities	<u>66,225</u>	<u>68,065</u>	<u>48,455</u>
Cash flows from investing activities:			
Additions to fixed assets	(41,070)	(25,508)	(29,124)
Acquisitions, net of cash acquired	(70,711)	—	—
Purchases of marketable securities and other investments	(121,003)	(194,531)	(179,611)
Sales and maturities of marketable securities and other investments	191,705	151,965	164,961
Net cash used in investing activities	<u>(41,079)</u>	<u>(68,074)</u>	<u>(43,774)</u>
Cash flows from financing activities:			
Payments on long-term debt	(258)	—	—
Repurchase of common stock	(25,213)	—	—
Proceeds from exercise of stock-based compensation, net of withholding tax payments	858	1,589	1,860
Excess tax benefit from stock-based compensation	2,094	1,826	3,248
Net cash (used in) provided by financing activities	<u>(22,519)</u>	<u>3,415</u>	<u>5,108</u>
Effect of exchange rate changes on cash and cash equivalents	173	16	—
Net increase in cash and cash equivalents	2,800	3,422	9,789
Cash and cash equivalents, beginning of period	14,779	11,357	1,568
Cash and cash equivalents, end of period	<u>\$ 17,579</u>	<u>\$ 14,779</u>	<u>\$ 11,357</u>
Supplemental disclosure on cash flow information:			
Cash paid during the period for income taxes	\$ 27,840	\$ 18,014	\$ 10,789
Accrual for purchases of fixed assets	1,942	3,083	469
Accrual for repurchase of common stock	630	—	—

See accompanying notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Business and Basis of Presentation

Nature of Business—Zumiez Inc. (the “Company,” “we,” “us,” “its” and “our”) is a leading multi-channel specialty retailer of action sports related apparel, footwear, accessories and hardgoods, focusing on skateboarding, snowboarding, surfing, motocross and bicycle motocross (“BMX”) for young men and women. At February 2, 2013, we operated 500 stores; 472 in the United States (“U.S.”), 20 in Canada and eight in Europe. We operate under the names Zumiez and Blue Tomato. Additionally, we operate ecommerce websites at www.zumiez.com and www.blue-tomato.com. We completed the acquisition of Snowboard Dachstein Tauern GmbH and Blue Tomato Graz Handel GmbH (collectively, “Blue Tomato”) during the fiscal year ended February 2, 2013. Blue Tomato is a multi-channel retailer for board sports and related apparel and footwear that operates primarily in the European marketplace.

Fiscal Year—We use a fiscal calendar widely used by the retail industry that results in a fiscal year consisting of a 52- or 53-week period ending on the Saturday closest to January 31. Each fiscal year consists of four 13-week quarters, with an extra week added to the fourth quarter every five or six years. Fiscal 2012 was a 53-week period ending February 2, 2013. Fiscal 2011 was a 52-week period ending January 28, 2012. Fiscal 2010 was a 52-week period ended January 29, 2011.

Basis of Presentation—The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”). The consolidated financial statements include the accounts of Zumiez Inc. and its wholly-owned subsidiaries. All significant intercompany transactions and balances are eliminated in consolidation.

2. Summary of Significant Accounting Policies

Use of Estimates—The preparation of consolidated financial statements in conformity with U.S. GAAP requires estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements as well as the reported amounts of revenues and expenses during the reporting period. These estimates can also affect supplemental information disclosed by us, including information about contingencies, risk and financial condition. Actual results could differ from these estimates and assumptions.

Fair Value of Financial Instruments—We disclose the estimated fair value of our financial instruments. Financial instruments are generally defined as cash, evidence of ownership interest in an entity or a contractual obligation that both conveys to one entity a right to receive cash or other financial instruments from another entity and imposes on the other entity the obligation to deliver cash or other financial instruments to the first entity. Our financial instruments, other than those presented in Note 12, “Fair Value Measurements,” include cash and cash equivalents, receivables, payables and other liabilities. The carrying amounts of cash and cash equivalents, receivables, payables and other liabilities approximate fair value because of the short-term nature of these instruments.

Cash and Cash Equivalents—We consider all highly liquid investments with original maturity of three months or less when purchased to be cash equivalents.

Concentration of Risk—We maintain our cash and cash equivalents in accounts with major financial institutions in the form of demand deposits, money market accounts and state and local municipal securities. Deposits in these financial institutions may exceed the amount of federal deposit insurance provided on such deposits. We have not experienced any losses on our deposits of cash and cash equivalents.

Marketable Securities—Our marketable securities primarily consist of state and local municipal securities, corporate debt securities and variable-rate demand notes. Variable-rate demand notes are considered highly

liquid. Although the variable-rate demand notes have long-term nominal maturity dates, the interest rates generally reset weekly. Despite the long-term nature of the underlying securities of the variable-rate demand notes, we have the ability to quickly liquidate these securities, which have an embedded put option that allows the bondholder to sell the security at par plus accrued interest.

Generally accepted accounting principles require recording an investment impairment charge at the point we believe an investment has experienced a decline in value that is other-than-temporary. In determining whether an other-than-temporary impairment has occurred, we review information about the underlying investment that is publicly available such as analyst reports, applicable industry data and other pertinent information and assess our intent to hold the security and whether it is more likely than not we will be required to sell any investment before recovery of its amortized cost basis. The investment would be written down to its current market value at the time the impairment is deemed to have occurred. Future adverse changes in market conditions, continued poor operating results of underlying investments or other factors could result in further losses that may not be reflected in an investment's current carrying value, possibly requiring an additional impairment charge in the future.

We use the specific identification method to determine any realized gains or losses from the sale of our marketable securities classified as available-for-sale. Realized gains or losses from the sale of our marketable securities classified as available-for-sale are recorded in other income (expense), net on the consolidated statements of income.

Inventories—Merchandise inventories are valued at the lower of cost or fair market value. The cost of merchandise inventories are based upon an average cost methodology. Merchandise inventories may include items that have been written down to our best estimate of their net realizable value. Our decisions to write-down our merchandise inventories are based on their current rate of sale, the age of the inventory, the profitability of the inventory and other factors. Actual final sales prices to customers may be higher or lower than our estimated sales prices and could result in a fluctuation in gross profit. Historically, any additional write-downs have not been significant. We have reserved for inventory at February 2, 2013 and January 28, 2012 in the amounts of \$3.3 million and \$3.2 million. The inventory reserve includes inventory whose estimated market value is below cost and an estimate for inventory shrinkage. We estimate an inventory shrinkage reserve for anticipated losses for the period. Shrinkage refers to a reduction in inventory due to shoplifting, employee theft and other matters. The inventory related to these reserves is not marked up in subsequent periods.

Fixed Assets—Fixed assets primarily consist of leasehold improvements, fixtures, land, buildings, computer equipment, software and store equipment. Fixed assets are stated at cost less accumulated depreciation utilizing the straight-line method over the assets' estimated useful lives. The useful lives of our major classes of fixed assets are as follows:

Leasehold improvements	Lesser of 10 years or the term of the lease
Fixtures	3 to 7 years
Computer equipment, software, store equipment & other	3 to 5 years
Buildings and building improvements	15 to 39 years

The cost and related accumulated depreciation of assets sold or otherwise disposed of is removed from the accounts and the related gain or loss is reported on the consolidated statements of income.

Asset Retirement Obligations—An asset retirement obligation (“ARO”) represents a legal obligation associated with the retirement of a tangible long-lived asset that is incurred upon the acquisition, construction, development or normal operation of that long-lived asset. Our AROs are primarily associated with leasehold improvements that, at the end of a lease, we are contractually obligated to remove in order to comply with certain lease agreements. The ARO balance at February 2, 2013 and January 28, 2012 is \$1.9 million and \$1.7 million and is recorded in other liabilities and long-term debt and other liabilities on the consolidated balance sheets and will be subsequently adjusted for changes in fair value. The associated estimated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and depreciated over its useful life.

Valuation of Long-Lived Assets—We review the carrying value of long-lived assets for impairment when factors and circumstances indicate that the carrying values may not be recoverable. Recoverability of assets to be held and used is determined by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered impaired, the impairment recognized is measured by comparing projected discounted cash flow of the asset to the asset carrying values. The estimation of future cash flows from operating activities requires significant judgments of factors that include future sales, gross profit and operating expenses. Impairment charges are included in selling, general and administrative expenses on the consolidated statements of income. Impairment charges were immaterial for the fiscal years ended February 2, 2013, January 28, 2012 and January 29, 2011.

Goodwill—Goodwill represents the excess of purchase price over the fair value of acquired tangible and identifiable intangible net assets. We test goodwill for impairment on an annual basis or more frequently if indicators of impairment are present. We perform our annual impairment measurement test in the fourth quarter. Events that result in an impairment review include significant changes in the current business climate, future expectations of economic conditions, declines in our operating results of our reporting units, or an expectation that the carrying amount may not be recoverable. We have an option to test goodwill for impairment by first performing a qualitative assessment to determine whether it is more likely than not that the fair value of the reporting unit is less than the carrying amount. The qualitative assessment may include, but is not limited to, weighing the relative impact of factors specific to the reporting units as well as industry and macroeconomic factors. Reporting unit specific factors considered, include the results of the most recent impairment test, as well as financial performance and changes to the reporting units' carrying amounts since the most recent impairment test. After assessing those various factors, if it is determined that it is more likely than not that the fair value of the reporting unit is greater than the carrying amount, further testing of goodwill impairment is not required to be performed. If it is more likely than not that the fair value of the reporting unit is less than the carrying amount or if we chose not to perform the qualitative assessment, we perform a quantitative two-step impairment test. The first step compares the fair value of the reporting unit with its carrying amount of net assets, including goodwill. If the carrying amount exceeds fair value, then the second step of the impairment test is performed to measure the amount of impairment loss, if any. The second step includes fair valuing all the tangible and intangible assets of the reporting unit as if the reporting unit had been acquired in a business combination. Then, the implied fair value of the reporting unit's goodwill is compared to the carrying amount of that goodwill. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of the goodwill, we recognize an impairment loss in an amount equal to the excess, not to exceed the carrying amount. The fair value of each of our reporting units is the price a willing buyer would pay for the reporting unit and is typically calculated using a discounted cash flow model and market multiples of current earnings. Key assumptions used in this calculation include revenue growth, operating expenses and a discount rate that we believe a buyer would assume when determining a purchase price for the reporting unit. Estimates of revenue growth and operating expenses are based on internal projections considering a reporting unit's past performance and forecasted growth, local market economics and the local business environment impacting the reporting unit's performance. The discount rate is calculated using a weighted average cost of capital. These estimates are highly subjective judgments and can be significantly impacted by changes in the business or economic conditions.

Intangible Assets—Our intangible assets consist of trade names and trademarks with indefinite lives and certain definite-lived intangible assets. We test our indefinite-lived intangible assets for impairment on an annual basis, or more frequently if indicators of impairment are present. In July 2012, the FASB issued guidance that would allow us to test our indefinite-lived intangible asset for impairment by performing a qualitative assessment to determine whether it is more likely than not that the fair value of the asset is less than the carrying amount. We did not early adopt this guidance and it will be effective for us for the fiscal year ending February 1, 2014. We test our indefinite-lived assets by estimating the fair value of the asset and comparing that to the carrying value, an impairment loss is recorded for the amount that carrying value exceeds the estimated fair value. The fair value of the trade names and trademarks is determined using the relief from royalty method, which requires management to make assumptions and to apply judgment, including forecasting future sales, expenses, discount rates, and royalty rates. Definite-lived intangible assets, which consist of developed technology and customer

relationships, are amortized using the straight-line method over their estimated useful lives. Additionally, we test the definite-lived intangible assets when facts and circumstances indicate that the carrying values may not be recoverable. An impairment loss in our definite-lived intangible assets would be recognized when the estimated fair value of the definite-lived asset is less than its carrying value. We determine the estimated fair value of our definite-lived asset where we take the estimated future operating cash flows derived from the operation to which the asset relates over its remaining useful life, using a discounted cash flow analysis. Changes in any of these estimates, projections and assumptions could have a material effect of the fair value of these assets in future measurement periods and result in an impairment which could materially affect our results of operations.

Deferred Rent, Rent Expense and Tenant Allowances—We lease our stores and certain corporate and other operating facilities under operating leases. A majority of our leases provide for ongoing co-tenancy requirements or early cancellation clauses that would further lower rental rates, or permit lease terminations, or both, in the event that co-tenants cease to operate for specific periods or if certain sales levels are not met in specific periods. Most of the store leases require payment of a specified minimum rent and a contingent rent based on a percentage of the store's net sales in excess of a specified threshold. Most of the lease agreements have defined escalating rent provisions, which are straight-lined over the term of the related lease, including any lease renewals deemed to be probable. We recognize rent expense over the term of the lease, plus the construction period prior to occupancy of the retail location. For certain locations, we receive tenant allowances and report these amounts as a liability, which is amortized as a reduction to rent expense over the term of the lease.

Claims and Contingencies—We are subject to various claims and contingencies related to lawsuits, insurance, regulatory and other matters arising out of the normal course of business. We accrue a liability if the likelihood of an adverse outcome is probable and the amount is estimable. If the likelihood of an adverse outcome is only reasonably possible (as opposed to probable), or if an estimate is not determinable, we provide disclosure of a material claim or contingency in the Notes to the Consolidated Financial Statements.

Revenue Recognition—Sales are recognized upon purchase at our retail store locations. For our ecommerce sales, revenue is recognized upon estimated delivery to the customer. Taxes collected from our customers are recorded on a net basis. We record the sale of gift cards as a current liability and recognize revenue when a customer redeems a gift card. Additionally, an estimate of the portion of gift cards that is not expected to be redeemed (“gift card breakage”) is recognized in net sales after 24 months, at which time the likelihood of redemption is considered remote based on our historical redemption data. For the fiscal years ended February 2, 2013, January 28, 2012 and January 29, 2011, we recorded net sales related to gift card breakage income of \$0.7 million, \$0.6 million and \$0.6 million. Revenue is recorded net of estimated and actual sales returns and deductions for promotions. We accrue for estimated sales returns by customers based on historical sales return results. The allowance for sales returns at February 2, 2013 and January 28, 2012 was \$1.2 million and \$0.9 million.

Cost of Goods Sold—Cost of goods sold consists of branded merchandise costs and our private label merchandise costs including design, sourcing, importing and inbound freight costs. Our cost of goods sold also includes shrinkage, buying, occupancy, ecommerce fulfillment, distribution and warehousing costs (including associated depreciation) and freight costs for store merchandise transfers. This may not be comparable to the way in which our competitors or other retailers compute their cost of goods sold. Cash consideration received from vendors, is reported as a reduction of cost of goods sold if the inventory has sold, a reduction of the carrying value of the inventory if the inventory is still on hand, or a reduction of selling, general and administrative expense if the amounts are reimbursements of specific, incremental and identifiable costs of selling the vendors' products.

Shipping Revenue and Costs—We include shipping revenue related to ecommerce sales in net sales and the related freight cost is charged to cost of goods sold. For fiscal years ended February 2, 2013, January 28, 2012 and January 29, 2011, we incurred shipping costs related to ecommerce sales of \$8.0 million, \$4.4 million and \$2.6 million.

Selling, General and Administrative Expense—Selling, general and administrative expenses consist primarily of store personnel wages and benefits, administrative staff and infrastructure expenses, freight costs for merchandise shipments from the distribution centers to the stores, store supplies, depreciation on fixed assets at the home office and stores, facility expenses and training, advertising and marketing costs. Credit card fees, insurance, public company expenses, legal expenses, amortization of intangibles assets and other miscellaneous operating costs are also included in selling, general and administrative expenses. This may not be comparable to the way in which our competitors or other retailers compute their selling, general and administrative expenses.

Advertising—We expense advertising costs as incurred. Advertising expenses are net of sponsorships and vendor reimbursements. Advertising expense was \$6.0 million, \$2.5 million and \$1.3 million for the fiscal years ended February 2, 2013, January 28, 2012 and January 29, 2011.

Future Incentive Payments—In conjunction with our acquisition of Blue Tomato during the fiscal year ended February 2, 2013, there is the possibility of future incentive payments to the sellers of Blue Tomato in an aggregate amount of up to 22.1 million Euros (\$30.1 million, using the exchange rate as of February 2, 2013) to the extent that certain financial metrics are met and the sellers remain employed with Blue Tomato through April 2015. We estimate future incentive payments based on internal projections of future Blue Tomato financial performance.

Stock-Based Compensation—We account for stock-based compensation by recording the estimated fair value of stock-based awards granted as compensation expense over the vesting period, net of estimated forfeitures. Stock-based compensation expense is recognized using an accelerated method for stock options and a straight-line basis for restricted stock. We estimate forfeitures of stock-based awards based on historical experience and expected future activity.

The fair value of restricted stock awards is measured based on the closing fair market value of the Company's common stock on the date of grant. The fair value of stock option grants are estimated on the date of grant using the Black-Scholes option pricing method based on the following subjective assumptions:

Volatility—This is a measure of the amount by which a stock price has fluctuated or is expected to fluctuate. We use actual daily historical changes in the market value of our stock equal to the expected term of the option. An increase in the expected volatility will increase compensation expense.

Risk-free interest rate—This is the U.S. Treasury rate as of the grant date having a term equal to the expected term of the option. An increase in the risk-free interest rate will increase compensation expense.

Expected term—The expected term was calculated using the simplified method as allowed by the Securities and Exchange Commission. Under this method, the expected term is equal to the sum of the weighted average vesting term plus the original contractual term divided by two. We have elected this method as we have concluded that we do not have sufficient historical exercise data to provide a reasonable basis upon which to estimate expected term due to the limited period of time our equity shares have been publicly traded. An increase in the expected term will increase compensation expense.

Dividend yield—We do not have plans to pay dividends in the foreseeable future. An increase in the dividend yield will decrease compensation expense.

The fair value of stock option grants are estimated on the date of grant using the Black-Scholes option pricing method with the following weighted-average assumptions used for stock option grants issued for the fiscal years ended February 2, 2013, January 28, 2012 and January 29, 2011:

	Fiscal Year Ended		
	February 2, 2013	January 28, 2012	January 29, 2011
Dividend yield	0.0%	0.0%	0.0%
Volatility rate	66.7%	65.0%	67.5%
Weighted-average expected life (in years)	6.25	6.25	6.50
Weighted-average risk-free interest rate	1.1%	1.1%	2.4%
Weighted-average fair value per share of stock options granted	\$19.40	\$13.35	\$12.24

Common Stock Share Repurchases—We may repurchase shares of the Company’s common stock under authorizations made from time to time by our Board of Directors. Under applicable Washington State law, shares repurchased are retired and not displayed separately as treasury stock on the consolidated financial statements. Instead, the value of repurchased shares is deducted from retained earnings.

Income Taxes—Deferred income tax balances reflect the effects of temporary differences between the carrying amounts of assets and liabilities and their respective tax bases. Valuation allowances may be established when necessary to reduce deferred tax assets to the amount expected to be realized.

We recognize uncertain tax benefits only if it is “more likely than not” that the position is sustainable, based on its technical merits. The tax benefit of a qualifying position is the largest amount of tax benefit that is greater than fifty percent likely of being realized upon ultimate settlement with a taxing authority having full knowledge of all relevant information. Interest and penalties related to uncertain tax positions, if any, are included in provision for income taxes on the consolidated statements of income.

Earnings per Share—Basic earnings per share is based on the weighted average number of common shares outstanding during the period. The dilutive effect of stock options and restricted stock is applicable only in periods of net income. Diluted earnings per share is based on the weighted average number of common shares and common share equivalents outstanding during the period. Common share equivalents included in the computation represent shares issuable upon assumed exercise of outstanding stock options, employee stock purchase plan funds held to acquire stock and non-vested restricted stock. Potentially anti-dilutive securities not included in the calculation of diluted earnings per share are options to purchase common stock where the option exercise price is greater than the average market price of the Company’s common stock during the period reported.

Foreign Currency Translation—Assets and liabilities denominated in foreign currencies were translated into U.S. dollars, the reporting currency, at the exchange rate prevailing at the balance sheet date. Revenue and expenses denominated in foreign currencies were translated into U.S. dollars at the monthly average exchange rate for the period. Gains or losses resulting from foreign currency transactions are included in other income (expense), net on the consolidated statements of income, whereas, translation adjustments are reported as an element of accumulated other comprehensive income on the consolidated balance sheets.

3. Recent Accounting Pronouncements

Recently Adopted Accounting Standards—In June 2011, the Financial Accounting Standards Board (“FASB”) issued guidance that requires an entity to present the total of comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The guidance eliminates the option to present the components of other comprehensive income as part of the statement of changes in shareholders’ equity. This guidance is effective for interim and annual reporting periods beginning after December 15, 2011,

with early adoption permitted. We adopted this guidance in the three months ended April 28, 2012. As this guidance only amends the presentation of the components of comprehensive income, the adoption did not have an impact on our financial position, results of operations or cash flows.

In May 2011, the FASB issued guidance that amends certain accounting and disclosure requirements related to fair value measurements. This guidance is effective for interim and annual reporting periods beginning after December 15, 2011. We adopted this guidance in the three months ended April 28, 2012. The adoption did not have a material impact on our financial position, results of operations or cash flows.

Recently Issued Accounting Standards—In February 2013, the FASB issued guidance that requires an entity to present information about reclassification adjustments from accumulated other comprehensive income in their financial statements or footnotes. This guidance is effective for fiscal years and interim periods within those years beginning after December 15, 2012. We will adopt this guidance for the fiscal quarter ended May 4, 2013 and we do not expect the adoption will have a material impact on our consolidated financial statements.

In July 2012, the FASB issued guidance that will allow an entity to first assess qualitative factors to determine whether it is necessary to perform a quantitative impairment test for indefinite-lived intangible assets. If entities determine, based on qualitative factors, the fair value of the asset is more likely than not less than the carrying value, the two-step impairment test would be required. This guidance is effective for fiscal years beginning after September 15, 2012, with early adoption permitted. We will adopt this guidance for the fiscal year ending February 1, 2014 and we do not expect the adoption will have a material impact on our financial position, results of operations or cash flows.

4. Business Combinations

Blue Tomato—On July 4, 2012, we acquired 100% of the outstanding stock of Blue Tomato for cash consideration of 59.5 million Euros (\$74.8 million). Blue Tomato is a leading European multi-channel retailer for board sports and related apparel and footwear and the acquisition allows us to enter into the European marketplace.

In addition, there is the possibility of future incentive payments to the sellers of Blue Tomato in an aggregate amount of up to 22.1 million Euros (\$30.1 million, using the exchange rate as of February 2, 2013) to the extent that certain financial metrics are met for the fiscal year ending April 30, 2015 and the sellers remain employed with Blue Tomato through April 30, 2015. Of the 22.1 million Euros future incentive payments, 17.1 million Euros (\$23.3 million) is payable in cash, while 5.0 million Euros (\$6.8 million) is payable in shares of our common stock. We account for the estimated future incentive payments as compensation expense and recognize this amount ratably over the term of service through April 2015. At February 2, 2013, we estimated that we will be obligated for future incentive payments of 9.0 million Euros (\$12.3 million) and for the fiscal year ended February 2, 2013, we recorded \$2.3 million of this amount, which is included in selling, general and administrative expense on the consolidated statements of income.

The business combination was accounted for using the acquisition method of accounting, which requires an acquirer to recognize assets acquired and liabilities assumed at the acquisition date fair values. The following table summarizes the fair value at the date of acquisition (in thousands):

Cash and cash equivalents	\$ 5,106
Inventories	7,942
Other current assets	1,573
Property, plant and equipment	4,964
Other long-term assets	232
Intangible assets	19,987
Current liabilities assumed	(4,877)
Deferred tax liabilities	(5,420)
Long-term debt and other liabilities assumed	<u>(2,125)</u>
Net assets acquired	<u>27,382</u>
Goodwill	<u>47,412</u>
Total consideration transferred	<u><u>\$74,794</u></u>

Inventories acquired were written up by \$2.2 million to their estimated fair value, which we have recognized as cost of goods sold during the fiscal year ended February 2, 2013.

The following table summarizes the identifiable intangible assets acquired that will not be subject to amortization (in thousands):

	<u>Intangible Asset Amount</u>
Trade names and trademarks	\$13,576

The following table summarizes the identifiable intangible assets acquired that will be subject to amortization and their weighted-average amortization period:

	<u>Intangible Asset Amount (in Thousands)</u>	<u>Weighted- Average Amortization Period (in Years)</u>
Developed technology	\$3,771	3.0
Customer relationships	<u>2,640</u>	3.0
Total intangible assets subject to amortization . .	<u><u>\$6,411</u></u>	3.0

The remaining consideration transferred, after adjusting for identified intangible assets and the net assets recorded at fair value, was \$47.4 million, which was allocated to goodwill. The goodwill is attributed to Blue Tomato's workforce expertise and expected synergies. Of the goodwill recognized, approximately \$34.9 million is expected to be deductible for income tax purposes, in accordance with Austrian tax laws.

Transaction costs, such as investment advisory, legal and accounting fees, associated with the Blue Tomato acquisition were \$1.9 million for the fiscal year ended February 2, 2013. These expenses are recorded in selling, general and administrative expense on the consolidated statements of income.

The foreign currency transaction net gain for the fiscal year ended February 2, 2013 was \$0.5 million, which primarily related to foreign currency fluctuations associated with the acquisition of Blue Tomato. Foreign currency transaction gains and losses were not material for the fiscal years ended January 28, 2012 and January 29, 2011.

The activity of Blue Tomato that was included in our consolidated statements of income from the acquisition date to February 2, 2013 was net sales of \$28.3 million and net income of \$0.1 million. The net income amount excludes the transaction costs associated with the acquisition and the future incentive payments discussed above. The net income amount includes the charge recorded for the step-up in inventory to estimated fair value in conjunction with the acquisition discussed above and amortization of intangible assets disclosed in Note 5, "Goodwill and Intangible Assets."

Pro Forma Financial Information—The following unaudited pro forma financial information shows the results of operations for the fiscal years ended February 2, 2013 and January 28, 2012 (in thousands), as though the acquisition of Blue Tomato had occurred on January 30, 2011. These amounts were calculated after conversion to U.S. GAAP, conforming to our accounting policies and adjusting Blue Tomato results to reflect: (i) the depreciation and amortization that would have been charged as a results of the fair value adjustments to property, plant and equipment and intangible assets and (ii) the compensation expense associated with the estimated future incentive payments to the sellers of Blue Tomato. The adjustments also reflect the income tax effect of the pro forma adjustments.

The amounts also reflect the removal of the following non-recurring, transaction related costs and related income tax effect from the fiscal year ended February 2, 2013 pro forma results: (i) the transaction costs of \$1.9 million associated with the Blue Tomato acquisition, (ii) the charge related to the fair value adjustment to acquisition date inventory of \$2.2 million and (iii) the foreign currency transaction gain of \$0.5 million associated with the foreign currency fluctuations associated with the acquisition of Blue Tomato. These amounts are assumed to be included in the fiscal year ended January 28, 2012 pro forma amounts.

The pro forma financial information below is presented for illustrative purposes only and is not necessarily indicative of the operating results that would have been achieved had the acquisition been completed as of the date indicated above or the results that may be obtained in the future.

	<u>Fiscal Year Ended</u>	
	<u>February 2, 2013</u>	<u>January 28, 2012</u>
Net sales	\$680,524	\$591,961
Net income	\$ 41,430	\$ 32,853

Other Acquisitions—We acquired an additional business during the fiscal year ended February 2, 2013 for an amount that is not material to our business. This business has been consolidated into our consolidated financial statements since the acquisition date. Pro forma results of operations have not been presented because the effect of this business combination is not material to our consolidated results of operations.

5. Goodwill and Intangible Assets

The following tables summarize the changes in the carrying amount of goodwill for the fiscal years ended February 2, 2013 and January 28, 2012 (in thousands):

Balance at January 28, 2012 and January 29, 2011	\$13,154
Goodwill acquired	47,413
Effects of foreign currency translation	<u>4,009</u>
Balance as of February 2, 2013	<u>\$64,576</u>

There was no impairment of goodwill for the fiscal years ended February 2, 2013, January 28, 2012 and January 29, 2011.

The following table summarizes the gross carrying amount, accumulated amortization and the net carrying amount of intangible assets at February 2, 2013 (in thousands):

	February 2, 2013		
	Gross Carrying Amount	Accumulated Amortization	Intangible Assets, Net
Intangible assets not subject to amortization:			
Trade names and trademarks	\$14,724	\$ —	\$14,724
Intangible assets subject to amortization:			
Developed technology	4,090	795	3,295
Customer relationships	3,031	570	2,461
Total intangible assets	<u>\$21,845</u>	<u>\$1,365</u>	<u>\$20,480</u>

There was no impairment of intangible assets for the fiscal years ended February 2, 2013, January 28, 2012 and January 29, 2011.

Amortization expense of intangible assets for the fiscal year ended February 2, 2013 was \$1.3 million. We did not record amortization expense of intangible assets for the fiscal years ended January 28, 2012 and January 29, 2011. Amortization expense of intangible assets is recorded in selling, general and administrative expense on the consolidated statements of income. At February 2, 2013, estimated future amortization expense for intangible assets is as follows (in thousands):

Fiscal 2013	\$2,374
Fiscal 2014	2,374
Fiscal 2015	1,008
Thereafter	—
Total	<u>\$5,756</u>

6. Cash, Cash Equivalents and Marketable Securities

The following tables summarize the estimated fair value of cash, cash equivalents and marketable securities and the gross unrealized holding gains and losses at February 2, 2013 and January 28, 2012 (in thousands):

	February 2, 2013			
	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value
Cash and cash equivalents:				
Cash	\$ 6,271	\$ —	\$ —	\$ 6,271
Money market funds	8,305	—	—	8,305
State and local government securities	3,003	—	—	3,003
Total cash and cash equivalents	<u>17,579</u>	<u>—</u>	<u>—</u>	<u>17,579</u>
Marketable securities:				
Corporate debt securities	1,745	65	—	1,810
State and local government securities	82,911	95	(179)	82,827
Variable-rate demand notes	1,800	—	—	1,800
Total marketable securities	<u>\$86,456</u>	<u>\$ 160</u>	<u>\$(179)</u>	<u>\$86,437</u>
Less: Long-term marketable securities (1)				(844)
Total current marketable securities				<u>\$85,593</u>

	January 28, 2012			
	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value
Cash and cash equivalents:				
Cash	\$ 6,343	\$ —	\$ —	\$ 6,343
Money market funds	5,139	—	—	5,139
State and local government securities	3,297	—	—	3,297
Total cash and cash equivalents	<u>14,779</u>	<u>—</u>	<u>—</u>	<u>14,779</u>
Marketable securities:				
Corporate debt securities	2,016	30	—	2,046
State and local government securities	126,047	335	(111)	126,271
Variable-rate demand notes	30,610	—	—	30,610
Total marketable securities	<u>\$158,673</u>	<u>\$ 365</u>	<u>\$(111)</u>	<u>\$158,927</u>
Less: Long-term marketable securities (1)				(908)
Total current marketable securities				<u>\$158,019</u>

(1) At February 2, 2013 and January 28, 2012, we held one auction rate security, classified as available-for-sale marketable securities and included in long-term other assets on the consolidated balance sheets.

All of our available-for-sale securities, excluding our auction rate security, have an effective maturity date of two years or less and may be liquidated, at our discretion, prior to maturity. For the fiscal years ended February 2, 2013, January 28, 2012 and January 29, 2011, realized gains and losses on sales of available-for-sale marketable securities were not material.

The following tables summarize the gross unrealized holding losses and fair value for investments in an unrealized loss position at February 2, 2013 and January 28, 2012, and the length of time that individual securities have been in a continuous loss position (in thousands):

	February 2, 2013					
	Less Than Twelve Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Marketable securities:						
State and local government securities	\$23,300	\$(23)	\$844	\$(156)	\$24,144	\$(179)
Total marketable securities	<u>\$23,300</u>	<u>\$(23)</u>	<u>\$844</u>	<u>\$(156)</u>	<u>\$24,144</u>	<u>\$(179)</u>
	January 28, 2012					
	Less Than Twelve Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Marketable securities:						
State and local government securities	\$20,900	\$(19)	\$1,408	\$(92)	\$22,308	\$(111)
Total marketable securities	<u>\$20,900</u>	<u>\$(19)</u>	<u>\$1,408</u>	<u>\$(92)</u>	<u>\$22,308</u>	<u>\$(111)</u>

We did not record a realized loss for other-than-temporary impairments during the fiscal years ended February 2, 2013, January 28, 2012 and January 29, 2011. At February 2, 2013 and January 28, 2012, we had

recorded a temporary impairment charge of \$0.2 million and \$0.1 million related to our \$1.0 million par value auction rate security. We do not intend to sell this security and it is more likely than not that we will be able to hold the investment until the market improves.

7. Receivables

At February 2, 2013 and January 28, 2012, receivables on the consolidated balance sheets consisted of the following (in thousands):

	<u>February 2, 2013</u>	<u>January 28, 2012</u>
Credit cards receivable	\$6,020	\$2,941
Tenant allowances receivable	1,006	1,158
Interest receivable	506	1,155
Other receivables	<u>1,935</u>	<u>1,030</u>
	<u>\$9,467</u>	<u>\$6,284</u>

8. Fixed Assets

At February 2, 2013 and January 28, 2012, fixed assets on the consolidated balance sheets consisted of the following (in thousands):

	<u>February 2, 2013</u>	<u>January 28, 2012</u>
Leasehold improvements	\$ 116,946	\$ 102,486
Fixtures	70,907	56,122
Land, building and building improvements	26,731	19,310
Computer equipment, software, store equipment and other	<u>22,671</u>	<u>17,622</u>
Fixed assets, at cost	237,255	195,540
Less: Accumulated depreciation	<u>(121,781)</u>	<u>(106,062)</u>
Fixed assets, net of accumulated depreciation	<u>\$ 115,474</u>	<u>\$ 89,478</u>

Depreciation expense on fixed assets was \$19.4 million, \$17.4 million, and \$16.4 million for fiscal years ended February 2, 2013, January 28, 2012 and January 29, 2011.

9. Other Liabilities

At February 2, 2013 and January 28, 2012, other liabilities on the consolidated balance sheets consisted of the following (in thousands):

	<u>February 2, 2013</u>	<u>January 28, 2012</u>
Accrued payables	\$ 6,355	\$ 5,177
Unredeemed gift cards	4,268	3,460
Accrued excise taxes	3,852	4,224
Allowance for sales returns	1,227	937
Other current liabilities	<u>2,530</u>	<u>908</u>
	<u>\$18,232</u>	<u>\$14,706</u>

10. Revolving Credit Facility and Debt

We maintain a secured credit agreement with Wells Fargo Bank, N.A., which provides us with a secured revolving credit facility until September 1, 2013 of up to \$25.0 million, which, pursuant to an accordion feature, may be increased to \$35.0 million at our discretion. The secured revolving credit facility provides for the issuance of a standby letter of credit in an amount not to exceed \$5.0 million outstanding at any time and with a term not to exceed 365 days. The commercial line of credit provides for the issuance of a commercial letter of credit in an amount not to exceed \$10.0 million and with terms not to exceed 120 days. The amount of borrowings available at any time under our secured revolving credit facility is reduced by the amount of standby and commercial letters of credit outstanding at that time. There were no outstanding borrowings under the secured revolving credit facility at February 2, 2013 and January 28, 2012. We had open commercial letters of credit outstanding under our secured revolving credit facility of \$0.2 million at February 2, 2013 and \$0.9 million at January 28, 2012. The secured revolving credit facility bears interest at the Daily One Month LIBOR rate plus 1.00%. The credit agreement contains a number of restrictions and covenants that generally limit our ability to, among other things, (1) incur additional debt, (2) undergo a change in ownership and (3) enter into certain transactions. The credit agreement also contains financial covenants that require us to meet certain specified financial tests and ratios, including, a maximum net loss not to exceed \$10.0 million after taxes on a trailing four-quarter basis provided, that, there shall be added to net income all charges for impairment of goodwill and store assets not to exceed \$5.0 million in aggregate, and a minimum quick ratio of 1.25. The quick ratio is defined as our cash and near cash equivalents plus certain defined receivables divided by the outstanding borrowings. Our accounts receivable, general intangibles, inventory and equipment have been pledged to secure our obligations under the credit agreement. We must also provide financial information and statements to our lender. We were in compliance with all such covenants at February 2, 2013.

Additionally, in conjunction with our acquisition of Blue Tomato, we assumed \$2.3 million in long-term debt, which relates to amounts borrowed to fund operations. This long-term debt had a weighted average interest rate of 1.7% and has maturities through 2021. Long-term debt obligations at February 2, 2013 are as follows (in thousands):

	<u>February 2, 2013</u>
Debt obligations	\$2,270
Less: Current portion of debt obligations (1)	<u>(322)</u>
Total long-term debt obligations (2)	<u>\$1,948</u>

- (1) The current portion of debt obligations is recorded in other liabilities on the consolidated balance sheets.
(2) The long-term portion of debt obligations is recorded in long-term debt and other liabilities on the consolidated balance sheets.

Future principal payments for long-term debt at February 2, 2013 are as follows (in thousands):

Fiscal 2013	\$ 322
Fiscal 2014	327
Fiscal 2015	333
Fiscal 2016	262
Fiscal 2017	234
Thereafter	<u>792</u>
Total	<u>\$2,270</u>

11. Commitments and Contingencies

Operating Leases—Total rent expense, base rent expense and contingent and other rent expense for the fiscal years ended February 2, 2013, January 28, 2012 and January 29, 2011 is as follows (in thousands):

	Fiscal Year Ended		
	February 2, 2013	January 28, 2012	January 29, 2011
Base rent expense	\$47,280	\$41,566	\$37,140
Contingent and other rent expense (1) . .	30,721	27,214	24,660
Total rent expense	<u>\$78,001</u>	<u>\$68,780</u>	<u>\$61,800</u>

(1) Included in other rent expense are payments of real estate taxes, insurance and common area maintenance costs.

A majority of our leases provide for ongoing co-tenancy requirements or early cancellation clauses that would further lower rental rates, or permit lease terminations, or both, in the event that co-tenants cease to operate for specific periods or if certain sales levels are not met in specific periods. Most of the store leases require payment of a specified minimum rent and a contingent rent based on a percentage of the store's net sales in excess of a specified threshold. Amounts in the table below do not include contingent rent, real estate taxes, insurance or common area maintenance costs unless these costs are fixed and determinable. Future minimum commitments on all leases at February 2, 2013 are as follows (in thousands):

Fiscal 2013	\$ 65,932
Fiscal 2014	67,080
Fiscal 2015	64,951
Fiscal 2016	61,948
Fiscal 2017	55,443
Thereafter	<u>170,273</u>
Total	<u>\$485,627</u>

Purchase Commitments—At February 2, 2013 and January 28, 2012, we had outstanding purchase orders to acquire merchandise from vendors of \$120.4 million and \$87.2 million. We have an option to cancel these commitments with no notice prior to shipment, except for certain private label purchase orders in which we are obligated to repay contractual amounts upon cancellation.

Litigation—We are involved from time to time in claims, proceedings and litigation arising in the ordinary course of business. We have made accruals with respect to these matters, where appropriate, which are reflected in our consolidated financial statements. For some matters, the amount of liability is not probable or the amount cannot be reasonably estimated and therefore accruals have not been made. We may enter into discussions regarding settlement of these matters, and may enter into settlement agreements, if we believe settlement is in the best interest of the Company's shareholders.

A putative class action, *Chandra Berg et al. v. Zumiez Inc.*, was filed against the Company in the Los Angeles Superior Court on February 25, 2009. On September 1, 2010, the Company announced that it had reached an agreement to settle. The settlement agreement was \$2.1 million, which includes settlement awards to class members, incentive payments to the two plaintiffs, attorneys' fees and costs and claims administration costs. The settlement was recorded in selling, general and administrative expenses on the consolidated statements of income for the fiscal year ended January 29, 2011 and was paid out on March 10, 2011.

Insurance Reserves—We use a combination of third-party insurance and self-insurance for a number of risk management activities including workers' compensation, general liability and employee-related health care

benefits. We maintain reserves for our self-insured losses, which are estimated based on historical claims experience and actuarial and other assumptions. The insurance reserve at February 2, 2013 and January 28, 2012 was \$1.2 million and \$0.5 million.

12. Fair Value Measurements

We apply the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

- Level 1—Quoted prices in active markets for identical assets or liabilities;
- Level 2—Quoted prices for similar assets or liabilities in active markets or inputs that are observable; and
- Level 3—Inputs that are unobservable.

The following tables summarize assets measured at fair value on a recurring basis at February 2, 2013 and January 28, 2012 (in thousands):

	February 2, 2013		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash equivalents:			
Money market funds	\$ 8,305	\$ —	\$ —
State and local government securities	—	3,003	—
Marketable securities:			
Corporate debt securities	—	1,810	—
State and local government securities	—	81,983	—
Variable-rate demand notes	—	1,800	—
Long-term other assets:			
State and local government securities	—	—	844
Equity investments	—	—	1,059
Total	<u>\$ 8,305</u>	<u>\$88,596</u>	<u>\$1,903</u>
	January 28, 2012		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash equivalents:			
Money market funds	\$5,139	\$ —	\$ —
State and local government securities	—	3,297	—
Marketable securities:			
Corporate debt securities	—	2,046	—
State and local government securities	—	125,363	—
Variable-rate demand notes	—	30,610	—
Long-term other assets:			
State and local government securities	—	—	908
Equity investments	—	—	1,472
Total	<u>\$5,139</u>	<u>\$161,316</u>	<u>\$2,380</u>

Our policy is to recognize transfers into and transfers out of hierarchy levels as of the actual date of the event or change in circumstances that caused the transfer.

The Level 2 marketable securities primarily include state and local municipal securities, corporate debt securities and variable-rate demand notes. Fair values are based on quoted market prices for similar assets or liabilities or determined using inputs that use readily observable market data that are actively quoted and can be validated through external sources, including third-party pricing services, brokers and market transactions. We review the pricing techniques and methodologies of the independent pricing service for Level 2 investments and believe that its policies adequately consider market activity, either based on specific transactions for the security valued or based on modeling of securities with similar credit quality, duration, yield and structure that were recently traded. We monitor security-specific valuation trends and we make inquiries with the pricing service about material changes or the absence of expected changes to understand the underlying factors and inputs and to validate the reasonableness of the pricing.

The Level 3 state and local government securities represent one auction rate security. Our valuation method for the auction rate security is based on numerous assumptions including assessments of the underlying security, expected cash flows, credit ratings, liquidity and other relevant factors.

The Level 3 equity investments primarily represent our 14.3% interest in a manufacturer of apparel and hard goods. The equity investment is valued using comparative market multiples adjusted by an estimated discount factor. We have elected to apply fair value accounting for this investment, which would otherwise be accounted for under the equity method of accounting. We have elected fair value accounting, as we believe the terms of the contract are more properly reflected through the fair value method.

Assets measured at fair value on a nonrecurring basis include items such as long-lived assets resulting from impairment, if deemed necessary. There were no material assets measured at fair value on a nonrecurring basis for the fiscal years ended February 2, 2013, January 28, 2012 and January 29, 2011.

13. Stockholders' Equity

In November 2012, our Board of Directors authorized a share repurchase program that provided for the repurchase of up to \$22.0 million of outstanding common stock. This program was completed in December 2012. In December 2012, our Board of Directors authorized a stock repurchase program that provides for the repurchase of up to an additional \$20.0 million of outstanding common stock. The repurchase program is expected to continue through the fiscal year ending February 1, 2014, unless the time period is extended or shortened by the Board of Directors.

The following table summarizes common stock repurchase activity during the fiscal year ended February 2, 2013 (in thousands except average price per repurchased shares):

Number of shares repurchased	1,265
Average price per share of repurchased shares (with commission)	\$ 20.43
Total cost of shares repurchased	\$25,843

At February 2, 2013, there remains \$16.2 million available to repurchase shares under this program.

14. Equity Awards

We maintain several equity incentive plans under which we may grant incentive stock options, nonqualified stock options, stock bonuses, restricted stock awards, restricted stock units and stock appreciation rights to employees (including officers), non-employee directors and consultants.

Stock Options—The following table summarizes stock option activity for the fiscal years ended February 2, 2013, January 28, 2012 and January 29, 2011 (in thousands, except weighted-average exercise price and weighted-average remaining contractual life):

	<u>Stock Options</u>	<u>Grant Date Weighted- Average Exercise Price</u>	<u>Weighted-Average Remaining Contractual Life (in Years)</u>	<u>Intrinsic Value (1)</u>
Outstanding at January 30, 2010	1,495	\$11.88		
Granted	58	\$19.13		
Exercised	(392)	\$ 3.70		
Forfeited	(43)	\$18.68		
Outstanding at January 29, 2011	1,118	\$14.86		
Granted	90	\$22.33		
Exercised	(183)	\$ 7.17		
Forfeited	(137)	\$21.45		
Outstanding at January 28, 2012	888	\$16.18		
Granted	55	\$31.79		
Exercised	(74)	\$ 8.53		
Forfeited	(49)	\$20.91		
Outstanding at February 2, 2013	<u>820</u>	\$17.62	4.13	\$6,135
Exercisable at February 2, 2013	<u>619</u>	\$17.62	4.13	\$4,782
Vested or expected to vest at February 2, 2013 (2) ..	<u>817</u>	\$14.27	4.66	\$6,128

- (1) Intrinsic value for stock options is defined as the difference between the market price of the Company's common stock on the last business day of the fiscal year and the weighted average exercise price of in-the-money options outstanding at the end of the fiscal year.
- (2) Includes outstanding vested options as well as outstanding, non-vested options after a forfeiture rate is applied.

The following table summarizes additional information related to stock option activity for the fiscal years ended February 2, 2013, January 28, 2012 and January 29, 2011 (in thousands):

	<u>Fiscal Year Ended</u>		
	<u>February 2, 2013</u>	<u>January 28, 2012</u>	<u>January 29, 2011</u>
Aggregate intrinsic value of stock options exercised	\$1,655	\$3,257	\$7,909
Vest-date fair value of stock options vested	\$4,881	\$3,809	\$2,094

The following table summarizes outstanding and exercisable options by exercise price at February 2, 2013:

Exercise Price	Options Outstanding		Options Exercisable
	Number of Options (in thousands)	Weighted Average Remaining Contractual Life	Number of Options (in thousands)
Under \$ 10.00	389	4.1	290
\$ 10.01-\$ 20.00	127	5.8	104
\$ 20.01-\$ 30.00	131	4.4	77
\$ 30.01-\$ 40.00	173	4.7	148
Total	<u>820</u>		<u>619</u>

Restricted Stock—The following table summarizes restricted stock activity for the fiscal years ended February 2, 2013, January 28, 2012 and January 29, 2011 (in thousands, except weighted-average fair value):

	Restricted Stock	Grant Date Weighted-Average Fair Value	Intrinsic Value (1)
Outstanding at January 30, 2010	622	\$ 9.67	
Granted	196	\$19.19	
Vested	(195)	\$10.11	
Forfeited	(31)	\$11.99	
Outstanding at January 29, 2011	592	\$12.55	
Granted	188	\$25.14	
Vested	(221)	\$12.47	
Forfeited	(56)	\$17.01	
Outstanding at January 28, 2012	503	\$16.79	
Granted	154	\$33.98	
Vested	(236)	\$15.21	
Forfeited	(39)	\$24.03	
Outstanding at February 2, 2013	<u>382</u>	\$23.97	\$8,066

(1) Intrinsic value for restricted stock is defined as the market value of the outstanding restricted stock on the last business day of the fiscal year.

The following table summarizes additional information related to restricted stock activity for the fiscal years ended February 2, 2013, January 28, 2012 and January 29, 2011 (in thousands):

	Fiscal Year Ended		
	February 2, 2013	January 28, 2012	January 29, 2011
Vest-date fair value of restricted stock vested	\$8,174	\$5,524	\$3,734

Stock-Based Compensation—We recorded \$6.0 million, \$5.3 million and \$4.9 million of total stock-based compensation expense for the fiscal years ended February 2, 2013, January 28, 2012 and January 29, 2011.

At February 2, 2013, there was \$9.5 million of total unrecognized compensation cost related to unvested stock options and restricted stock grants and the remaining estimated future incentive payments payable in shares of our common stock associated with the Blue Tomato acquisition. This cost has a weighted-average recognition period of 1.1 years.

15. Employee Benefit Plans

We maintain the Zumiez Investment Plan, a qualified plan under Section 401(k) of the Internal Revenue Code, covering eligible employees as defined in the plan documents. Our 401(k) matching and profit-sharing contributions are discretionary and are determined annually by management. We committed \$0.5 million, \$0.5 million and \$0.4 million to the plan for the fiscal years ended February 2, 2013, January 28, 2012 and January 29, 2011.

We offer an Employee Stock Purchase Plan (the "ESPP") for eligible employees to purchase the Company's common stock at a 15% discount of the lesser of fair market value of the stock on the first business day or the last business day of the offering period, subject to maximum contribution thresholds. The number of shares issued under our ESPP was less than 0.1 million for each of the fiscal years ended February 2, 2013, January 28, 2012 and January 29, 2011.

16. Income Taxes

The components of earnings before income taxes for the fiscal years ended February 2, 2013, January 28, 2012 and January 29, 2011 are (in thousands):

	Fiscal Year Ended		
	February 2, 2013	January 28, 2012	January 29, 2011
United States	\$75,054	\$62,794	\$38,855
Foreign	(4,775)	(1,105)	—
Total earnings before income taxes	<u>\$70,279</u>	<u>\$61,689</u>	<u>\$38,855</u>

The components of the provision for income taxes for the fiscal years ended February 2, 2013, January 28, 2012 and January 29, 2011 are (in thousands):

	Fiscal Year Ended		
	February 2, 2013	January 28, 2012	January 29, 2011
Current:			
Federal	\$23,982	\$17,013	\$11,813
State	4,689	3,884	2,324
Foreign	1,054	—	—
Total current	<u>29,725</u>	<u>20,897</u>	<u>14,137</u>
Deferred:			
Federal	571	3,358	662
State	(370)	83	(147)
Foreign	(1,811)	—	—
Total deferred	<u>(1,610)</u>	<u>3,441</u>	<u>515</u>
Provision for income taxes	<u>\$28,115</u>	<u>\$24,338</u>	<u>\$14,652</u>

The reconciliation of the income tax provision at the U.S. federal statutory rate to our effective income tax rate is as follows for the fiscal years ended February 2, 2013, January 28, 2012 and January 29, 2011:

	Fiscal Year Ended		
	February 2, 2013	January 28, 2012	January 29, 2011
Expected U.S. federal income taxes at statutory rates	35.0%	35.0%	35.0%
State and local income taxes, net of federal effect	4.4	4.1	3.4
Tax exempt interest	(0.6)	(0.9)	(1.2)
Non-deductible acquisition related expenses (1)	0.7	—	—
Other	<u>0.5</u>	<u>1.3</u>	<u>0.5</u>
Effective tax rate	<u>40.0%</u>	<u>39.5%</u>	<u>37.7%</u>

- (1) Non-deductible acquisition related expenses are certain transaction costs associated with the acquisition of Blue Tomato and accrued future incentive payments to the sellers of Blue Tomato that are not deductible for tax purposes.

The components of deferred income taxes at February 2, 2013 and January 28, 2012 are (in thousands):

	February 2, 2013	January 28, 2012
Deferred tax assets:		
Deferred rent	\$ 15,989	\$ 14,205
Employee benefits, including stock based compensation	5,915	5,794
Accrued liabilities	1,768	1,164
Inventory	943	507
Net operating losses	846	170
Other	<u>871</u>	<u>553</u>
Total deferred tax assets	<u>26,332</u>	<u>22,393</u>
Deferred tax liabilities:		
Property and equipment	(18,233)	(14,997)
Goodwill and other intangibles	(6,965)	(2,042)
Other	<u>(543)</u>	<u>(497)</u>
Total deferred tax liabilities	<u>(25,741)</u>	<u>(17,536)</u>
Valuation allowance	(417)	(271)
Net deferred tax assets	<u>\$ 174</u>	<u>\$ 4,586</u>
Reported as:		
Current deferred tax assets	\$ 3,885	\$ 1,477
Long-term deferred tax assets (included in long-term other assets)	1,846	3,109
Current deferred income tax liabilities (included in other liabilities)	(13)	—
Long-term deferred tax liabilities	<u>(5,544)</u>	<u>—</u>
Net deferred tax assets	<u>\$ 174</u>	<u>\$ 4,586</u>

At February 2, 2013 and January 28, 2012, we had deferred tax assets related to foreign net operating loss carryovers that could be utilized to reduce future years' tax liabilities, totaling \$0.8 million and \$0.2 million. A portion of these net operating loss carryovers begin expiring in fiscal 2030 and some have an indefinite carryforward period. At February 2, 2013 and January 28, 2012, we had a valuation allowance of \$0.4 million and

\$0.3 million, which is primarily related to net operating losses and other deferred tax assets of foreign subsidiaries. The net change in the total valuation allowance was \$0.1 million and \$0.3 million for the fiscal years ended February 2, 2013 and January 28, 2012.

We did not have unrealized tax benefits related to uncertain tax positions recorded at February 2, 2013 and January 28, 2012. We file income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. Our U.S. federal income tax returns are no longer subject to examination for years before fiscal 2009, with few exceptions, we are no longer subject to U.S. state examinations for years before fiscal 2008 and we are no longer subject to examination for all foreign income tax returns before fiscal 2007.

17. Comprehensive Income

Comprehensive income represents all changes in equity during a period except those resulting from investments by and distributions to shareholders. Other comprehensive income by component and the related tax effects for the fiscal years ended February 2, 2013, January 28, 2012 and January 29, 2011 is as follows (in thousands):

	<u>Before-Tax Amount</u>	<u>Tax Expense or Benefit</u>	<u>Net-of-Tax Amount</u>
Year ended February 2, 2013:			
Foreign currency translation adjustments (1)	\$6,040	\$ —	\$6,040
Unrealized losses on available-for-sale investments:			
Unrealized holding gains/(losses) arising during period	(144)	65	(79)
Reclassification adjustment for (gains)/losses realized in net income . .	(141)	55	(86)
Net unrealized losses on available-for-sale investments	(285)	120	(165)
Other comprehensive income	<u>\$5,755</u>	<u>\$ 120</u>	<u>\$5,875</u>
Year ended January 28, 2012:			
Foreign currency translation adjustments (1)	\$ (19)	\$ —	\$ (19)
Unrealized gains on available-for-sale investments:			
Unrealized holding gains/(losses) arising during period	326	(127)	199
Reclassification adjustment for (gains)/losses realized in net income . .	(46)	18	(28)
Net unrealized gains on available-for-sale investments	280	(109)	171
Other comprehensive income	<u>\$ 261</u>	<u>\$(109)</u>	<u>\$ 152</u>
Year ended January 29, 2011:			
Unrealized losses on available-for-sale investments:			
Unrealized holding gains/(losses) arising during period	\$ (236)	\$ 92	\$ (144)
Reclassification adjustment for (gains)/losses realized in net income . .	42	(16)	26
Net unrealized losses on available-for-sale investments	(194)	76	(118)
Other comprehensive loss	<u>\$ (194)</u>	<u>\$ 76</u>	<u>\$ (118)</u>

(1) Foreign currency translation adjustments are not adjusted for income taxes as they relate to permanent investments in our international subsidiaries.

The changes in the balances of each component of accumulated other comprehensive income (loss), net of tax, for the fiscal years ended February 2, 2013 and January 28, 2012 is as follows (in thousands):

	<u>Foreign currency translation adjustments</u>	<u>Net unrealized gains (losses) on available- for-sale investments</u>	<u>Accumulated other comprehensive income (loss)</u>
Balance at January 29, 2011	\$ —	\$ (17)	\$ (17)
Current-period other comprehensive income	<u>(19)</u>	<u>171</u>	<u>152</u>
Balance at January 28, 2012	<u>(19)</u>	<u>154</u>	<u>135</u>
Current-period other comprehensive income	<u>6,040</u>	<u>(165)</u>	<u>5,875</u>
Balance at February 2, 2013	<u>\$6,021</u>	<u>\$ (11)</u>	<u>\$6,010</u>

18. Earnings per Share, Basic and Diluted

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share amounts):

	<u>Fiscal Year Ended</u>		
	<u>February 2, 2013</u>	<u>January 28, 2012</u>	<u>January 29, 2011</u>
Net income	\$42,164	\$37,351	\$24,203
Weighted average common shares for basic earnings per share	30,742	30,527	29,971
Dilutive effect of stock options and restricted stock	<u>531</u>	<u>592</u>	<u>823</u>
Weighted average common shares for diluted earnings per share	<u>31,273</u>	<u>31,119</u>	<u>30,794</u>
Basic earnings per share	<u>\$ 1.37</u>	<u>\$ 1.22</u>	<u>\$ 0.81</u>
Diluted earnings per share	<u>\$ 1.35</u>	<u>\$ 1.20</u>	<u>\$ 0.79</u>

Total anti-dilutive common stock options not included in the calculation of diluted earnings per share were 0.2 million, 0.3 million and 0.3 million for the fiscal years ended February 2, 2013, January 28, 2012 and January 29, 2011.

19. Exit and Disposal Activities

Distribution Center Relocation—During the fiscal year ended January 29, 2011, we acquired a 168,450 square foot building in Corona, California for \$11.8 million and relocated our distribution facility from Everett, Washington to this facility.

In conjunction with the closure of the Everett, Washington distribution facility, during the fiscal year ended January 29, 2011, we recorded \$0.9 million of employee benefit costs (severance and performance bonuses), \$0.6 million of lease termination costs and \$0.8 million of other costs to exit the facility. Additionally, we incurred a \$0.3 million charge on disposal of long-lived assets and we recognized a \$0.2 million benefit for the related deferred rent liability. These amounts are included in cost of goods sold on the consolidated statements of income.

Ecommerce Fulfillment Center and Home Office Relocations—During the fiscal year ended February 2, 2013, we entered into a 10 year agreement to lease up to 153,095 square feet in Edwardsville, Kansas and relocated our ecommerce fulfillment center to this facility. We believe that the Edwardsville, Kansas fulfillment center will provide the additional capacity needed to support the continued growth of our ecommerce business, while also increasing the speed at which we deliver product to our customers and lowering the freight and distribution costs once the Edwardsville, Kansas fulfillment center is running effectively and at full capacity.

In conjunction with the ecommerce fulfillment relocation from Everett, Washington to Edwardsville, Kansas and the relocation of our home office from Everett, Washington to Lynnwood, Washington, during the fiscal year ended February 2, 2013, we have recorded \$0.3 million of severance and other employee related costs, \$1.4 million in lease termination costs and \$0.4 million in other exit costs. Of the total amount recorded during the fiscal year ended February 2, 2013, \$1.0 million was included in cost of goods sold and \$1.1 million was included in selling, general and administrative expenses on the consolidated statements of income.

We do not expect to incur further material costs related to the relocations. The following table is a summary of the exit and disposal activity and liability balances as a result of our distribution center, ecommerce fulfillment center and home office relocations for the fiscal years ended February 2, 2013, January 28, 2012 and January 29, 2011 (in thousands):

	<u>Employee benefit costs</u>	<u>Lease termination costs (1)</u>	<u>Other exit costs</u>	<u>Total</u>
January 30, 2010	\$ —	\$ —	\$ —	\$ —
Additions	882	1,051	806	2,739
Payments	(876)	(305)	(806)	(1,987)
Adjustments (2)	9	(453)	—	(444)
January 29, 2011	15	293	—	308
Payments	(15)	(59)	—	(74)
Adjustments	—	7	—	7
January 28, 2012 (3)	—	241	—	241
Additions	245	920	440	1,605
Payments	(245)	(864)	(440)	(1,549)
Adjustments (4)	—	874	—	874
February 2, 2013 (3)	<u>\$ —</u>	<u>\$1,171</u>	<u>\$ —</u>	<u>\$ 1,171</u>

- (1) The liability for lease termination costs is based on the present value of future rent obligations and other related costs, net of estimated sublease rent, for the Everett, Washington exited facility, where we are under lease until June 2017. We will monitor the estimated liability for lease termination costs in subsequent periods and revise the liability, if necessary.
- (2) The adjustment to the lease termination costs liability during the fiscal year ended January 29, 2011 represents the difference between the calculated lease termination cost as a result of the amended lease and our initial estimate of lease termination costs recorded on the cease use date.
- (3) The exit or disposal provisions at February 2, 2013 and January 28, 2012 are included in other liabilities and long-term debt and other liabilities on the consolidated balance sheets.
- (4) The adjustment to the lease termination costs liability during the fiscal year ended February 2, 2013 represents the outstanding deferred rent liability of \$0.4 million associated with the Everett, Washington exited facility and a \$0.5 million adjustment recorded as a result of our revised estimate for lease termination costs as of February 2, 2013.

20. Related Party Transactions

We committed charitable contributions to Zumiez Foundation of \$0.7 million, \$0.7 million and \$0.6 million for fiscal years ended February 2, 2013, January 28, 2012 and January 29, 2011. We have accrued charitable contributions payable to Zumiez Foundation of \$0.6 million at both February 2, 2013 and January 28, 2012. Zumiez Foundation is a charitable based nonprofit organization focused on meeting various needs of the under-privileged. The Company's Chairman of the Board is also the President of Zumiez Foundation.

21. Segment Reporting

We identify our operating segments according to how our business activities are managed and evaluated. Our operating segments have been aggregated and are reported as one reportable segment based on the similar nature of products sold, production, merchandising and distribution processes involved, target customers and economic characteristics.

The following table is a summary of product categories as a percentage of merchandise sales for the fiscal years ended February 2, 2013, January 28, 2012 and January 29, 2011:

	Fiscal Year Ended		
	February 2, 2013	January 28, 2012	January 29, 2011
Men's Apparel	34%	33%	32%
Footwear	23%	24%	23%
Accessories	19%	20%	21%
Hardgoods	11%	11%	12%
Junior's Apparel	11%	10%	10%
Other	2%	2%	2%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

The following tables present summarized geographical information (in thousands):

	Fiscal Year Ended		
	February 2, 2013	January 28, 2012	January 29, 2011
Net sales (1):			
United States	\$618,958	\$549,272	\$478,849
Foreign	50,435	6,602	—
Total net sales	<u>\$669,393</u>	<u>\$555,874</u>	<u>\$478,849</u>

(1) Net sales are allocated based on the location in which the sale was originated. Store sales are allocated based on the location of the store and ecommerce sales are allocated to the U.S. for sales on www.zumiez.com and to Austria for sales on www.blue-tomato.com.

	February 2, 2013	January 28, 2012
Long-lived assets:		
United States	\$103,966	\$85,986
Foreign	13,013	4,024
Total long-lived assets	<u>\$116,979</u>	<u>\$90,010</u>

22. Subsequent Event

On February 15, 2013, a putative class action lawsuit, Robert Steele v. Zumiez Inc., was filed against the Company in the Superior Court of the State of California, County of San Francisco. The lawsuit purports to be brought on behalf of a class of all persons who are employed, or who have worked as, assistant store managers for the Company in the State of California from February 15, 2009 through the date of certification of the class in the lawsuit. The lawsuit alleges causes of action for failure to pay overtime wages, failure to pay wages for work done off-the-clock, failure to provide meal periods and rest breaks (and to pay meal and rest period premiums), failure to pay terminated employees all wages due at the time of termination, failure to provide employees with accurate itemized wage statements, failure to reimburse employees for business expenses and unfair business practices and declaratory relief. The Company is investigating Plaintiff's claims and preparing a response to the complaint. The Court has not set a date for a hearing on class certification and has not set a trial date. At this stage of the litigation, the Company is not in a position to predict the likelihood of an unfavorable outcome or the range of potential loss.

EXHIBIT INDEX

- 2.1 Share Purchase Agreement, dated June 18, 2012, by and between Gerfried Schuller, Alexander Zezula and Eff zwanzig Beteiligungsverwaltung GmbH [Incorporated by reference to Exhibit 2.1 to the Form 8-K filed by the Company on July 10, 2012]
- 3.1 Articles of Incorporation. [Incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-1 (file No. 333-122865)]
- 3.2 Bylaws. [Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on August 25, 2008]
- 4.1 Form of Common Stock Certificate of Zumiez Inc. [Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-1 (file No. 333-122865)]
- 10.6 Zumiez Inc. 2004 Stock Option Plan. [Incorporated by reference to Exhibit 10.6 to the Company's Registration Statement on Form S-1 (file No. 333-122865)]
- 10.8 Zumiez Inc. 2005 Employee Stock Purchase Plan. [Incorporated by reference to Exhibit 10.8 to the Company's Registration Statement on Form S-1 (file No. 333-122865)]
- 10.9 Form of Indemnity Agreement between Zumiez Inc. and each of its officers and directors. [Incorporated by reference to Exhibit 10.9 to the Company's Registration Statement on Form S-1 (file No. 333-122865)]
- 10.10 Limited Liability Company Agreement of Zumiez Holdings LLC. [Incorporated by reference to Exhibit 10.10 to the Company's Registration Statement on Form S-1 (file No. 333-122865)]
- 10.12 Equity Purchase Agreement with Gerald R. Anderson, Brandon C. Batton, AC Fast Forward LLC and AC Fast Forward Mgt., LLC dated May 16, 2006. [Incorporated by reference to Exhibit 10.12 to the Company's Quarterly Report on Form 10-Q for the period ended July 29, 2006 as filed on September 12, 2006]
- 10.13 Lease Agreement between Merrill Creek Holdings, LLC and Zumiez Inc. dated October 2, 2006. [Incorporated by reference to Exhibit 10.13 to the Company's Form 8-K filed on October 4, 2006]
- 10.15 Zumiez Inc. 2005 Equity Incentive Plan, as amended and restated effective May 27, 2009. [Incorporated by reference from Exhibit 10.15 to the Form 8-K filed by the Company on June 1, 2009]
- 10.17 Purchase and Sale Agreement and Joint Escrow Instructions with Railroad Street Land Holdings, LLC dated February 18, 2010. [Incorporated by reference from Exhibit 10.17 to the Form 8-K filed by the Company on February 22, 2010]
- 10.18 Credit Agreement, including Revolving Line of Credit Note, with Wells Fargo Bank, N.A. dated August 29, 2011. [Incorporated by reference from Exhibit 10.18 to the Form 8-K filed by the Company on August 31, 2011]
- 21.1 Subsidiaries of the Company.
- 23.1 Consent of Moss Adams LLP, Independent Registered Public Accounting Firm.
- 31.1 Certification of the Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of the Principal Financial Officer (Principal Accounting Officer) pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certifications of the Principal Executive Officer and Principal Financial Officer (Principal Accounting Officer) pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.

101 The following materials from Zumiez Inc.'s Annual Report on Form 10-K for the annual period ended February 2, 2013, formatted in XBRL (eXtensible Business Reporting Language):
(i) Consolidated Balance Sheets at February 2, 2013 and January 28, 2012; (ii) Consolidated Statements of Income for the fiscal years ended February 2, 2013, January 28, 2012 and January 29, 2011; (iii) Consolidated Statements of Comprehensive Income for the fiscal years ended February 2, 2013, January 28, 2012 and January 29, 2011; (iv) Consolidated Statements of Changes in Shareholders' Equity for the fiscal years ended February 2, 2013, January 28, 2012 and January 29, 2011; (v) Consolidated Statements of Cash Flows for the fiscal years ended February 2, 2013, January 28, 2012 and January 29, 2011; and (vi) Notes to Consolidated Financial Statements. (1)

(1) The XBRL related information in Exhibit 101 to this Quarterly Report on Form 10-K shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability of that section and shall not be incorporated by reference into any filing or other document pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing or document.

Copies of Exhibits may be obtained upon request directed to the attention of our General Counsel and Corporate Secretary, 4001 204th Street SW, Lynnwood, Washington 98036, and are available at the SEC's website found at www.sec.gov.

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