

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

Current report filing

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FILER

bebe stores, inc.

CIK: [1059272](#) | IRS No.: [942450490](#) | State of Incorporation: **CA** | Fiscal Year End: **0702**
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SIC: **2330** Women's, misses', and juniors outerwear

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BRISBANE CA 94005

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

January 9, 2013

Date of Report (Date of earliest event reported)

bebe stores, inc.

(Exact name of registrant as specified in its charter)

California
(State of Incorporation)

0-24395
(Commission File Number)

94-2450490
(IRS Employer Identification Number)

400 Valley Drive
Brisbane, California 94005
(Address of principal executive offices) (Zip Code)

(415) 715-3900
(Registrant's telephone number, including area code)

N/A
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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ITEM 1.01. Entry into a Material Definitive Agreement

On January 3, 2013, bebe stores, inc. (the “Company”) entered into an Employment Agreement (the “Agreement”) with Steve Birkhold, under which Mr. Birkhold will serve as the Company’s Chief Executive Officer. A description of the Agreement is contained in Item 5.02 below, which is incorporated by reference into this Item 1.01, and the Agreement is attached as Exhibit 10.01.

ITEM 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

On January 3, 2013, the Company announced that Steve Birkhold, age 50, has been appointed as the Company’s Chief Executive Officer. Mr. Birkhold will also serve on the Company’s Board of Directors (the “Board”) effective January 3, 2013. Mr. Birkhold succeeds Manny Mashouf as the Company’s Chief Executive Officer. Mr. Mashouf, founder and Chairman, who has served as Chief Executive Officer since January 2009, leaves management duties, but will continue to serve on the Company’s Board as the non-executive Chairman.

Chief Executive Officer:

Most recently, as President and Chief Executive Officer of Lacoste North America since 2010, Mr. Birkhold helped build upon a globally recognized brand and elevate its fashion offering, while guiding the business to increased revenues and profitability. Prior to Lacoste and since 2007, he was Chief Executive Officer of Diesel USA, where he helped grow the top-line and strengthen the organization’s infrastructure. Earlier, he held several key executive positions at VF Corporation, including General Manager of Nautica Jeans, President of Earl Jeans, and General Manager of Lee Jeans. He began his career at the May Company, where he eventually had responsibility for women’s denim and menswear.

The material terms of Mr. Birkhold’s employment are as follows:

Base Salary: Mr. Birkhold is entitled to a base salary at the rate of \$900,000 per annum.

Annual Bonus: For the third and fourth quarters of fiscal year 2013, Mr. Birkhold is guaranteed a pro-rata annual bonus amount equal to \$450,000 and for the first and second quarters of fiscal year 2014, Mr. Birkhold is guaranteed a pro-rated annual bonus amount equal to \$450,000, less authorized deductions and required withholding obligations. The total payment of \$900,000 is payable the first pay period following the Effective Date of fulltime employment.

Commencing in the third quarter of fiscal year 2014 and each fiscal year thereafter during Mr. Birkhold’s employment with the Company, he will be eligible to receive an annual bonus in an amount of 100% of his annual base salary, less authorized deductions and required withholding obligations (“Annual Bonus”), upon certain goals, as established by the board, being met. For fiscal year 2014, as 1/2 the fiscal year’s potential Annual Bonus has already been guaranteed as part of the payments described above, Mr. Birkhold is eligible for an Annual Bonus payment equal to (i) the full amount of any earned Annual Bonus for the 2014 fiscal year based upon achievement of the performance goals minus (ii) the \$450,000 sign-on portion guaranteed for the first 1/2 of fiscal 2014, provided that such 2014 Annual Bonus amount shall not be less than \$0.

Additional Bonus: Mr. Birkhold is entitled to receive an additional \$700,000, less authorized deductions and required withholding obligations, which will be paid no later than August 31, 2013, subject to Mr. Birkhold continuing to provide services to the Company through the payment date.

Equity: Upon board approval and subject to the Company's equity grant policy, Mr. Birkhold will be granted the option to purchase \$900,000 worth of Company stock, with the number of shares determined using Black Scholes as the calculation methodology and an exercise price set as of market close on the grant date. The option will be subject to the following 4-year vesting schedule: 20% of the total option award vesting on the first anniversary of the date of grant; 20% vesting on the second anniversary of date of grant; 30% vesting on the third anniversary of date of grant; and 30% on the fourth anniversary of date of grant, in each case, subject to Mr. Birkhold's continued employment.

Upon board approval and subject to the Company's equity grant policy, Mr. Birkhold will also be granted \$900,000 worth of time-based restricted stock of the Company, which is subject to a 2-year vesting schedule, with 50% of the total grant vesting on each of the first and second anniversaries of the date of grant. The number of such restricted shares will be calculated using the closing price on the grant date.

Furthermore, upon board approval subject to the Company's equity grant policy, Mr. Birkhold will be granted \$900,000 worth of performance-based restricted stock of the Company, which is subject to a 2-year performance-based vesting, with 50% of the total grant vesting on each of the first and second anniversaries of the date of grant, subject to Mr. Birkhold meeting certain goals as established by the Board and his continued employment. The number of such restricted shares will be calculated using the closing price on the grant date.

Other Benefits include: (1) Relocation Allowance of \$100,000 to be earned by remaining actively employed by the Company through December 31, 2013, (2) Travel and Housing Allowance of \$100,000 per annum, (3) Automobile Allowance of \$18,000 per annum, (4) Reimbursement of legal fees incurred by Mr. Birkhold to review and negotiate the CEO Employment Agreement in an amount not to exceed \$10,000, (5) Pay or reimburse for the premiums of a term insurance policy of \$10,000 maximum annually, and (6) Eligibility to participate in the Company's employee welfare, benefit, retirement compensation plans, programs or policies that are in effect and generally available to the other senior executives of the Company.

Pursuant to the Agreement, Mr. Birkhold entered into a separate Change in Control and Severance Agreement (the "CIC Agreement") with the Company. A copy of the CIC Agreement is attached as Exhibit 10.2.

The material benefits provided in the CIC Agreement are as follows:

Accelerated Vesting: Upon a Covered Termination during a Change in Control Period (as such terms are described in the CIC Agreement), and other conditions being met including the signing of a complete release of claims, all of his equity awards will vest immediately. Upon Covered Termination occurring outside a Change in Control Period, and other conditions being met including the signing of a complete release of claims, all of his option awards would vest immediately and his restricted stock would vest on a pro rata basis as further described in the CIC Agreement.

Severance Benefits: Upon a Covered Termination either occurring during or outside a Change in Control Period, as such terms are further described in the CIC Agreement, and other conditions being met including the signing of a full release of claims, Mr. Birkhold would be entitled to receive

an amount equal to two times (2x) Mr. Birkhold' s annual base salary at the rate in effect immediately prior to the termination date paid in a single cash lump sum, less authorized deductions and applicable withholding taxes, on the first payroll date following the date the release of claims becomes effective and irrevocable.

The foregoing descriptions of the Agreement and the CIC Agreement are qualified in their entirety by reference to the Agreement, which is filed with this Current Report on Form 8-K as Exhibit 10.1 and to the CIC Agreement, which is filed with this Current Report on Form 8-K as Exhibit 10.2, and each is incorporated herein by reference.

Non-Executive Chairman:

Effective as of the commencement of Mr. Birkhold' s employment, Mr. Mashouf will no longer be employed by the Company but will continue to serve on the Board, currently as a non-executive Chairman, and will provide other consulting services to the Board on an as-needed basis. For such services, Mr. Mashouf will receive the following: (1) fees in the yearly amount of \$500,000, payable monthly, (2) reimbursement for an administrative assistant' s salary (who will not be an employee of the company), up to \$100,000 per year; (3) travel and expense reimbursement related to company matters and per company guidelines and (4) reimbursement for health and life insurance comparable to that received as an employee.

ITEM 7.01.Regulation FD Disclosure

On January 3, 2013, a press release was issued by the Company announcing the appointment of Mr. Birkhold is filed with this Current Report on Form 8-K as Exhibit 99.1.

ITEM 9.01.Financial Statements and Exhibits

(d) Exhibits

Exhibit No. Description

10.1 Chief Executive Officer Employment Agreement between the Company and Steve Birkhold dated January 3, 2013

10.2 Change in Control and Severance Agreement between the Company and Steve Birkhold dated January 3, 2013

99.1* Press Release dated January 3, 2012 announcing the appointment of Mr. Birkhold as the Company' s new Chief Executive Officer.

* Such Exhibit is being "furnished" (not filed) pursuant to Item 7.01 of the Current Report on Form 8-K.

BEBE STORES, INC.

EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement"), effective as of January 3, 2013 (the date Executive actually commences services with the Company, the "Effective Date"), is made by and between bebe stores, inc. (the "Company"), and Steve Birkhold ("Executive") (collectively referred to herein as the "Parties").

WHEREAS, the Company desires to assure itself of the services of Executive by engaging Executive to perform services under the terms hereof; and

WHEREAS, Executive wishes to be employed by the Company and provide full-time personal services to the Company in return for the compensation and benefits detailed herein.

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, including the agreements set forth below, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

1. Employment.

(a) General. The Company shall employ Executive as a full-time employee of the Company effective as of the Effective Date, in the position set forth in this Section 1, and upon the other terms and conditions herein provided.

(b) Position and Duties. Executive: (i) shall serve as the Chief Executive Officer of the Company, with responsibilities, duties and authority customary for such position, subject to direction by the Company's Board of Directors (the "Board"); (ii) shall report directly to the Board; (iii) shall devote substantially all Executive's working time and efforts to the business and affairs of the Company and its subsidiaries; and (iv) agrees to observe and comply with the Company's rules and policies as adopted by the Company from time to time. In addition, as of the Effective Date, the Company shall appoint Executive as a member of the Board and shall use commercially reasonable efforts to cause Executive to be reelected as a member of the Board while employed hereunder.

(c) Place of Employment. Executive shall perform the services required by this Agreement at the Company's principal offices in Los Angeles, CA. In addition, the Company may from time to time require Executive to travel temporarily to other locations on the Company's business.

(d) Exclusivity. The Company has already consented to Executive's continuing service on each board of directors of which Executive is now a member, as set forth on **Exhibit A** attached hereto, which consent shall continue until such time as the Board provides notice to Executive that, in its reasonable judgment, such company competes with the Company, such service interferes with Executive's duties as Chief Executive Officer of the Company or places him in a competing position, or otherwise conflicts with, the interests of the Company. In addition, the Company consents to the services set forth on **Exhibit B** attached hereto, which

consent shall continue for the time period specified on **Exhibit B**. Notwithstanding the foregoing, Executive may devote reasonable time to unpaid activities such as supervision of personal investments and activities involving professional, charitable, educational, religious, civic and similar types of activities, speaking engagements and membership on committees, *provided* such activities do not individually or in the aggregate interfere with the performance of Executive's duties under this Agreement, violate the Company's standards of conduct then in effect, or raise a conflict under the Company's conflict of interest policies. Executive cannot serve on the board of directors of a private or publicly traded company (other than the Company's Board) without the Board's prior written consent (it being understood that the Board has expressly consented to the service set forth on **Exhibit A**).

2. Compensation and Related Matters.

(a) **Annual Base Salary.** Executive shall receive a base salary at the rate of \$900,000 per annum (the "**Annual Base Salary**"), subject to withholdings and deductions and which shall be paid to Executive in accordance with the customary payroll practices and procedures of the Company. Such Annual Base Salary shall be reviewed by the Company not less often than annually, and may be adjusted from time to time.

(b) **Bonus.** Commencing in the third quarter of fiscal year 2014 and each fiscal year thereafter during Executive's employment with the Company, Executive will be eligible to receive a discretionary annual performance bonus, with a target achievement of 100% of Annual Base Salary (the "**Annual Bonus**"). The amount of the Annual Bonus that shall be payable shall be based on the achievement of performance goals to be determined by the Board, in its sole discretion. The amount of any Annual Bonus for which Executive is eligible shall be reviewed by the Board from time to time, *provided* that that target achievement for the Annual Bonus shall not be less than 100% of Annual Base Salary. Any Annual Bonus earned by Executive pursuant to this section shall be paid to Executive in accordance with Company policies, less authorized deductions and required withholding obligations, within two and a half months following the end of the fiscal year to which the bonus relates. Notwithstanding anything herein to the contrary, for the third and fourth quarters of fiscal year 2013, Executive shall receive a guaranteed pro-rated Annual Bonus amount equal to \$450,000 paid to Executive, less authorized deductions and required withholding obligations, the first pay period following the Effective Date of fulltime employment. In addition, for the first and second quarters of fiscal year 2014, Executive shall receive a guaranteed pro-rated Annual Bonus amount equal to \$450,000 paid to Executive, less authorized deductions and required withholding obligations, the first pay period following the Effective Date of fulltime employment. For fiscal year 2014, Executive shall be eligible for an Annual Bonus payment equal to (i) the full amount of any earned Annual Bonus for the 2014 fiscal year based upon achievement of the performance goals *minus* (ii) \$450,000, *provided* that such 2014 Annual Bonus amount shall not be less than \$0.

(c) **Additional Bonus.** In consideration for Executive entering into this Agreement and providing services to the Company, Executive shall be entitled to receive a one-time bonus payment equal to \$700,000 (the "**Additional Bonus**"). The Additional Bonus shall be paid to Executive, less authorized deductions and required withholding obligations, no later than August 31, 2013, subject to Executive continuing to provide services to the Company through the applicable Additional Bonus payment date.

(d) Benefits. Executive shall participate in such full-time employee and executive benefit plans and programs as the Company may from time to time offer to senior executives of the Company, subject to the terms and conditions of such plans, including, without limitation, an executive family medical package. The Company shall make annual contributions to Executive's 401(k) plan account as authorized by the Compensation Committee of the Board, in its sole discretion, in accordance with the terms of the 401(k) plan.

(e) Life Insurance. The Company shall directly pay or reimburse Executive for the premiums of a term life insurance policy, up to a maximum of \$10,000 annually. If Executive's employment terminates for any or no reason, the Company shall have no obligation to continue to bear the costs of the life insurance policy for Executive, but Executive may choose to assume responsibility for payments required to continue the policy.

(f) Automobile Allowance. The Company shall provide Executive with an annual car allowance of \$18,000, less authorized withholdings and deductions. This allowance shall be payable to Executive on the regular payroll dates of the Company and shall be prorated for any partial months.

(g) Relocation Allowance. The Company shall provide Executive with a temporary housing and moving allowance of \$100,000 with (i) \$50,000, less authorized withholdings and deductions, payable to Executive on the first payroll date following the Effective Date and (ii) \$50,000, less authorized withholdings and deductions, payable to Executive on the first payroll date following April 1, 2013 (collectively, the "Relocation Allowance"). Executive acknowledges and agrees that the Relocation Allowance shall not be earned to any extent prior to December 31, 2013 and will only be earned on December 31, 2013 if Executive remains actively employed by the Company through such date. The Relocation Allowance shall be payable in accordance with the Company's policies, *provided, however*, that if Executive, prior to December 31, 2013, terminates employment with the Company for any reason, Executive hereby agrees to repay the Company the amount of the Relocation Allowance previously paid to Executive in full.

(h) Travel and Housing Allowance. Until the date of Executive's termination of employment with the Company, the Company shall provide Executive with an annual allowance of \$100,000 for New York City housing. This allowance shall be payable to Executive, less authorized deductions and withholding obligations, each month on the regular payroll dates of the Company and shall be prorated for any partial months.

(i) Vacation. Executive shall be entitled to vacation, sick leave, holidays and other paid time-off benefits provided by the Company from time to time which are applicable to the Company's executive officers in accordance with Company policy. The opportunity to take paid time off is contingent upon Executive's workload and ability to manage his schedule.

(j) Business Expenses. The Company shall reimburse Executive for all reasonable, documented, out-of-pocket travel and other business expenses incurred by Executive in the performance of Executive's duties to the Company in accordance with the Company's applicable expense reimbursement policies and procedures as in effect from time to time.

(k) Legal Fees. The Company shall promptly reimburse or directly pay on Executive' s behalf all attorney' s fees and costs incurred by Executive in connection with the negotiation, drafting and finalization of this Agreement and the Change in Control and Severance Agreement (as defined below), up to a maximum of ten thousand dollars (\$10,000).

3. Equity Awards

(a) Stock Option. Subject to approval by the Board, on the date determined in accordance with the Company' s established policy Executive shall be granted an option (the "Option") to purchase that number of shares of Company common stock determined by dividing (i) \$900,000 *by* (ii) the per share Black-Scholes value of the Option, determined as of the date of grant based upon the closing trading price per share of the Company' s common stock as of the date of grant and such other variables as determined by the Company that are consistent with the Company' s financial reporting. The per share exercise price of the Option shall be equal to the per share closing price of the Company' s common stock on the date of grant. The Option shall vest and become exercisable with respect to twenty percent (20%) of the total number of shares of Company common stock subject to the Option on the first (1st) and second (2nd) anniversary of the Effective Date and thirty percent (30%) of the total number of shares of Company common stock subject to the Option on the third (3rd) and fourth (4th) anniversary of the Effective Date, such that the Option shall be fully vested and exercisable on the fourth (4th) anniversary of the Effective Date, in each case, subject to Executive' s continuous service to the Company through the applicable vesting date. The Option shall otherwise be subject to the terms of the plan pursuant to which it is granted and/or an option agreement to be entered into between Executive and the Company.

(b) Restricted Stock Units. Subject to approval by the Board, on the date determined in accordance with the Company' s established policy Executive shall be granted an award of that number of restricted stock units (the "RSUs") determined by dividing (i) \$900,000 *by* (ii) the closing trading price per share of the Company' s common stock as of the date of grant. The RSUs shall vest with respect to fifty percent (50%) of the total number of RSUs on each anniversary of the Effective Date, such that the RSUs shall be fully vested on the second (2nd) anniversary of the Effective Date, subject to Executive' s continuous service to the Company through the applicable vesting date. The RSUs shall otherwise be subject to the terms of the plan pursuant to which they are granted and/or an award agreement to be entered into between Executive and the Company.

(c) Performance Restricted Stock Units. Subject to approval by the Board, on the date determined in accordance with the Company' s established policy Executive shall be granted an award of that number of restricted stock units (the "Performance RSUs") determined by dividing (i) \$900,000 *by* (ii) the closing trading price per share of the Company' s common stock as of the date of grant. The Performance RSUs shall vest in accordance with the achievement, if any, of certain performance goals established by the Board and set forth in the agreement evidencing the Performance RSUs over a two (2) year period from the Effective Date, subject to Executive' s continuous service to the Company through the applicable vesting date. The Performance RSUs shall otherwise be subject to the terms of the plan pursuant to which they are granted and/or an award agreement to be entered into between Executive and the Company.

(d) Additional Equity Awards. Executive shall be eligible to be granted additional equity awards in accordance with the Company's policies as in effect from time to time.

4. Termination.

(a) Change in Control and Severance Agreement. In connection with Executive's employment hereunder, Executive shall be entitled to enter into a Change in Control and Severance Agreement with the Company providing severance protection in the event of certain terminations of employment with the Company (the "Change in Control and Severance Agreement").

(b) At-will Employment. Subject to any obligation of the Company to provide severance in accordance with the Change in Control and Severance Agreement, the Company and Executive acknowledge that Executive's employment is and shall continue to be at-will, as defined under applicable law. This means that it is not for any specified period of time and can be terminated by Executive or by the Company at any time, with or without advance notice, and for any or no particular reason or cause. It also means that Executive's job duties, title and responsibility and reporting level, work schedule, compensation and benefits, as well as the Company's personnel policies and procedures, may be changed with prospective effect, with or without notice, at any time in the sole discretion of the Company. This "at-will" nature of Executive's employment shall remain unchanged during Executive's tenure as an employee and may not be changed, except in an express writing signed by Executive and a duly authorized member of the Board. If Executive's employment terminates for any reason, Executive shall not be entitled to any payments, benefits, damages, award or compensation other than as provided in the Change in Control and Severance Agreement.

(c) Deemed Resignation. Upon termination of Executive's employment for any reason, Executive shall be deemed to have resigned from all offices and directorships, if any, and then held with the Company or any of its affiliates, and, at the Company's request, Executive shall execute such documents as are necessary or desirable to effectuate such resignations.

(d) Return of Company Property. Executive hereby acknowledges and agrees that all Company Property and equipment furnished to, or prepared by, Executive in the course of, or incident to, Executive's employment, belongs to the Company and shall be promptly returned to the Company upon termination of Executive's employment (and will not be kept in Executive's possession or delivered to anyone else). For purposes of this Agreement, "Company Property" includes, without limitation, all books, manuals, records, reports, notes, contracts, lists, blueprints, and other documents, or materials, or copies thereof (including computer files), keys, building card keys, company credit cards, telephone calling cards, computer hardware and software, cellular and portable telephone equipment, personal digital assistant (PDA) devices, and all other proprietary information relating to the business of the Company or its subsidiaries or affiliates. Following termination, Executive shall not retain any written or other tangible material containing any proprietary information of the Company or its subsidiaries or affiliates.

5. Assignment and Successors.

The Company may assign its rights and obligations under this Agreement to any successor to all or substantially all of the business or the assets of the Company (by merger or otherwise), and may assign or encumber this Agreement and its rights hereunder as security for indebtedness of the Company and its affiliates. This Agreement shall be binding upon and inure to the benefit of the Company, Executive and their respective successors, assigns, personnel and legal representatives, executors, administrators, heirs, distributees, devisees, and legatees, as applicable. None of Executive's rights or obligations may be assigned or transferred by Executive, other than Executive's rights to payments hereunder, which may be transferred only by will or operation of law.

6. Miscellaneous Provisions.

(a) Work Eligibility; Confidentiality Agreement. As a condition of Executive's employment with the Company, Executive will be required to provide evidence of Executive's identity and eligibility for employment in the United States. It is required that Executive bring the appropriate documentation with Executive at the time of employment. As a further condition of Executive's employment with the Company, Executive shall enter into and abide by the Company's standard Proprietary Information and Inventions Assignment Agreement (the "Confidential Information Agreement").

(b) Validity. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect. All questions concerning the construction, validity and interpretation of this Agreement will be governed by the laws of the State of California without regard to the conflicts of law provisions thereof.

(c) Notices. Any notice, request, claim, demand, document and other communication hereunder to any Party shall be effective upon receipt (or refusal of receipt) and shall be in writing and delivered personally or sent by facsimile or certified or registered mail, postage prepaid (or if it is sent through any other method agreed upon by the parties), as follows:

(i) If to the Company:

Company: bebe stores, inc.
Address: 400 Valley Drive
Brisbane, CA 94005
Attn: Board of Directors
Facsimile: _____

(ii) If to Executive, at the address set forth on the signature page hereto.

(iii) Or at any other address as any Party shall have specified by notice in writing to the other Party.

(d) Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, but all of which together will constitute one and the same Agreement. Signatures delivered by facsimile shall be deemed effective for all purposes.

(e) Entire Agreement. The terms of this Agreement, collectively with the Change in Control and Severance Agreement and the Confidential Information Agreement, is intended by the Parties to be the final expression of their agreement with respect to the employment of Executive by the Company and supersede all prior understandings and agreements, whether written or oral. The Parties further intend that this Agreement, collectively with the Change in Control and Severance Agreement and the Confidential Information Agreement, shall constitute the complete and exclusive statement of their terms and that no extrinsic evidence whatsoever may be introduced in any judicial, administrative, or other legal proceeding to vary the terms of this Agreement.

(f) Amendments; Waivers. This Agreement may not be modified, amended, or terminated except by an instrument in writing, signed by Executive and a duly authorized officer of Company. By an instrument in writing similarly executed, Executive or a duly authorized officer of the Company, as applicable, may waive compliance by the other Party with any specifically identified provision of this Agreement that such other Party was or is obligated to comply with or perform; *provided, however*, that such waiver shall not operate as a waiver of, or estoppel with respect to, any other or subsequent failure. No failure to exercise and no delay in exercising any right, remedy, or power hereunder preclude any other or further exercise of any other right, remedy, or power provided herein or by law or in equity.

(g) Arbitration. Executive and the Company agree that if any dispute, controversy or claim should arise between Executive and the Company (including claims against its employees, officers, directors, shareholders, agents, successors and assigns) relating or pertaining to or arising out of Executive's employment with the Company or this Agreement, the dispute will be submitted exclusively to binding arbitration before a neutral arbitrator conducted in the state of California, in accordance with the commercial rules of the American Arbitration Association then in force. This means that disputes will be decided by an arbitrator rather than a court or jury, and that both Executive and the Company waive their respective rights to a court or jury trial. Executive understands that the arbitrator's decision will be final and exclusive, and cannot be appealed. Notwithstanding the foregoing, each of Executive and the Company agrees to, prior to submitting a dispute under this Agreement to arbitration, submit, for a period of sixty (60) days, to voluntary mediation before a jointly selected neutral third party mediator under the auspices of JAMS, Los Angeles, resolutions center (or any successor location), pursuant to the procedures of JAMS international mediation rules conducted in the state of California (however, such mediation or obligation to mediate shall not suspend or otherwise delay any termination or other action of the Company or affect the Company's other rights). Nothing in this Agreement is intended to prevent either Executive or the Company from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such arbitration. Notwithstanding anything herein to the contrary, Executive and the Company each have the right to resolve any issue or dispute over intellectual property rights by court action instead of arbitration.

(h) Withholding. The Company shall be entitled to withhold from any amounts payable under this Agreement (including, without limitation, any allowances and reimbursements) any federal, state, local or foreign withholding or other taxes or charges which the Company is required to withhold. The Company shall be entitled to rely on an opinion of counsel if any questions as to the amount or requirement of withholding shall arise.

7. Section 409A.

The intent of the Parties is that the payments and benefits under this Agreement be exempt from Section 409A of the Internal Revenue Code of 1986, as amended (collectively with the Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the Effective Date, “Section 409A”), and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be exempt therefrom. If Executive notifies the Company that Executive has received advice of tax counsel of a national reputation with expertise in Section 409A that any provision of this Agreement would cause Executive to incur any additional tax or interest under Section 409A (with specificity as to the reason therefor) or the Company independently makes such determination, the Company and Executive shall take commercially reasonable efforts to reform such provision to try to comply with or be exempt from Section 409A through good faith modifications to the minimum extent reasonably appropriate to conform with Section 409A, *provided* that any such modifications shall not increase the cost or liability to the Company. To the extent that any provision hereof is modified in order to comply with or be exempt from Section 409A, such modification shall be made in good faith and shall, to the maximum extent reasonably possible, maintain the original intent and economic benefit to Executive and the Company of the applicable provision without violating the provisions of Section 409A.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties have duly executed this Agreement as of the date and year first above written.

BEBE STORES INC.

By: /s/ Cynthia Cohen, 1/3/13
Name: Cynthia Cohen
Title: Lead Independent Director, Board of Directors

EXECUTIVE

By: /s/ Steve Birkhold
Name: Steve Birkhold

Address:

SIGNATURE PAGE TO BEBE STORES, INC.

Exhibit A

Current Board of Director Service

Fashion Delivers Charitable Foundation, Inc.

Exhibit B

Additional Outside Service

During the month of January 2013, Executive shall be permitted to provide part-time consulting services to Devanlay Retail Group, Inc. in New York regarding the Lacoste business in order to ensure a smooth transition from Executive to his successor at Lacoste, provided that such services do not interfere with Executive' s duties and responsibilities under the Agreement.

BEBE STORES, INC.**CHANGE IN CONTROL AND SEVERANCE AGREEMENT**

This Change in Control and Severance Agreement (the "Agreement") is made and entered into by and between Steve Birkhold ("Executive") and bebe stores, inc. (the "Company"), effective as of the date Executive commences employment with the Company (the "Effective Date").

WHEREAS, The Board of Directors of the Company (the "Board") recognizes that Executive's role at the Company and that the possibility of an acquisition of the Company or an involuntary termination can be a distraction to Executive and can cause Executive to consider alternative employment opportunities. The Board has determined that it is in the best interests of the Company and its shareholders to assure that the Company will have the continued dedication and objectivity of Executive, notwithstanding the possibility, threat or occurrence of such an event.

WHEREAS, the Board believes that it is in the best interests of the Company and its shareholders to provide Executive with an incentive to continue Executive's employment and to motivate Executive to maximize the value of the Company upon a Change in Control (as defined below) for the benefit of its stockholders.

WHEREAS, the Board believes that it is imperative to provide Executive with severance benefits upon certain terminations of Executive's service to the Company that enhance Executive's financial security and provide incentive and encouragement to Executive to remain with the Company notwithstanding the possibility of such an event.

WHEREAS, unless otherwise defined herein, capitalized terms used in this Agreement are defined in Section 9 below.

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, including the agreements set forth below, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Term of Agreement.

This Agreement shall become effective as of the Effective Date and terminate upon the date that all obligations of the parties hereto with respect to this Agreement have been satisfied.

2. At-Will Employment.

The Company and Executive acknowledge that Executive's employment shall be "at-will," as defined under applicable law. If Executive's employment terminates for any reason, Executive shall not be entitled to any payments, benefits, damages, awards or compensation other than as provided by this Agreement.

3. Covered Termination Other Than During a Change in Control Period.

If Executive experiences a Covered Termination other than during a Change in Control Period, and if Executive delivers to the Company a general release of all claims against the Company and its affiliates that becomes effective and irrevocable in accordance with Section 14(a)(v) hereof (a "Release of Claims"), then in addition to any annual incentive bonuses earned but not yet paid for any completed full fiscal year immediately preceding the employment termination date and any accrued but unpaid salary, bonus, vacation and expense reimbursement payable in accordance with applicable law, the Company shall provide Executive with the following:

(a) Severance. Executive shall be entitled to receive an amount equal to two times (2x) Executive's annual base salary at the rate in effect immediately prior to the Termination Date paid in a single cash lump sum, less authorized deductions and applicable withholding taxes, on the first payroll date following the date the Release of Claims becomes effective and irrevocable.

(b) Equity Awards. The vesting and exercisability of each unvested option held by Executive as of the Termination Date shall accelerate in full. Each other outstanding equity award, including, without limitation, each restricted stock unit award, held by Executive that is subject to annual vesting shall automatically become vested and any forfeiture restrictions or rights of repurchase thereon shall lapse immediately prior to the Termination Date, in each case, with respect to that number of unvested shares underlying such equity awards equal to (i) the product of (A) the total number of shares underlying such equity award as of the Termination Date *divided by* (B) the number of total months in the vesting schedule of such equity award *multiplied by* (ii) that number of full calendar months that have elapsed since the later of (A) the vesting commencement date of such equity award or (B) the last vesting date of such equity award (rounded down to the nearest whole number of shares); in any event, subject to the achievement of any performance goals upon which vesting is contingent, measured as of the Termination Date, with respect to such equity award, if applicable. For example, if Executive's Termination Date is March 16, 2014 and Executive was granted 10,000 restricted stock units with a vesting commencement date of January 15, 2013 and an annual vesting schedule over two years, then the vesting of 833 restricted stock units would be accelerated ($(10,000/24) \times 2 = 833.33$). In all other respects Executive's equity award shall continue to be bound by and subject to the terms of their respective agreements and equity plans.

(c) Continued Healthcare. If Executive elects to receive continued healthcare coverage pursuant to the provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("**COBRA**"), the Company shall directly pay, or reimburse Executive for, the premium for Executive and Executive's covered dependents, if any, through the earliest of (i) the twenty-four (24) month anniversary of the Termination Date, (ii) the date Executive and Executive's covered dependents, if any, become eligible for healthcare coverage under another employer's plan(s) and (iii) the date that Executive and/or Executive's covered dependents, if any, become no longer eligible for COBRA. After the Company ceases to pay premiums pursuant to the preceding sentence, Executive may, if eligible, elect to continue healthcare coverage at Executive's expense in accordance the provisions of COBRA.

(d) No Mitigation. In no event shall Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to Executive under any of the provisions of this Section 3, nor, other than as provided in Section 3(c), shall the amount of any payment hereunder be reduced by any compensation earned by Executive as a result of subsequent employment.

4. Covered Termination During a Change in Control Period.

If Executive experiences a Covered Termination during a Change in Control Period, and if Executive executes and does not revoke a Release of Claims in accordance with Section 14(a)(v) hereof, then in addition to any annual incentive bonuses earned but not yet paid for any completed full fiscal year immediately preceding the employment termination date and any accrued but unpaid salary, bonus, vacation and expense reimbursement payable in accordance with applicable law, the Company shall provide Executive with the following:

(a) Severance. Executive shall be entitled to receive an amount equal to two times (2x) Executive's base salary at the rate in effect immediately prior to the Termination Date payable in a cash lump sum, less authorized deductions and applicable withholding taxes, on the first payroll date following the date the Release of Claims becomes effective and irrevocable.

(b) Equity Awards. Each outstanding and unvested equity award, including, without limitation, each stock option and restricted stock unit award, held by Executive shall automatically become vested and, if applicable, exercisable and any forfeiture restrictions or rights of repurchase thereon shall immediately lapse, as of immediately prior to the Termination Date with respect to one hundred percent (100%) of the unvested shares underlying Executive's equity awards. In all other respects Executive's equity awards shall continue to be bound by and subject to the terms of their respective agreements and equity plans.

(c) Continued Healthcare. If Executive elects to receive continued healthcare coverage pursuant to the provisions of COBRA, the Company shall directly pay, or reimburse Executive for, the premium for Executive and Executive's covered dependents, if any, through the earliest of (i) the twenty-four (24) month anniversary of the Termination Date, (ii) the date Executive and Executive's covered dependents, if any, become eligible for healthcare coverage under another employer's plan(s) and (iii) the date that Executive and/or Executive's covered dependents, if any, become no longer eligible for COBRA. After the Company ceases to pay premiums pursuant to the preceding sentence, Executive may, if eligible, elect to continue healthcare coverage at Executive's expense in accordance the provisions of COBRA.

(d) No Mitigation. In no event shall Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to Executive under any of the provisions of this Section 4, nor, other than as provided in Section 4(c), shall the amount of any payment hereunder be reduced by any compensation earned by Executive as a result of subsequent employment.

5. Other Terminations.

If Executive's service with the Company is terminated by the Company or by Executive for any or no reason other than as a Covered Termination, then Executive shall not be entitled to any benefits hereunder other than accrued but unpaid salary, bonus, vacation and expense reimbursement in accordance with applicable law and to elect any continued healthcare coverage as may be required under COBRA or similar state law.

6. Deemed Resignation.

Upon termination of Executive's employment for any reason, Executive shall be deemed to have resigned from all offices and directorships, if any, and then held with the Company or any of its affiliates, and, at the Company's request, Executive shall execute such documents as are necessary or desirable to effectuate such resignations.

7. Return of Company Property.

Executive hereby acknowledges and agrees that all Company Property and equipment furnished to, or prepared by, Executive in the course of, or incident to, Executive's employment, belongs to the Company and shall be promptly returned to the Company upon termination of Executive's employment (and will not be kept in Executive's possession or delivered to anyone else). For purposes of this Agreement, "Company Property" includes, without limitation, all books, manuals, records, reports, notes, contracts, lists, blueprints, and other documents, or materials, or copies thereof (including computer files), keys, building card keys, company credit cards, telephone calling cards, computer hardware and software, cellular and portable telephone equipment, personal digital assistant (PDA) devices, and all other proprietary information relating to the business of the Company or its subsidiaries or affiliates. Following termination, Executive shall not retain any written or other tangible material containing any proprietary information of the Company or its subsidiaries or affiliates.

8. Limitation on Payments.

Notwithstanding anything in this Agreement to the contrary, if any payment or distribution Executive would receive pursuant to this Agreement or otherwise ("Payment") would (a) constitute a "parachute payment" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), and (b) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the "Excise Tax"), then such Payment shall either be (i) delivered in full or (ii) delivered as to such lesser extent which would result in no portion of such Payment being subject to the Excise Tax, whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the Excise Tax, results in the receipt by Executive on an after-tax basis, of the largest payment, notwithstanding that all or some portion the Payment may be taxable under Section 4999 of the Code. The accounting firm engaged by the Company for general audit purposes as of the day prior to the effective date of the Change in Control shall perform the foregoing calculations. The Company shall bear all expenses with respect to the determinations by such accounting firm required to be made hereunder. The accounting firm shall provide its calculations to the Company and Executive within fifteen (15) calendar days after the date on which Executive's right to a Payment is triggered (if requested at that time by the Company or Executive) or such other

time as requested by the Company or Executive. Any good faith determinations of the accounting firm made hereunder shall be final, binding and conclusive upon the Company and Executive. Any reduction in payments and/or benefits pursuant to this Section 8 will occur in the following order: (1) reduction of cash payments; (2) cancellation of accelerated vesting of equity awards other than stock options; (3) cancellation of accelerated vesting of stock options; and (4) reduction of other benefits payable to Executive.

9. Definition of Terms.

The following terms referred to in this Agreement shall have the following meanings:

(a) **Cause.** “Cause” means (i) Executive’s gross negligence or willful misconduct in the performance of the duties and services required of Executive pursuant to this Agreement or the Employment Agreement by and between Executive and the Company effective as of January 3, 2013 (the “Employment Agreement”); (ii) Executive has been convicted of a felony; (iii) Executive has willfully refused to perform the duties and responsibilities required of Executive under this Agreement or the Employment Agreement which remains uncorrected for thirty (30) days following written notice to Executive by the Company of such breach; (iv) Executive’s involvement in a conflict of interest which is defined as any direct or indirect interest in, connection with, or benefit from any outside activities, particularly commercial activities, which interest might in any way adversely affect the Company or any of its divisions, or involves a possible conflict of interest determined by the Company and for which the Company makes a determination to terminate the employment of Executive which remains uncorrected for thirty (30) days following written notice to Executive by the Company of such breach; (v) Executive has willfully engaged in conduct that Executive knows or should know is materially injurious to the Company, or any of their respective divisions; (vi) Executive’s material breach of any material provision of this Agreement, the Employment Agreement, the Confidential Information Agreement (as defined below) or corporate code or policy which remains uncorrected for thirty (30) days following written notice to Executive by the Company of such breach; or (vii) Executive violates the Foreign Corrupt Practices Act or other applicable United States law. For purposes of this Section 9(a), an act or failure to act shall be considered “willful” only if done or omitted to be done without a good faith reasonable belief that such act or failure to act was in the best interests of the Company.

(b) **Change in Control.** “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, unless fifty percent (50%) or more of the combined voting power of the continuing or surviving entity’s equity securities outstanding immediately after such merger, consolidation or other reorganization is owned by persons who were shareholders of the Company immediately prior to such merger, consolidation or other reorganization, in substantially the same proportions as their ownership of Company stock prior to the transaction; (ii) the acquisition by any person or entity or group (as defined in the Securities Exchange Act of 1934, as amended) of greater than fifty percent (50%) of the outstanding combined voting power of the Company; or (iii) 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 (i) 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 or (ii) the surviving or acquiring entity is a publicly traded entity and Executive remains as the Chief Executive Officer of such entity following the transaction that otherwise would have constituted a Change of Control. Notwithstanding the foregoing, a "Change in Control" must also constitute a "change in control event," as defined in Treasury Regulation §1.409A-3(i)(5).

(c) Change in Control Period. "Change in Control Period" means the twelve (12) month period of time commencing upon a Change in Control.

(d) Constructive Termination. "Constructive Termination" means Executive's resignation from employment with the Company that is effective within one-hundred twenty (120) days after the occurrence, without Executive's written consent, of any of the following: (i) a material diminution in Executive's base compensation that is not proportionately applicable to other officers and key employees of the Company generally; (ii) a material diminution in Executive's job responsibilities or duties, *provided*, that any change made solely as the result of the Company becoming a subsidiary or business unit of a larger company in a Change in Control shall not provide for Executive's Constructive Termination hereunder; (iii) a material change of at least fifty (50) miles in the geographic location at which Executive must regularly perform Executive's services; (iv) a failure for Executive to be elected or re-elected to serve as a member of the Board; (v) the failure of any acquirer of or successor to the Company to assume this Agreement; or (vi) a material breach of this Agreement or the Employment Agreement. Notwithstanding the foregoing, a resignation shall not constitute a "Constructive Termination" unless the condition giving rise to such resignation continues more than thirty (30) days following Executive's written notice of such condition provided to the Company within ninety (90) days of the first occurrence of such condition.

(e) Covered Termination. "Covered Termination" means the occurrence of a Constructive Termination or the termination of Executive's employment by the Company other than for Cause that, in each case and to the extent necessary, constitutes a Separation from Service (as defined below).

(f) Termination Date. "Termination Date" means the date Executive experiences a Covered Termination.

10. Assignment and Successors.

The Company may assign its rights and obligations under this Agreement to any successor to all or substantially all of the business or the assets of the Company (by merger or otherwise), and may assign or encumber this Agreement and its rights hereunder as security for indebtedness of the Company and its affiliates. Any successor to the Company (whether direct or indirect and whether by purchase, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets shall assume the obligations under this Agreement and agree expressly to perform the obligations under this Agreement in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. For all purposes under this Agreement, the term "Company" shall include any successor to the

Company' s business and/or assets which executes and delivers the assumption agreement described in this Section 8 or which becomes bound by the terms of this Agreement by operation of law. This Agreement shall be binding upon and inure to the benefit of the Company, Executive and their respective successors, assigns, personnel and legal representatives, executors, administrators, heirs, distributees, devisees, and legatees, as applicable. None of Executive' s rights or obligations may be assigned or transferred by Executive, other than Executive' s rights to payments hereunder, which may be transferred only by will or operation of law.

11. Notices.

Any notice, request, claim, demand, document and other communication hereunder to any party shall be effective upon receipt (or refusal of receipt) and shall be in writing and delivered personally or sent by facsimile or certified or registered mail, postage prepaid (or if it is sent through any other method agreed upon by the parties), as follows:

(a) If to the Company:

Company: bebe stores, inc.
Address: 400 Valley Drive
Brisbane, CA 94005
Attn: Board of Directors
Facsimile: _____

(b) If to Executive, at the address set forth on the signature page hereto.

(c) Or at any other address as any party shall have specified by notice in writing to the other party.

12. Confidentiality; Non-Disparagement.

(a) Confidentiality. Executive shall enter into and abide by the Company' s standard Proprietary Information and Inventions Assignment Agreement (the "Confidential Information Agreement").

(b) Non-Disparagement. Executive agrees that he shall not disparage, criticize or defame the Company, its affiliates and their respective affiliates, directors, officers, agents, partners, shareholders or employees, either publicly or privately. The Company agrees that it shall not, and it shall instruct its officers and members of its Board to not, disparage, criticize or defame Executive, either publicly or privately. Nothing in this Section 12(b) shall have application to any evidence or testimony required by any court, arbitrator or government agency.

13. Dispute Resolution.

Executive and the Company agree that if any dispute, controversy or claim should arise between Executive and the Company (including claims against its employees, officers, directors, shareholders, agents, successors and assigns) relating or pertaining to or arising out of Executive's employment with the Company or this Agreement, the dispute will be submitted exclusively to binding arbitration before a neutral arbitrator conducted in the state of California, in accordance with the commercial rules of the American Arbitration Association then in force. This means that disputes will be decided by an arbitrator rather than a court or jury, and that both Executive and the Company waive their respective rights to a court or jury trial. Executive understands that the arbitrator's decision will be final and exclusive, and cannot be appealed. Notwithstanding the foregoing, each of Executive and the Company agrees to, prior to submitting a dispute under this Agreement to arbitration, submit, for a period of sixty (60) days, to voluntary mediation before a jointly selected neutral third party mediator under the auspices of JAMS, Los Angeles, resolutions center (or any successor location), pursuant to the procedures of JAMS international mediation rules conducted in the state of California (however, such mediation or obligation to mediate shall not suspend or otherwise delay any termination or other action of the Company or affect the Company's other rights). Nothing in this Agreement is intended to prevent either Executive or the Company from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such arbitration. Notwithstanding anything herein to the contrary, Executive and the Company each have the right to resolve any issue or dispute over intellectual property rights by court action instead of arbitration.

14. Miscellaneous Provisions.

(a) Section 409A.

(i) Separation from Service. Notwithstanding any provision to the contrary in this Agreement, no amount deemed deferred compensation subject to Section 409A of the Code shall be payable pursuant to Sections 3 or 4 above unless Executive's termination of employment constitutes a "separation from service" with the Company within the meaning of Section 409A of the Code and the Department of Treasury regulations and other guidance promulgated thereunder ("**Separation from Service**") and, except as provided under Section 14(a)(ii) of this Agreement, any such amount shall not be paid, or in the case of installments, commence payment, until the sixtieth (60th) day following Executive's Separation from Service. Any installment payments that would have been made to Executive during the sixty (60) day period immediately following Executive's Separation from Service but for the preceding sentence shall be paid to Executive on the sixtieth (60th) day following Executive's Separation from Service and the remaining payments shall be made as provided in this Agreement.

(ii) Specified Employee. Notwithstanding any provision to the contrary in this Agreement, if Executive is deemed at the time of his separation from service to be a "specified employee" for purposes of Section 409A(a)(2)(B)(i) of the Code, to the extent delayed commencement of any portion of the benefits to which Executive is entitled under this Agreement is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code, such portion of Executive's benefits shall not be provided to Executive prior to the earlier of (A) the

expiration of the six (6)-month period measured from the date of Executive' s Separation from Service or (B) the date of Executive' s death. Upon the first business day following the expiration of the applicable Code Section 409A(a)(2)(B)(i) period, all payments deferred pursuant to this Section 14(a)(ii) shall be paid in a lump sum to Executive, and any remaining payments due under this Agreement shall be paid as otherwise provided herein.

(iii) Expense Reimbursements. To the extent that any reimbursements payable pursuant to this Agreement are subject to the provisions of Section 409A of the Code, any such reimbursements payable to Executive pursuant to this Agreement shall be paid to Executive no later than December 31 of the year following the year in which the expense was incurred, the amount of expenses reimbursed in one year shall not affect the amount eligible for reimbursement in any subsequent year, and Executive' s right to reimbursement under this Agreement will not be subject to liquidation or exchange for another benefit.

(iv) Installments. For purposes of Section 409A of the Code (including, without limitation, for purposes of Treasury Regulation Section 1.409A-2(b)(2)(iii)), Executive' s right to receive any installment payments under this Agreement shall be treated as a right to receive a series of separate payments and, accordingly, each such installment payment shall at all times be considered a separate and distinct payment.

(v) Release. Notwithstanding anything to the contrary in this Agreement, to the extent that any payments due under this Agreement as a result of Executive' s termination of employment are subject to Executive' s execution and delivery of a Release of Claims, (A) the Company shall deliver the Release of Claims to Executive within ten (10) business days following the Termination Date, (B) if Executive fails to execute the Release of Claims on or prior to the Release Expiration Date (as defined below) or timely revokes his acceptance of the Release of Claims thereafter, Executive shall not be entitled to any payments or benefits otherwise conditioned on the Release of Claims, and (C) in any case where the Termination Date and the Release Expiration Date fall in two separate taxable years, any payments required to be made to Executive that are conditioned on the Release of Claims and are treated as nonqualified deferred compensation for purposes of Section 409A shall be made in the later taxable year. For purposes of this Section 14(a)(v), "**Release Expiration Date**" shall mean the date that is twenty-one (21) days following the date upon which the Company timely delivers the Release of Claims to Executive or, in the event that Executive' s termination of employment is "in connection with an exit incentive or other employment termination program" (as such phrase is defined in the Age Discrimination in Employment Act of 1967), the date that is forty-five (45) days following such delivery date. To the extent that any payments of nonqualified deferred compensation (within the meaning of Section 409A) due under this Agreement as a result of Executive' s termination of employment are delayed pursuant to this Section 14(a)(v), such amounts shall be paid in a lump sum on the first payroll date following the date that Executive executes and does not revoke the Release of Claims (and the applicable revocation period has expired) or, in the case of any payments subject to Section 14(a)(v)(C), on the first payroll period to occur in the subsequent taxable year, if later.

(b) Withholding. The Company shall be entitled to withhold from any amounts payable under this Agreement any federal, state, local or foreign withholding or other taxes or charges which the Company is required to withhold. The Company shall be entitled to rely on an opinion of counsel if any questions as to the amount or requirement of withholding shall arise.

(c) Amendment; Waiver. This Agreement may not be modified, amended, or terminated except by an instrument in writing, signed by Executive and a duly authorized officer of Company. By an instrument in writing similarly executed, Executive or a duly authorized officer of the Company, as applicable, may waive compliance by the other party with any specifically identified provision of this Agreement that such other party was or is obligated to comply with or perform; *provided, however*, that such waiver shall not operate as a waiver of, or estoppel with respect to, any other or subsequent failure. No failure to exercise and no delay in exercising any right, remedy, or power hereunder preclude any other or further exercise of any other right, remedy, or power provided herein or by law or in equity.

(d) Entire Agreement. The terms of this Agreement, collectively with the Employment Agreement and the Confidential Information Agreement, is intended by the Parties to be the final expression of their agreement with respect to the employment of Executive by the Company and supersede all prior understandings and agreements, whether written or oral, including, without limitation, any severance or change in control benefits in Executive's offer letter agreement, employment agreement and/or stock option agreement. The parties further intend that this Agreement, collectively with the Employment Agreement and the Confidential Information Agreement, shall constitute the complete and exclusive statement of their terms and that no extrinsic evidence whatsoever may be introduced in any judicial, administrative, or other legal proceeding to vary the terms of this Agreement.

(e) Choice of Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California.

(f) Severability. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.

(g) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

(Signature page follows)

IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by its duly authorized officer, as of the day and year set forth below.

BEBE STORES, INC.

By: /s/ Cynthia Cohen, 1/3/13

Name: Cynthia Cohen

Title: Lead Independent Director, Board of Directors

EXECUTIVE

/s/ Steve Birkhold

Steve Birkhold

Address:

bebe stores, inc. Announces CEO Succession to Drive Next Phase of Growth

Founder, Chairman and CEO Manny Mashouf to be Non-Executive Chairman
Steve Birkhold, Accomplished Brand Builder, Named bebe CEO

BRISBANE, Calif.–(BUSINESS WIRE)–bebe stores, inc. (NASDAQ: BEBE) today announced a Chief Executive Officer succession and said that Steve Birkhold will join the company as CEO, effective immediately. Mr. Birkhold will succeed Manny Mashouf, bebe' s founder, Chairman and current CEO, who will become Non-executive Chairman. The company previously announced in October 2012 that it was initiating a CEO search.

Mr. Birkhold, a highly respected merchant with a track record of brand building and more than 25 years of experience across multiple aspects of retailing, joins bebe from Lacoste North America, where he has served as President and CEO.

“I am extremely pleased about the exciting new phase that bebe is entering with the appointment of Steve Birkhold as CEO,” said Mr. Mashouf. “Steve is an accomplished industry leader who has grown iconic brands, guided businesses in new strategic directions, and built strong management teams. Most importantly, he shares our passion for the bebe brand. We are eager to continue our journey toward becoming a global, omni-channel company. Steve will help us develop and execute strategies to reach that goal by growing our brand, expanding our distribution channels, and evolving our customer experience.”

As President and CEO of Lacoste North America since 2010, Mr. Birkhold helped build upon a globally recognized brand and elevate its fashion offering, while guiding the business to increased revenues and profitability. Prior to Lacoste, he was CEO of Diesel USA, where he helped grow the top-line and strengthen the organization' s infrastructure. Earlier, he held several key executive positions at VF Corporation, including General Manager of Nautica Jeans, President of Earl Jeans, and General Manager of Lee Jeans. He began his career at May Company, where he eventually had responsibility for women' s denim and menswear.

Mr. Birkhold stated, “It is an extraordinary honor to join Manny and the bebe team in taking the brand to its next level of growth. I look forward to positioning bebe for the dynamic changes taking place in our industry–and for the tremendous opportunities that lie ahead for the company. I view my role as helping to keep the brand true to its heritage of style and sensuality, keeping relevant to both existing and potential new consumers, while building a world class, omni-channel retail strategy that seamlessly integrates in-store, on-line, mobile and social media experiences.”

In a statement, bebe' s Board of Directors noted, “Manny Mashouf is a true visionary who, in 1976, pioneered a non-traditional category of fashion that was youthful, stylish, sophisticated and sexy, while also offering quality and value. He built a successful company–and a devoted consumer following–on that platform. We are confident that, with Manny' s new role as Non-executive Chairman and the addition of Steve Birkhold as CEO, we have the right leadership combination to take bebe to new heights and deliver enhanced value for our shareholders.”

bebe stores, inc. is a global specialty retailer, which designs, develops and produces a distinctive line of contemporary women' s apparel and accessories under its bebe, BEBE SPORT, bbsp and 2b bebe brand names. bebe currently operates 250 stores, of which 198 are bebe stores, including the on-line store bebe.com, and 52 are 2b bebe stores, including the on-line store 2bstores.com. These stores are located in the United States, U.S. Virgin Islands, Puerto Rico, Canada and Japan. bebe also distributes and sells bebe branded product through its licensees in approximately 21 countries.

This news release contains forward-looking statements that involve risks and uncertainties that could cause actual results to differ from anticipated results. Wherever used, the words “expect,” “plan,” “anticipate,” “believe” and similar expressions identify forward-looking statements. Any such forward-looking statements are subject to risks and uncertainties and the company' s future results of operations could differ materially from historical results or current expectations. Some of these risks include, without limitation, miscalculation of the demand for our products, effective management of our growth, decline in comparable store sales performance, ongoing competitive pressures in the apparel industry, changes in the level of consumer spending or preferences in apparel, loss of key personnel, difficulties in manufacturing, disruption of supply, adverse economic conditions, and/or other factors that may be described

in the company' s annual report on Form 10-K and/or other filings with the Securities and Exchange Commission. Future economic and industry trends that could potentially impact revenues and profitability are difficult to predict.

Contacts

Berns Communications Group

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