Setup Slack = Data Required Time - Data Arrival Time

Positive slack
Timing requirement met

Negative slack
Timing requirement not met
Clock Cycle Time ($T_c$)

Setup time ($T_s$)

Hold time ($T_h$)

Clock-to-Q delay ($T_Q$)

(Q is indeterminate in this region)

Let's assume a 1 is the "correct" storage value. Since setup time is violated, a zero will be "latched" instead.

$S_1$ opens and $S_2$ closes.

The delay through inverters $G_1$ and $G_2$. 

"Glitches" in the combo logic.
Figure 1. Definitions of setup and hold times