AMERICAN EAGLE OUTFITTERS INC
Form DEF 14A
April 14, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

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

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

AMERICAN EAGLE OUTFITTERS, INC.

(Name of Registrant as Specified In Its Charter)

N/A

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

N/A

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

N/A

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

N/A

(4) Proposed maximum aggregate value of transaction:

N/A

(5) Total fee paid:

N/A

¨ Fee paid previously with preliminary materials.

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

(1) Amount previously paid:

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

N/A

(3) Filing party:

N/A

(4) Date Filed:

N/A

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AMERICAN EAGLE OUTFITTERS, INC.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

to be held

May 29, 2014

and

PROXY STATEMENT

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American Eagle Outfitters, Inc.

77 Hot Metal Street

Pittsburgh, Pennsylvania 15203

412-432-3300

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD MAY 29, 2014

April 17, 2014

To the Stockholders of

American Eagle Outfitters, Inc.:

The 2014 Annual Meeting of Stockholders of American Eagle Outfitters, Inc., a Delaware corporation (the Company), will be held at the Company s offices located at 417 Fifth Avenue, 8th Floor, New York, New York on Thursday, May 29, 2014, at 11:00 a.m., local time, for the following purposes:

1. To elect three Class I directors to serve until the 2017 Annual Meeting of Stockholders, or until their successors are duly elected and qualified. The nominees are: Michael G. Jesselson; Roger S. Markfield; and Jay L. Schottenstein;

2. To hold an advisory vote on the compensation of our named executive officers;

3. To approve the Company s 2014 Stock Award and Incentive Plan;

4. To ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending January 31, 2015; and

5. To transact such other business as may properly come before the meeting or any adjournment thereof.

We have elected to furnish proxy materials and our Fiscal 2013 Annual Report on Form 10-K (Annual Report) to many of our stockholders over the Internet pursuant to the rules of the U.S. Securities and Exchange Commission. On or about April 17, 2014, we mailed to most of our stockholders a Notice of Internet Availability of Proxy Materials (the Notice) containing instructions on how to gain access to our Proxy Statement and Annual Report and how to vote online. All other stockholders received a copy of the Proxy Statement and Annual Report by mail. The Notice also contains instructions on how you can elect to receive a printed copy of the Proxy Statement and Annual Report, if you only received a Notice by mail.

Whether or not you plan to attend the meeting, please vote your shares promptly as outlined in the following Proxy Statement. If you attend the meeting, you may vote in person and your proxy will not be used.

By Order of the Board of Directors

Jennifer B. Stoecklein

Corporate Secretary

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AMERICAN EAGLE OUTFITTERS, INC.

PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS

MAY 29, 2014

This Proxy Statement is being furnished in connection with the solicitation of proxies by the Board of Directors (the Board) of American Eagle Outfitters, Inc., a Delaware corporation, for use at the Annual Meeting of Stockholders to be held on May 29, 2014, at 11:00 a.m., local time, at the Company s offices located at 417 Fifth Avenue, 8th Floor, New York, New York and at any adjournment thereof. It is being mailed to the stockholders on or about April 17, 2014. (We, our, and the Company refer to American Eagle Outfitters, Inc.)

QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING

Who is entitled to vote?

Stockholders of record at the close of business on April 4, 2014, the record date for the Annual Meeting, are entitled to vote at the Annual Meeting. As of the record date, there were 194,397,536 shares of Common Stock, par value $0.01 per share, outstanding and entitled to vote. Each share that you own entitles you to one vote.

What is the purpose of the Annual Meeting?

Stockholders will be asked to vote on the following matters at the Annual Meeting:

1. The election of three Class I directors to serve until the 2017 Annual Meeting of Stockholders, or until their successors are duly elected and qualified. The nominees are: Michael G. Jesselson; Roger S. Markfield; and Jay L. Schottenstein;

2. An advisory vote on the compensation of our named executive officers;

3. The approval of the Company s 2014 Stock Award and Incentive Plan; and

4. The ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending January 31, 2015.

How does the Board recommend I vote on these proposals?

The Board of Directors recommends a vote:

FOR each of the nominees for director listed in this Proxy Statement;

FOR the approval of the compensation of our named executive officers;

FOR the approval of the Company s 2014 Stock Award and Incentive Plan; and

FOR the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending January 31, 2015.

Why did I receive a Notice of Internet Availability of Proxy Materials?

In order to both save money and protect the environment, we have elected to provide access to our proxy materials and Fiscal 2013 Annual Report on Form 10-K (Annual Report) on the Internet, instead of mailing the full set of printed proxy materials, in accordance with the rules of the U.S. Securities and Exchange Commission (SEC) for the electronic distribution of proxy materials. On or about April 17, 2014, we mailed to most of our stockholders a Notice of Internet Availability of Proxy Materials (the Notice) containing instructions on how to

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gain access to our Proxy Statement and Annual Report and how to vote online. If you received a Notice by mail, you will not receive a printed copy of the proxy materials in the mail unless you request it. Instead, the Notice instructs you on how to obtain and review all of the important information contained in the Proxy Statement and Annual Report. The Notice also instructs you on how you may submit your proxy over the Internet. If you received a Notice by mail and would like to receive a printed copy of our proxy materials, you should follow the instructions for requesting such materials included in the Notice.

How do I vote my shares?

If your shares are registered directly in your name (*i.e.,* you are a registered stockholder), you received a Notice. You should follow the instructions on the Notice in order to ensure that your vote is counted. Alternatively, you may attend and vote in person at the Annual Meeting.

If you are a beneficial owner of shares registered in the name of your broker, bank or other agent (*i.e.,* your shares are held in street name), you should receive either a Notice or a voting instruction form along with a Proxy Statement. You should follow the instructions on the Notice or the voting instruction form in order to ensure that your vote is counted. To vote in person at the Annual Meeting, you must obtain a legal proxy from the broker, bank or agent that holds your shares to present at the meeting.

Can I change or revoke my proxy?

Yes. If you are a registered stockholder, you may revoke your proxy at any time before it is voted by delivering written notice to the Company (Attention: Jennifer B. Stoecklein, Corporate Secretary), by submitting a properly executed proxy bearing a later date or by attending the meeting and voting in person.

If your shares are held in street name, you may revoke your proxy by submitting new voting instructions to your broker or, if you have obtained a legal proxy from your broker, by attending the Annual Meeting and voting in person.

What constitutes a quorum?

A quorum of stockholders is necessary to transact business at the Annual Meeting. A quorum will be present if a majority of the outstanding shares of the Company s common stock, as of the close of business on the record date, are represented by stockholders present at the meeting or by proxy. At the close of business on the record date, there were 194,397,536 shares of Common Stock outstanding and entitled to vote. Therefore, 97,198,769 shares will be required to be represented by stockholders present at the meeting or by proxy in order to establish a quorum.

Abstentions and broker non-votes will count as present in determining whether there is a quorum. Broker non-votes occur when brokers, who hold their customers shares in street name, sign and submit proxies for such shares and vote such shares on some matters but not others. This would occur when brokers have not received any instructions from their customers, in which case the brokers, as the holders of record, are permitted to vote on routine matters, which include the ratification of the appointment of an independent registered public accounting firm, but not on non-routine matters, such as the election of directors, the advisory vote on the compensation of our named executive officers or the approval of the Company s 2014 Stock Award and Incentive Plan. *Therefore, if you do not instruct your broker how to vote on certain proposals, your shares will not be counted for those proposals, and, therefore, we urge you to give voting instructions to your broker on all voting items.*

What vote is required to approve each proposal?

Item 1. Once a quorum is established, directors in an uncontested election are elected by a majority of the votes cast in respect to that director s election. In the event of a contested election of directors, directors shall be elected by the vote of a plurality of the votes represented by the shares of

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Common Stock present at the meeting in person or by proxy. Properly executed proxies marked Abstain and broker non-votes are not voted with respect to the nominee or nominees indicated, although they are counted for purposes of determining if a quorum is present.

Item 2. The advisory vote on the compensation of our named executive officers requires the affirmative vote of a majority of the shares of Common Stock present at the meeting, in person or by proxy.

Item 3. Approval of the Company s 2014 Stock Award and Incentive Plan requires the affirmative vote of a majority of the shares of Common Stock present at the meeting, in person or by proxy.

Item 4. Appointment of Ernst & Young as our independent registered public accounting firm is ratified by the affirmative vote of a majority of the shares of Common Stock present at the meeting, in person or by proxy.

For any other item that is properly submitted to stockholders for approval at the Annual Meeting, an affirmative vote of a majority of the shares of Common Stock voting on the matter is required for approval. For purposes of determining the number of shares of Common Stock voting on a matter, abstentions are counted and will have the effect of a negative vote; broker non-votes are not counted and have no effect on the vote.

Who bears the costs of this solicitation?

We bear the cost of the solicitation of proxies, including the charges and expenses of brokerage firms and others for forwarding solicitation material to beneficial owners of stock. Our representatives may solicit proxies by mail, telephone or personal interview. To solicit proxies, we request the assistance of banks, brokerage houses and other custodians, and, upon request, reimburse such organizations for their reasonable expenses in forwarding soliciting materials to beneficial owners and in obtaining authorization for the execution of proxies.

Can I nominate someone for election to the Board of Directors?

Yes, for election at next year s Annual Meeting. You may do so by delivering to the Corporate Secretary, no earlier than March 2, 2015 and no later than March 30, 2015, a notice stating: (i) the name and address of the stockholder who intends to make the nomination; (ii) the name, age, business address and, if known, residence address of each nominee; (iii) the principal occupation or employment of each nominee; (iv) the number of shares of stock of the Company that are beneficially owned by each nominee and the nominating stockholder; and (v) the other information specified in Article Tenth (b) of our Certificate of Incorporation. Our Certificate of Incorporation is available on our website at http://www.ae.com under the links About AEO, AE Investment Info, Corporate Governance, Other Governance Documents.

Additionally, you may recommend a nominee for consideration by our Nominating and Corporate Governance Committee (the Nominating Committee). Recommendations should be submitted to our Nominating Committee in accordance with the procedures described below under the *Nominating Committee* section.

May I submit a stockholder proposal for next year s Annual Meeting?

Yes. Stockholder proposals to be included in the proxy statement for the 2015 Annual Meeting of Stockholders must be received by the Company (addressed to the attention of the Corporate Secretary) by December 18, 2014. We may omit from the proxy statement and form of proxy any proposals that are not received by the Corporate Secretary by December 18, 2014. Any stockholder proposal submitted outside the processes of Rule 14a-8 under the Securities Exchange Act of 1934 for presentation at our 2015 Annual Meeting will be considered untimely for purposes of Rule 14a-4 and 14a-5 under the Securities Exchange Act of 1934 if notice thereof is received before March 2, 2015 or after March 30, 2015. To be submitted at the meeting, any such proposal must be a proper subject for stockholder action under the laws of the State of Delaware, and must otherwise conform to applicable requirements of the proxy rules of the SEC.

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SECURITY OWNERSHIP OF PRINCIPAL STOCKHOLDERS AND MANAGEMENT

The following table shows, as of March 7, 2014, unless otherwise noted, certain information with regard to the beneficial ownership of our Common Stock by: (i) each person known by us to own beneficially more than 5% of the outstanding shares of Common Stock; (ii) each of our directors; (iii) each executive officer named in the summary compensation table below; and (iv) all directors and executive officers as a group.

	Shares Beneficially Owned			
	Common Stock (1)	Right to Acquire (2)	Total	Percent (3)
5% Beneficial Owners				
BlackRock, Inc. (4)	14,279,407		14,279,407	7.4%
Royce & Associates, LLC (5)	12,076,443		12,076,443	6.2%
Lazard Asset Management LLC (6)	9,762,465		9,762,465	5.0%
Directors and Executive Officers				
Mary M. Boland	13,720		13,720	*
Fredrick W. Grover	74,279	202,784	277,063	*
Robert L. Hanson (7)	94,162	232,028	326,190	*
Michael G. Jesselson	368,558	3,103	371,661	*
Thomas R. Ketteler	25,914		25,914	*
Roger S. Markfield	429,389	1,008,828	1,438,217	*
Cary D. McMillan	8,193	46,861	55,054	*
Janice E. Page	43,702	11,930	55,632	*
David M. Sable		7,279	7,279	*
Jay L. Schottenstein (8)	9,438,335		9,438,335	4.9%
Noel J. Spiegel	20,000	23,721	43,721	*
Kitty Yung	4,822		4,822	*
All current directors and current executive officers as a group (17 in group)	10,581,353	1,682,198	12,263,551	6.3%

* Represents less than 1% of our shares of Common Stock.

(1) Unless otherwise indicated, each of the stockholders has sole voting power and power to sell with respect to the shares of Common Stock beneficially owned.

(2) Includes (a) shares for options exercisable within 60 days of March 7, 2014 and (b) total deferred share units as well as the respective dividend equivalents.

(3) Percent is based upon the 193,814,032 shares outstanding at March 7, 2014 and the shares which such director or executive officer has the right to acquire upon options exercisable within 60 days of March 7, 2014, share units

and dividend equivalents, if applicable.

(4) In a Schedule 13G filed with the SEC on January 28, 2014, BlackRock, Inc., a parent holding company or control person, reported beneficial ownership and sole dispositive power of 14,279,407 shares. BlackRock, Inc. has sole voting power over 12,610,631 shares. The address for BlackRock, Inc. is 40 East 52nd Street, New York, New York 10022.

(5) In a Schedule 13G filed with the SEC on January 6, 2014, Royce & Associates, LLC, an investment adviser, reported beneficial ownership of 12,076,443 shares. Royce & Associates, LLC has sole voting and sole dispositive power over the 12,076,443 shares. The address for Royce & Associates, LLC. is 745 Fifth Avenue, New York, NY 10151.

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(6) In a Schedule 13G filed with the SEC on February 14, 2014, Lazard Asset Management LLC, an investment adviser, reported beneficial ownership of 9,762,465 shares. Lazard Asset Management LLC has sole voting power of 1,973,897 shares and sole dispositive power of 9,762,465 shares. The address for Lazard Asset Management LLC is 30 Rockefeller Plaza, New York, NY 10112.

(7) Mr. Hanson, former Chief Executive Officer, ceased being an executive officer and a director on January 22, 2014. Shares of Common Stock were calculated based on the Company s stock records as of January 22, 2014. No further ownership information was available to the Company after Mr. Hanson ceased being a Section 16 reporting person. For additional information regarding Mr. Hanson s departure, see the *Executive Leadership Transition* section below.

(8) For Mr. Schottenstein, the 9,438,335 shares disclosed in the table above consist of the following for which he has voting power: (1) sole power to vote and dispose as trustee of a trust that owns 6,300 shares and a revocable trust that owns 938,091 shares; (2) shared power to vote and dispose of a trust that owns 245,406 shares; (3) 2,534,560 shares held by SEI, Inc. Mr. Schottenstein serves as Chairman of SEI, Inc. and has or shares voting power for 60.6% of SEI, Inc.; (4) 3,250,698 shares held by Schottenstein SEI, LLC. Mr. Schottenstein has or shares the voting power for 60.6% of Schottenstein SEI, LLC and serves as Chairman of SEI, Inc., its sole member; (5) sole power to vote 2,463,280 shares held by family members pursuant to the terms of a voting agreement that are included under his name in the table. Excluded from the table are an aggregate of 6,019,449 shares held by various family trusts and a limited liability company of which Mr. Schottenstein s wife, Jean R. Schottenstein, has or shares voting power and of which Mr. Schottenstein is not deemed the beneficial owner. Together, Mr. and Mrs. Schottenstein are deemed the beneficial owners of 15,457,834 shares or 8.0% of the Company s common stock as of March 7, 2014.

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PROPOSAL ONE: ELECTION OF DIRECTORS

General

The Board of Directors is divided into three classes. Each class of directors is elected for a three-year term. On the recommendation of the Nominating Committee, the Board of Directors fixed the size of the board at eight directors and nominated three candidates, all of whom are currently directors of the Company, to be elected as Class I directors at the Annual Meeting. Class I directors serve for three-year terms ending at the 2017 annual meeting, or when their successors are duly elected and qualified. The terms of the remaining Class II and Class III directors expire at the annual meetings to be held in 2015 and 2016, respectively.

Each of the nominees has consented to be named as a nominee. If any nominee should become unavailable to serve, the Board of Directors may decrease the number of directors pursuant to the Bylaws or may designate a substitute nominee. In that case, the persons named as proxies will vote for the substitute nominee designated by the Board of Directors. The Board has no reason to believe that any nominee will be unavailable or, if elected, unable to serve.

Certain information regarding each nominee and incumbent director is set forth below as of April 1, 2014, including age, principal occupation, and a brief description of business experience and directorships held with other public corporations during at least the last five years.

The Board of Directors recommends that the stockholders vote FOR each of the following nominees for Class I Director:

Michael G. Jesselson, age 62, has been a Director of the Company since November 1997. He has served as President of Jesselson Capital Corporation, a private investment corporation headquartered in New York City, since 1994. He also serves on the Board of Directors of a number of nonprofit institutions. Mr. Jesselson provides investment expertise to the Board and he also brings an important historical company view to the Board of Directors.

Other Public Company Board Service: Mr. Jesselson also serves on the Board of Directors, Audit Committee and Acquisition Committee of XPO Logistics, Inc. He also serves as Nominating and Corporate Governance Committee Chair of XPO Logistics, Inc.

Roger S. Markfield, age 72, has served as Vice Chairman, Executive Creative Director of the Company since February 2009 and as a Director since March 1999. From February 2007 to February 2009, Mr. Markfield served as a non-executive officer employee of the Company. Prior to February 2007, he served the Company as Vice Chairman since November 2003, as President from February 1995 to February 2006, and as Co-Chief Executive Officer of the Company from December 2002 to November 2003. Mr. Markfield also served the Company and its predecessors as Chief Merchandising Officer from February 1995 to December 2002. Mr. Markfield s experience as Executive Creative Director of the Company gives him unique insights into the Company s challenges, opportunities and operations. He has a deep understanding of the needs and desires of our customers and brings a long history of relevant retail executive experience to the Board.

Other Public Company Board Service: Mr. Markfield was formerly on the Board of Directors of DSW Inc. from 2008 to 2012.

Jay L. Schottenstein, age 59, has served as Interim Chief Executive Officer since January 2014. He has also served as Chairman of the Company and its predecessors since March 1992. He served the Company as Chief Executive Officer from March 1992 until December 2002 and prior to that time, he served as a Vice President and Director of the Company s predecessors since 1980. He has also served as Chairman of the Board and Chief Executive Officer of Schottenstein Stores Corporation (SSC) since March 1992 and as President

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since 2001. Prior thereto, Mr. Schottenstein served as Vice Chairman of SSC from 1986 to 1992. He has been a Director of SSC since 1982. Mr. Schottenstein also served as Chief Executive Officer from March 2005 to April 2009 and as Chairman of the Board since March 2005 of DSW Inc., a company traded on the New York Stock Exchange. He has also served as an officer and director of various other entities owned or controlled by members of his family since 1976. As the Company s former Chief Executive Officer, Mr. Schottenstein is familiar with all aspects of the Company including its management, operations and financial requirements. He brings extensive knowledge and understanding of our business and the retail industry to the Board.

Other Public Company Board Service: Mr. Schottenstein also serves on the Board of Directors of DSW Inc.

The following Class II Directors have been previously elected to terms that expire as of the 2015 Annual Meeting:

Janice E. Page, age 65, has served as a Director of the Company since June 2004. Prior to her retirement in 1997, Ms. Page spent 27 years in retailing holding numerous merchandising, marketing and operating positions with Sears Roebuck & Company, including Group Vice President from 1992 to 1997. Ms. Page is currently a private investor. She holds a BA from Pennsylvania State University. Ms. Page has extensive knowledge of the retail industry and her service on other public company boards allows her to provide the Board of Directors with a variety of perspectives on corporate governance issues.

Other Public Company Board Service: Ms. Page also serves as a Director and Compensation Committee Chair of R.G. Barry Corporation, a company which develops and markets footwear, footwear accessories, handbags and travel related accessories. She served as a Director and Nominating and Governance Committee Chair of Hampshire Group, Limited, a developer and marketer of men s and women s sweaters and sportswear from 2009 to 2011. She was formerly on the Board of Kellwood Company and served on the Executive Committee and as Compensation Committee Chair from 2000 to 2008. Ms. Page served from 2001 to 2004 as Trustee of Glimcher Realty Trust, a real estate investment trust which owns, manages, acquires and develops malls and community shopping centers.

David M. Sable, age 60, has been a Director of the Company since June 2013. He has served as Global Chief Executive Officer of Y&R Advertising, one of the world s largest advertising agencies and a member of UK-based WPP Group since February 2011. Prior to that time, he served Wunderman, Inc., a leading CRM and digital unit of WPP Group, as Vice Chairman and Chief Operating Officer from August 2000 to February 2011. Mr. Sable was a Founding Partner and served as Executive Vice President and Chief Marketing Officer of Genesis Direct, Inc. from June 1996 to September 2000. He attended New York University and Hunter College. With more than 30 years of experience in marketing communications, Mr. Sable brings to the Board his strategic insight and ability to connect talent across marketing disciplines and geographies.

Noel J. Spiegel, age 66, has served as a Director of the Company since June 2011. Mr. Spiegel was a partner at Deloitte & Touche, LLP, where he practiced from September 1969 until his retirement in May 2010. In his over 40 year career at Deloitte, he served in numerous management positions, including as Deputy Managing Partner, member of the Executive Committee, Managing Partner of Deloitte s Transaction Assurance practice, Global Offerings and IFRS practice and Technology, Media and Telecommunications practice (Northeast Region), and as Partner-in-Charge of Audit Operations in Deloitte s New York Office. Mr. Spiegel holds a BS from Long Island University and attended the Advanced Management Program at Harvard Business School. Mr. Spiegel provides expertise in public company accounting, disclosure and financial system management to the Board and more specifically to the Audit Committee.

Other Public Company Board Service: Mr. Spiegel also serves on the Board of Directors, Audit Committee and Compensation Committee of Vringo, Inc. and on the Board of Directors and Audit Committee of Radian Group, Inc.

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The following Class III Directors have been previously elected to terms that expire as of the 2016 Annual Meeting:

Thomas R. Ketteler, age 71, has been a Director of the Company since February 2011. Prior to his retirement from SSC, a private company, in 2005, Mr. Ketteler served as Chief Operating Officer since 1995, as Executive Vice President of Finance and Treasurer from 1981, and as a director since 1985. Prior to SSC, he was a partner in the firm of Alexander Grant and Company, Certified Public Accountants. Mr. Ketteler currently provides consulting services to SSC and served as a consultant to the Company s Board from 2003 until June 2010. Mr. Ketteler provides expertise in financial and accounting issues and his historical experience with the Company is invaluable to the Board.

Other Public Company Board Service: Mr. Ketteler previously served on the Company s Board from 1994 to 2003 and on the Board of Directors and as Audit Committee Chair of Encompass Group, Inc from 2007 to 2011.

Cary D. McMillan, age 56, has been a Director of the Company since June 2007. He has served as Chief Executive Officer of True Partners Consulting, LLC, a professional services firm providing tax and other financial services, since December 2005. From October 2001 to April 2004, he was the Chief Executive Officer of Sara Lee Branded Apparel. Mr. McMillan served as Executive Vice President of Sara Lee Corporation, a branded consumer packaged goods company, from January 2000 to April 2004. From November 1999 to December 2001, he served as Chief Financial and Administrative Officer of Sara Lee Corporation. Prior thereto, Mr. McMillan served as an audit partner with Arthur Andersen LLP. He holds a BS from the University of Illinois and is a Certified Public Accountant. Mr. McMillan brings to the Board demonstrated leadership abilities as a Chief Executive Officer and an understanding of business, both domestically and internationally. His experience as a former audit partner also provides him with extensive knowledge of financial and accounting issues. Furthermore, Mr. McMillan s service on other public boards also provides knowledge of best practices.

Other Public Company Board Service: Mr. McMillan also serves on the Board of Directors, Audit Committees and Finance Committees of McDonald s Corporation and Hyatt Corporation. Mr. McMillan was formerly on the Board of Directors of Hewitt Associates, Inc. from 2002 to 2010 and Sara Lee Corporation from 2000 to 2004.

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INFORMATION CONCERNING THE BOARD OF DIRECTORS

Board Meetings

During the fiscal year ended February 1, 2014 (Fiscal 2013), the Board met seven times. During Fiscal 2013, all members of the Board attended 75% or more of the total number of meetings of the Board and of the committees of the Board on which they served. It is our expectation that all incumbent directors attend the Annual Meeting of Stockholders. All incumbent members of the Board were present at our 2013 Annual Meeting except for Jay Schottenstein who was out of the country on business.

Director Compensation

Directors who are employees of the Company do not receive additional compensation for serving as directors. The table below sets forth the compensation for directors who were not employees of the Company during Fiscal 2013. In addition, we pay attorneys fees related to the preparation and filing of director stock ownership forms with the SEC. We also reimburse travel expenses to attend Board and committee meetings and director continuing education expenses. For Fiscal 2013, there were no increases in non-employee director compensation.

Fiscal 2013 Director Compensation (1)

Name	Fees Earned or Paid in Cash ($) (2)	Stock Awards ($) (3)	Total ($)
Michael G. Jesselson	$ 135,000	$ 135,000	$ 270,000
Thomas R. Ketteler	$ 115,000	$ 135,000	$ 250,000
Cary D. McMillan	$ 130,000	$ 135,000	$ 265,000
Janice E. Page	$ 127,000	$ 135,000	$ 262,000
David M. Sable (4)	$ 46,085	$ 113,118	$ 159,203
Noel J. Spiegel	$ 140,000	$ 135,000	$ 275,000
Gerald E. Wedren (5)	$ 28,750	$ 33,750	$ 62,500

(1) Fiscal 2013 refers to the fifty-two week period ended February 1, 2014. Compensation of the Executive Chairman of the Board is set forth below under the section entitled *Executive Officer Compensation*.

(2) Amounts represent fees earned or paid during Fiscal 2013. Directors who are not employees of the Company are paid a retainer of $55,000 per year, payable in installments on the first business day of each calendar quarter. Non-employee directors who serve on a Board committee receive a retainer of $20,000 per year for each committee, paid in installments on the first business day of each calendar quarter. Non-employee directors who serve as committee chairs receive an additional retainer, also paid in installments on the first day of each calendar quarter, as follows: $25,000 per year for the Audit Committee; $15,000 per year for the Compensation Committee; and $12,000 per year for the Nominating Committee. Non-employee directors also receive a per meeting fee of $1,500 for an in-person meeting or $1,000 for a telephonic meeting for serving on a special committee of the Board, and the non-employee director chair of a special committee receives a per meeting fee of

$3,000 for an in-person meeting or $2,000 for a telephonic meeting. The Lead Independent Director also receives an additional retainer of $20,000 per year paid in installments on the first business day of each calendar quarter.

(3) Amounts represent shares granted during Fiscal 2013. Non-employee directors receive an automatic stock grant of a number of shares equal in value to $33,750 based on the closing sale price of our stock on the first day of each calendar quarter under our 2005 Stock Award and Incentive Plan, as amended, (the 2005 Amended Plan). Directors may defer receipt of up to 100% of the shares payable under the quarterly stock grant in the form of a share unit account. Messrs. McMillan, Sable and Spiegel elected to defer their quarterly share retainers during calendar 2013 and calendar 2014.

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(4) Mr. Sable was appointed to the Board of Directors on May 30, 2013.

(5) Mr. Wedren retired from the Board of Directors on May 30, 2013.
Until June 2005, non-employee directors received an automatic quarterly grant of options to purchase shares of common stock. At February 1, 2014, the aggregate number of option awards outstanding was:
Mr. Jesselson 3,103 shares and Ms. Page 9,310 shares.

Our Board of Directors has determined that each director should own common stock of the Company and has established the following ownership guidelines. Within three years of joining the Board, each director must hold stock of the Company worth at least five times the current annual cash base retainer amount, or currently $275,000. The following forms of equity interests in the Company count towards the stock ownership requirement: shares purchased on the open market; shares obtained through stock option exercise; shares held as deferred stock units; shares held in benefit plans; shares held in trust for the economic benefit of the director or spouse or dependent children of the director; and shares owned jointly or separately by the spouse or dependent children of the director. Stock options do not count towards the stock ownership requirement.

Executive Chairman of the Board Compensation

Jay L. Schottenstein serves as our Executive Chairman of the Board of Directors. During Fiscal 2013, Mr. Schottenstein devoted a substantial amount of time to our business and he worked with and advised Mr. Hanson, our former Chief Executive Officer. Mr. Schottenstein s Fiscal 2013 compensation is set forth below under the section entitled *Executive Officer Compensation.*

Leadership Structure

Since 2002, the positions of Chairman of the Board and Chief Executive Officer have been held by two different individuals. During most of Fiscal 2013, Mr. Hanson was our Chief Executive Officer while the Board was led by our Executive Chairman, Mr. Schottenstein. Effective upon Mr. Hanson s departure from the Company on January 22, 2014, Mr. Schottenstein was appointed Interim Chief Executive Officer. Mr. Schottenstein will continue to serve as the Interim Chief Executive Officer until a permanent Chief Executive Officer is appointed. Mr. Schottenstein is the former Chief Executive Officer of the Company and has significant experience in our industry and with the Company, which experience provides our Board with significant leadership advantages. We also established a Lead Independent Director position. The Lead Independent Director is appointed by the independent directors annually. Mr. Jesselson was appointed as our Lead Independent Director for Fiscal 2013. The Lead Independent Director is responsible for:

- Presiding over the meetings of independent directors;
- Serving as a liaison between the Chairperson and independent directors;
- Having input on information sent to the Board;
- Having input on meeting agendas for the Board; and

Approving meeting schedules to assure that there is sufficient time for discussion of all agenda items.

The Lead Independent Director also has the authority to call meetings of the independent directors, and if requested by major stockholders, is available, if appropriate, for consultation and direct communication. We believe that this leadership structure provides our Board with the greatest depth of leadership and experience, while also providing balance for the direction of the Company.

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Meetings of Independent Directors

The Board s policy is to have the independent directors meet separately in executive session in connection with each regularly scheduled board meeting (at least four times annually). During each meeting of the independent directors, the Lead Independent Director will lead the discussion.

Director Independence

The Board has determined that the following directors are independent as defined in the applicable rules of the New York Stock Exchange:

Michael G. Jesselson	Cary D. McMillan	David M. Sable
Thomas R. Ketteler	Janice E. Page	Noel J. Spiegel

In particular, the Board determined that none of these directors had relationships that would cause them not to be independent under the specific criteria of Section 303A.02 of the NYSE Listed Company Manual.

In making these determinations, the Board took into account all factors and circumstances that it considered relevant, including the following:

- Whether the director is currently, or at any time during the last three years was, an employee of the Company or any subsidiary of the Company;

- Whether any immediate family member of the director is currently, or at any time during the last three years was, an executive officer of the Company or any subsidiary of the Company;

- Whether the director is an employee or any immediate family member of the director is an executive officer of a company that has made payments to, or received payments from, the Company or any subsidiary of the Company for property or services in an amount which is in excess of the greater of $1 million, or 2% of such other company s consolidated fiscal gross revenues in the current year or any of the past three fiscal years;

- Whether the director is an executive officer of a charitable organization which received contributions from the Company or any subsidiary of the Company in the past three years in an amount which exceeds the greater of $1 million, or 2% of the charitable organization s consolidated gross revenues;

- Whether the director or any of the director s immediate family members is, or has been in the past three years, employed by a company that has or had, during the same period, an executive officer of the Company on its compensation committee;

Whether the director or any of the director s immediate family members is, or has been in the past three years, a partner or employee of the Company s independent registered public accounting firm; and

Whether the director or any of the director s immediate family members accepted any payment from the Company or any of its subsidiaries in excess of $120,000 during the current fiscal year or any of the past three fiscal years, other than compensation for board or board committee service and pension or other forms of deferred compensation for prior service.

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Board Committees

The Board has a standing Audit Committee, a standing Compensation Committee and a standing Nominating Committee. These committees are governed by written charters, which were approved by the Board of Directors and are available on our website at http://www.ae.com under the links About AEO, AE Investment Info, Corporate Governance, Committees and Charters.

The following sets forth Committee memberships as of the date of this proxy statement.

Director	Audit Committee	Compensation Committee	Nominating Committee
Michael G. Jesselson (1)	X	X	X
Thomas R. Ketteler	X	X	X
Cary D. McMillan	X	XX	X
Janice E. Page	X	X	XX
Noel J. Spiegel	XX	X	X

X = Member

XX = Committee Chair

(1) Mr. Jesselson also serves as our Lead Independent Director.

Audit Committee

The primary function of the Audit Committee is to assist the Board in monitoring: (1) the integrity of the financial statements; (2) the qualifications, performance and independence of the independent registered public accounting firm; (3) the performance of the internal auditors; and (4) our compliance with regulatory and legal requirements. The Audit Committee also reviews and approves the terms of any new related party agreements. The Audit Committee met eleven times during Fiscal 2013.

The Board has determined that Messrs. Ketteler, McMillan and Spiegel qualify as audit committee financial experts as defined by the SEC rules adopted pursuant to the Sarbanes-Oxley Act of 2002.

Compensation Committee

The function of the Compensation Committee is to aid the Board in meeting its responsibilities with regard to oversight and determination of executive compensation. Among other things, the Compensation Committee reviews, recommends and approves salaries and other compensation of executive officers and administers our stock award and incentive plans (including reviewing, recommending and approving stock award grants to executive officers). The Compensation Committee met ten times during Fiscal 2013.

Nominating Committee

The function of the Nominating Committee is to aid the Board in meeting its responsibilities with regard to the organization and operation of the Board, selection of nominees for election to the Board and other corporate governance matters. The Nominating Committee met seven times during Fiscal 2013. The Nominating Committee developed and reviews each year our Corporate Governance Guidelines, which were adopted by the Board and are available on our website at http://www.ae.com under the links About AEO, AE Investment Info, Corporate Governance, Guidelines.

Director Nomination Process

The Nominating Committee periodically reviews the appropriate size of the Board, whether any vacancies are expected due to retirement or otherwise, and the need for particular expertise on the Board. In evaluating and determining whether to recommend a candidate to the Board, the Nominating Committee reviews the appropriate skills and characteristics required of Board members in the context of the background of existing members and in light of the perceived needs for the future development of our business, including issues of diversity and experience in different substantive areas such as retail operations, marketing, technology, distribution, real estate and finance. The Board seeks the best director candidates based on the skills and characteristics required without regard to race, color, national origin, religion, disability, marital status, age, sexual orientation, gender, gender identity and expression, or any other basis protected by federal, state or local law.

Candidates may come to the attention of the Nominating Committee from a variety of sources, including current Board members, stockholders and management. All candidates are reviewed in the same manner regardless of the source of the recommendation. In the past, the Nominating Committee has retained the services of a search firm to assist in identifying and evaluating qualified director candidates.

The Nominating Committee will consider the recommendations of stockholders regarding potential director candidates. In order for stockholder recommendations regarding possible candidates for director to be considered by the Nominating Committee:

- Such recommendations must be submitted to the Nominating Committee in care of: Corporate Secretary, American Eagle Outfitters, Inc., 77 Hot Metal Street, Pittsburgh, PA 15203, in writing at least 120 days prior to the date of the next scheduled Annual Meeting;

- The nominating stockholder must meet the eligibility requirements to submit a valid stockholder proposal under Rule 14a-8 of the Securities Exchange Act of 1934; and

- The stockholder must describe the qualifications, attributes, skills or other qualities of the recommended director candidate.

Board Oversight of Risk Management

The Board has allocated responsibilities for overseeing risk associated with our business among the Board as a whole and the Committees of the Board. In performing its risk oversight function, the Board:

- Oversees management s development and execution of appropriate business strategies to mitigate the risk that such strategies will fail to generate long-term value for the Company and its stockholders or that such strategies will motivate management to take excessive risks; and

- Oversees the development and implementation of processes and procedures to mitigate the risk of failing to assure the orderly succession of the Chief Executive Officer and the senior executives of the Company.

The Board also regularly reviews information regarding our financial, operational and strategic risks. The full Board receives quarterly updates from management s Risk Management Committee which is responsible for identifying, quantifying and assisting leaders across the Company in mitigating risks. Each of the Board s Committees also oversees the management of Company risks that fall within the Committee s areas of responsibility. In performing this function, each Committee has full access to management, as well as the ability to engage advisors. As set forth in its charter, the Audit Committee is responsible for discussing with management our major financial risk exposures and the steps management has taken to monitor and control those exposures. The Audit Committee gives updates to the Board at its regular meetings, including updates on financial and information technology risks. The Audit Committee also meets privately with the Company s independent auditor, the internal auditor and the Chief Executive Officer/Chief Financial Officer frequently. As set forth in its charter, the Compensation Committee oversees our risk management related to employee compensation plans and arrangements. The Nominating Committee manages risks associated with the independence of the Board of Directors and our corporate social responsibility program. While each committee is responsible for overseeing the management of those risk areas, the entire Board of Directors is also regularly informed through committee reports.

Compensation Committee Interlocks and Insider Participation

During Fiscal 2013, members of the Compensation Committee included Messrs. McMillan (Chairman), Jesselson, Ketteler, Spiegel and Wedren and Ms. Page. None of the current or former members of the Compensation Committee are present or former officers of the Company or its subsidiaries or have affiliates that are parties to agreements with the Company.

Communications with the Board

The Board provides a process for all interested parties to send communications to the independent members of the Board. That process is described on the Company s website at http://www.ae.com under the links About AEO, AE Investment Info, Corporate Governance, Board of Directors.

Corporate Governance Information

Our corporate governance materials, including our corporate governance guidelines, the charters of our audit, compensation and nominating committees and our Code of Ethics that applies to all of our directors, officers (including the Principal Executive Officer, Principal Financial Officer, Principal Accounting Officer and Controller) and employees may be found on our website at http://www.ae.com under the links About AEO, AE Investment Info, Corporate Governance. Any amendments or waivers to our code of ethics will also be available on our website. A copy of the corporate governance materials is also available in print to any stockholder who requests it.

EXECUTIVE OFFICERS

The following persons are our executive officers as of the date of this proxy statement. For information regarding officers who are also directors, see Election of Directors. Our officers are elected annually by the Board and serve at the pleasure of the Board.

Mary M. Boland, age 56, has served the Company as Executive Vice President, Chief Financial and Administrative Officer, and Principal Financial Officer since July 2012. Prior to joining the Company, Ms. Boland served Levi Strauss & Co. as Senior Vice President Finance of Global Levi s from 2011 to 2012 and as Senior Vice President Finance of the Americas from 2006 to 2011. Prior to that time, Ms. Boland held a variety of finance positions with General Motors Corporation from 1979 to 2006 including Vice President and Chief Financial Officer, North America from 2003 to 2006.

Jennifer M. Foyle, age 47, has served as our Executive Vice President, Chief Merchandising Officer Aerie since February 2014. Prior thereto, she served us as Senior Vice President, Chief Merchandising Officer Aerie from August 2010 to February 2014. Prior to joining the Company, Ms. Foyle was President of Calypso St. Barth from 2009 to 2010. In addition, she held various positions at J. Crew Group, Inc., including Chief Merchandising Officer, from 2003 to 2009.

Fredrick W. Grover, age 63, has served as our Executive Vice President Factory Stores since February 2014. Prior thereto, he served as our Executive Vice President of Global Merchandising AEO Brand from July 2012 to February 2014, as Executive Vice President of Brand Merchandising, Marketing and AE Direct from April 2011 to July 2012, as Executive Vice President of Brand Marketing and AE Direct from April 2009 to April 2011 and as Executive Vice President of AE Direct from December 2004 to April 2009. Prior to that time, he served in various other merchandising positions since starting with us in 1978.

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Charles F. Kessler, age 41, has served as our Executive Vice President, Chief Merchandising & Design Officer since February 2014. Prior to joining us, Mr. Kessler served as Chief Merchandising Officer at Urban Outfitters, Inc. from October 2011 to November 2013 and as Senior Vice President, Corporate Merchandising, at Coach, Inc. from July 2010 to October 2011. Prior to that time, Mr. Kessler held various positions with Abercrombie & Fitch Co. from 1994 to 2010, including Executive Vice President, Female Merchandising from 2008 to 2010.

Simon R. Nankervis, age 47, has served as our Executive Vice President, Americas & Global Country Licensing since February 2014. Prior thereto, he served as our Senior Vice President, Americas & Global Country Licensing from April 2013 to February 2014 and as Vice President, International Franchising & Global Business Development from October 2011 to March 2013. Prior to joining us, Mr. Nankervis was Managing Director at Busbrand Pty Ltd, an Australian based international brand management company, from 2002 to 2011.

Dennis R. Parodi, age 62, has served as our Executive Vice President, Head of Stores-US since March 2014. Prior thereto, Mr. Parodi has served us in a variety of positions, including Executive Vice President, Head of Stores from September 2011 to March 2014, Executive Vice President, Head of Stores East from August 2009 to September 2011, Executive Vice President, Store Operations from April 2009 to August 2009, Executive Vice President and Chief Operating Officer, New York Design Center, from February 2006 to April 2009, Senior Vice President of Real Estate and Construction from May 2002 to February 2006 and Vice President and Chief Operating Officer, New York Design Center, since joining us in March 2003.

Michael R. Rempell, age 40, has served as our Executive Vice President and Chief Operations Officer since June 2012. Prior thereto, he served as our Executive Vice President and Chief Operating Officer, New York Design Center, from April 2009 to June 2012, as Senior Vice President and Chief Supply Chain Officer from May 2006 to April 2009, and in various other positions since joining us in February 2000.

Kitty Yung, age 51, has served as our Executive Vice President Asia/Pacific since April 2013. Prior to joining us, Ms. Yung served Guess, Inc. as President of Asia from June 2010 to April 2013. Prior thereto, Ms. Yung held a variety of positions with Levi Strauss & Company, including Managing Director of Levi s Greater China and Vice President of Levi Strauss & Company from 1998 to 2010.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires our executive officers, directors or persons who are beneficial owners of more than ten percent of our Common Stock (reporting persons) to file reports of ownership and changes in ownership with the SEC. Reporting persons are required by SEC regulations to furnish us with copies of all Section 16(a) forms filed by them. Based on its review of the copies of the Section 16(a) forms received by it, we believe that during Fiscal 2013 all reporting persons complied with the applicable filing requirements except that Ms. Yung filed one late Form 3 and one late Form 4 reporting one transaction. In addition, all reports have been filed as of April 17, 2014 except Mr. Kessler filed one late Form 4 reporting one transaction and Ms. Page and Messrs. Jesselson, Ketteler, McMillan, Sable and Spiegel each inadvertently filed one Form 4 reporting one transaction one day late, due to technical difficulties.

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PROPOSAL TWO:

ADVISORY VOTE ON THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

Pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the Dodd-Frank Act), we are providing stockholders with an advisory or non-binding vote on the overall compensation of our named executive officers. Accordingly, the following resolution will be submitted for a stockholder vote at the 2014 Annual Meeting:

RESOLVED, that the Company s stockholders approve, on an advisory basis, the compensation of the named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion, as set forth in the Proxy Statement for the Annual Meeting.

As described below in the section entitled *Compensation Discussion and Analysis-Response to 2013 Say on Pay vote,* our Board of Directors and Compensation Committee considers the outcome of the advisory or non-binding vote when considering future executive compensation arrangements. We were very pleased with the stockholder support illustrated by the positive Say on Pay vote in 2013. Our compensation program design provides the framework for alignment between executive compensation opportunities and our long-term strategic plan. The overall program is intended to ensure that management is held accountable for long-term results and does not pursue inappropriately risky business strategies in order to maximize short-term compensation payouts. We remained committed to engagement throughout the year in order to facilitate an open dialogue and ensure a continued understanding of the shareholder s critical perspective on all aspects of the business, including compensation programs. We have continued to evaluate and enhance plan designs to ensure adherence to governance and market best practices with respect to key issues concerning executive compensation. See the section entitled *Compensation Program Changes for Fiscal 2013 and Fiscal 2014* below for additional information regarding our recent plan changes.

The Board of Directors recommends that the stockholders vote FOR the approval of the compensation of our named executive officers as set forth in the Proxy Statement for the Annual Meeting.

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COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis describes the compensation philosophy, objectives, policies and practices framed within the context of the overall retail industry and our vision, strategies and performance with respect to our named executive officers (the NEOs) for Fiscal 2013.

Our Fiscal 2013 NEOs were:

- Chief Executive Officer (CEO) Jay L. Schottenstein
- Vice Chairman, Executive Creative Director Roger S. Markfield
- Executive Vice President, Chief Financial and Administrative Officer Mary M. Boland
- Executive Vice President, Factory Stores Frederick W. Grover
- Executive Vice President - Asia/Pacific Kitty Yung
- Former Chief Executive Officer Robert L. Hanson

Executive Summary

Entering the 52-week period ending January 31, 2015 (Fiscal 2014), our top priority is to stabilize and strengthen our business through improvements to product assortments, marketing and overall customer shopping experience, both in stores and on-line. We will continue to focus on improved customer engagement through marketing initiatives, including enhanced loyalty programs. Longer-term strategic initiatives remain in place, including growing the factory business, building omni-channel capabilities and global expansion.

Our strategic plan is built around the following pillars:

- Fortify our brands, processes and capabilities;
- Grow North America through under-penetrated U.S. markets, factory stores, Mexico and e-commerce;
- Transform our Company into an omni-channel retailer with both domestic and international presence; and
- Return value to our shareholders through profitable growth.

We are focused on delivering results through our five near-term priorities: (1) driving a competitive top line; (2) generating margin flow-through from improved inventory management; (3) rebalancing our store fleet; (4) accelerating our online business; and (5) gaining leverage on our infrastructure.

Executive Leadership Transition

The end of Fiscal 2013 was marked by a transition at the CEO level. Robert L. Hanson, our former CEO, separated from the Company effective January 22, 2014. For a discussion of Mr. Hanson s separation compensation, see the section below entitled *Post-Employment Compensation.* Also, on January 22, 2014, Jay L. Schottenstein, Executive Chairman of the Board of Directors, was appointed Interim CEO. Mr. Schottenstein will continue to serve as Interim CEO until the Board of Directors appoints a permanent CEO. For Fiscal 2014, Mr. Schottenstein will participate in a similar compensation program as other named executive officers, comprised of base salary, bonus, an award of time-based restricted stock units (RSUs) and an award of performance shares (PS). In order to ensure leadership continuity, Mr. Markfield will also continue in his role as Vice Chairman, Executive Creative Director.

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Highlights of 2014 Compensation Program Changes

Building upon our continuing efforts to adhere to corporate governance best practices, ensure competitiveness, and reinforce pay and performance alignment, certain executive compensation program changes were adopted for Fiscal 2014. Highlights include:

- Prior to Fiscal 2014, RSU awards had a feature whereby the achievement of certain stretch performance goals would accelerate the full vesting of the award after the first year. Effective with grants awarded in 2014, this feature has been removed.

- Adjustment of the annual long term incentive mix to place greater emphasis on performance based long term incentives. Effective for Fiscal 2014, the NEO annual long term incentive mix has shifted from approximately 55% performance based / 45% time based to approximately 70% performance based / 30% time based.

Highlights of 2013 Compensation Program Design

Our Compensation program design provides the framework for alignment between executive compensation opportunities and our long-term strategic plan.

2013 Compensation Considerations

When reviewing the results for the year, the Compensation Committee considered a variety of factors, including the economy s impact on our financial and operational performance, as well as executive leadership s delivery against the strategic plan. Performance was driven by both external and internal factors. Year-end pay decisions were largely driven by disappointing financial performance during Fiscal 2013. Actual results overall delivered below threshold performance.

In addition to financial and operational performance, the Compensation Committee and management also consider alignment to our compensation program principles (see the section below entitled *Compensation Program Objectives*) as well as corporate governance best practices when making compensation decisions. Our overall program aligns with recognized corporate governance best practices as described below in the section *Compensation Governance Highlights*. Highlights include:

- Approximately 55% of NEO annual long term incentive is performance based;

- Use of multiple metrics in the incentive plan;

- Use of long-term performance based goals;

- Limited perquisites; and

No gross-ups or re-pricing as well as an anti-hedging and anti-pledging policy.

Fiscal 2013 financial and operational measures represent aggregate global results from American Eagle Outfitters, AEO Direct, and aerie. As described herein, for Fiscal 2013, our Adjusted Net Income, Adjusted Earnings before Interest and Taxes (EBIT), Revenue Growth, and Return on Invested Capital (ROIC), as defined in the section below entitled *Fiscal 2013 Performance Metrics and Results,* were below threshold, while Inventory Turn was at target. This performance resulted in no acceleration of vesting for the RSU awards and a threshold vesting of Fiscal 2011 PS. Despite target Inventory Turn achievement, the Compensation Committee utilized negative discretion in a decision which resulted in no payout of the annual incentive bonus

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and forfeiture of Mr. Markfield s Fiscal 2013 stock option award. Additionally, the Fiscal 2013 20% single year lock-in, a feature of the PS plan, was not achieved for the Fiscal 2012 and Fiscal 2013 awards. All performance awards were based on pre-established goals.

Compensation Program Objectives

We focus on the following core principles in structuring an effective compensation program that meets our stated philosophy:

Performance We strive to align executive compensation with the achievement of measureable operational and financial results and increases in stockholder value. Our compensation program includes significant performance based remuneration based on these criteria. We believe this feature creates a meaningful incentive to achieve challenging, yet realistic, performance objectives. In addition, our program features a substantial long term incentive component in order to align executive interests with the interests of our stockholders and retain executive talent through a multi-year vesting schedule. These features seek to ensure that actual compensation varies above or below the targeted compensation opportunity based on the degree to which performance goals and changes in stockholder value are attained over time.

Competitiveness We structure executive compensation to be competitive relative to a group of retail peers and target total compensation opportunity within our peer group, relative to company size and in recognition of our emphasis on performance based compensation. Target total compensation for individual NEOs varies based on a variety of factors, including the executive s skill set and experience relative to market peers, historic performance, and the criticality of each position to us.

Affordability We design our compensation program to limit fixed compensation expense and tie realized compensation costs to the degree to which budgeted financial objectives are attained. In addition, we structure our incentive plans to maximize financial efficiency by establishing programs that are intended to be tax deductible (whenever it is reasonably possible to do so while meeting our compensation objectives), accounting efficient and by making performance based payments only to the extent that underlying performance supports the expense.

Simplicity We have worked to create a simple, straight-forward compensation program that our associates and stockholders can easily understand. This simplicity allows our NEOs to focus on the objectives which both drive our business results and influence the payouts of the performance-based incentives.

Compensation Program Elements

The overall philosophy of our executive compensation program is to attract highly skilled, performance-oriented executives and to incent them to achieve outstanding results for all stakeholders within the framework of a principles-based compensation program. Our executive compensation program is guided by four core principles: Performance; Competitiveness; Affordability; and Simplicity.

Our executive compensation program is designed to place a considerable amount of compensation at risk for all executives. This philosophy is intended to cultivate a pay-for-performance environment.

The portion of total compensation which is performance based increases at successively higher levels of management. This approach seeks to ensure that executive compensation closely aligns with changes in stockholder value and achievement of performance objectives while also ensuring that executives are held accountable for results relative to position level.

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Executive compensation is delivered to our NEOs primarily through three elements:

Annual Base Salary	Provides a baseline compensation level that delivers cash income to each NEO and reflects his or her job responsibilities, experience, and contribution to the Company.
Annual Incentive Bonus	Provides an opportunity for additional cash income to NEOs if threshold performance goals are attained and therefore focuses them on key annual objectives. Bonus is earned between threshold and stretch level based on achievement of pre-established annual performance goals.
Annual Long Term Incentive Awards Performance Shares Restricted Stock Units Non-Qualified Stock Options	Aligns NEO compensation with our longer term performance objectives and changes in stockholder value over time. PS vest between threshold and stretch level only to the extent that the pre-established, three-year performance goal is met. If performance falls below the threshold, the award is forfeited in full. Achievement of single year performance goals locks in 20% vesting of the award. RSUs vest proportionately over three years from grant based on continued service with us but may accelerate to fully vest after the first year if specific pre-established stretch performance goals are attained. Non-Qualified Stock Options (NSOs) provide compensation only to the extent that vesting requirements are satisfied and our share price appreciates.

The combination of these elements enables us to offer a competitive total annual compensation opportunity in which realized pay and costs reflect the degree to which key operational performance objectives are attained. The compensation for our NEOs is balanced to provide a mix of cash and long term incentive awards and focused on both annual and long-term performance to ensure that executives are held accountable for, and rewarded for, achievement of both annual and long-term financial and strategic objectives.

The Annual Incentive Bonus was entirely variable and dependent on our performance during Fiscal 2013 and therefore subject to forfeiture if we did not achieve threshold performance goals. PS are also entirely variable and subject to forfeiture if we do not achieve established performance goals during the performance period, as described below. For Fiscal 2013, approximately 59% of Mr. Hanson s compensation was subject to performance and 66% of Mr. Schottenstein s compensation was subject to performance. The amount of performance-based variable compensation for the other NEOs was approximately 59% of their total compensation opportunity. Our performance below threshold levels results in forfeiture of all elements of direct compensation other than base salary, RSUs and NSOs that vest proportionally over three years based on continued service. Refer to the *Fiscal 2013 Performance Metrics and Results* section below for additional information.

Base Salary

Base salaries are reviewed in the last quarter of the fiscal year and increases, where applicable, are typically effective for the beginning of the new fiscal year.

Annual Incentive Bonus

The Annual Incentive Bonus focuses the executive team on key annual objectives and business drivers that support growth of our financial position, improvement in overall operations, and increases in stockholder value. We establish an executive s annual incentive bonus as a percentage of base salary, with increases in target percentages directly related to position level and individual performance. This approach places a proportionately larger percentage of total annual pay at risk for our executives relative to position level and ensures that accountability is directly related to each executive s role and responsibility.

During Fiscal 2013, the target bonus award opportunity for Mr. Hanson was equal to 150% of his base salary and the target bonus award opportunities for our other NEOs ranged from 70% to 100% of their respective base salaries. Annual Incentive Bonus payouts vary based upon Adjusted EBIT (60% of payout), Revenue Growth (30% of payout), and Inventory Turn (10% of payout) results, with actual payments ranging from 0% of the targeted percentage amount for below threshold performance, to 25% of the targeted percentage amount at threshold performance, to 100% of the targeted percentage amount at target performance, to 200% of the targeted percentage amount if we achieve goals that are substantially above our business plan for the fiscal year.

Long-Term Incentive Awards

We utilize a combination of time- and performance-based annual long term incentives to focus management on long-term corporate performance and sustainable earnings growth. The overall plan design has a heavy emphasis on performance-based RSUs to directly link compensation to achievement of performance objectives, and also uses time-based RSUs to support our retention objectives and provide balance of the risk/reward ratio for our executives while maintaining our commitment to increasing long-term stockholder value.

Performance Shares: PS represent approximately 55% of the value of a NEO s annual long-term incentive (59% for the former Chief Executive Officer, 79% for the Vice Chairman, Executive Creative Director). We determine the number of target PS based on the overall dollar grant value of the award divided by the closing price of our common stock on the grant date. Dividend equivalents on the PS are reinvested in additional RSUs and paid out to the extent the associated PS vest.

Annual PS grants feature cliff vesting at the end of a three year performance period. Fiscal 2013 PS vest upon achievement of pre-established three-year cumulative Adjusted EBIT and ROIC goals, each contributing to 50% of vesting. However, achievement of single year Adjusted EBIT and ROIC targets lock in 20% vesting of the award. The single year lock-in feature serves as a retention tool, and focuses participants on the importance of meeting annual goals in pursuit of achieving long-term objectives. Fiscal 2011 PS are measured against Adjusted Earnings Per Share (EPS) goals, and Fiscal 2012 PS are measured against Adjusted EBIT. In all cases, whether vesting will occur is conclusively determined at the end of the applicable three-year performance period.

If threshold performance is not met, PS do not vest and all shares are forfeited, except in the event that single year targets are achieved, resulting in partial vesting at the end of the performance period. Vesting based on the cumulative three-year goal ranges from 0% of the target amount for below threshold performance, to 50% of the target amount at threshold performance, to 100% of the target amount at target performance, to 150% of the target amount if we achieve goals that are substantially above our business plan for the performance period. In the event of termination of employment, executives who signed a RSU Confidentiality, Non-Solicitation, Non-Competition and Intellectual Property agreement may be eligible to receive a pro-rata portion of their PS if the performance goals are achieved. The pro-rata amount is based on the number of days of service in the performance period as of their separation date and cannot exceed target levels.

RSUs: We determine the number of RSUs in each grant based on the overall dollar grant value of the award divided by the closing price of our common stock on the grant date. Dividend equivalents on RSUs are reinvested in additional RSUs and paid to the extent the associated RSUs vest.

RSU awards represent approximately 45% of the value of an NEO s annual long-term incentive award (29% for the former CEO and 0% for the Vice Chairman, Executive Creative Director). Annual RSU grants vest proportionately over three years from the grant date assuming continued employment but may accelerate to fully

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vest after the first year (on the Compensation Committee certification date) based on achievement of a pre-established stretch annual Adjusted Net Income goal which is described below, in the *Fiscal 2013 Performance Metrics and Results* section. An RSU award recipient cannot earn more than 100% of the award, irrespective of performance.

Timing of Awards:

The table below describes key features of our RSU & PS award programs:

	Timing	**Grant Date / Grant Price**	**Approval**
New Hires & Promotions	Awarded to all eligible newly hired or promoted executives on the first business day of employment in executive role.	The hire date or promotion date is the grant date and the closing price of our common stock on the grant date is the grant price.	New hire / promotion award amounts are determined by our CEO based on delegation of authority from the Compensation Committee. If the grant date fair value of a new hire or promotion award exceeds $250,000, the Compensation Committee must approve the award.
Annual Award	Awarded to all eligible active executives in the first quarter of each fiscal year, including Q4 New Hires & Promotions.	The first regularly scheduled Compensation Committee meeting date is used as the grant date and the closing price of our common stock on the grant date is the grant price, unless otherwise specified in an employment agreement.	We present final annual award amounts for all NEOs to the Compensation Committee for approval at the first regularly scheduled Compensation Committee meeting of the new fiscal year.

NSOs: NSOs are granted periodically to NEOs to support alignment with long-term shareholders and directly link compensation to increases in stock price.

For Fiscal 2013, Mr. Hanson received a time-based NSO award which comprised 12% of his annual long term incentive award. Additionally, Mr. Markfield was awarded performance-based NSOs that vest based on achievement of pre-established financial performance goals, with a seven year term. The NSO award comprised 21% of his annual long term incentive award for Fiscal 2013. The performance-based nature of the grant was established to focus our Vice Chairman, Executive Creative Director on our goals established by the Compensation Committee. Fiscal 2013 vesting was measured against the Annual Incentive Bonus metrics described below. Performance and vesting was determined on the date that Fiscal 2013 results were certified.

Response to 2013 Say on Pay vote:

We were pleased to have received over 97% of all votes cast in support of the compensation of our executives at our 2013 Annual Meeting of Stockholders. We remained committed to engagement throughout the year in order to facilitate an open dialogue and ensure a continued understanding of the stockholder s critical perspective on all aspects of the business, including compensation programs. We have continued to evaluate and enhance plan designs to ensure adherence to governance and market best practices with respect to key issues concerning executive compensation. We made a number of changes to our compensation programs in both 2013 and 2014, which are described below. These changes reflect input from a variety of perspectives including proxy advisory firms, compensation consultants and the Compensation Committee. We conducted a general market review, which evaluated competitiveness and best practices and made adjustments to programs that further align pay and performance.

Compensation Program Changes for Fiscal 2013 and Fiscal 2014

Changes to the compensation program are implemented to support our long-standing policy of employing a program with a balanced mix of cash and long term incentive compensation focused on annual and long-term performance measurement and metrics that are key drivers of sustainable stockholder value creation over time. The overall program is intended to ensure that management is held accountable for long-term results and does not pursue inappropriately risky business strategies in order to maximize short-term compensation payouts.

The following adjustments were made for Fiscal 2013 to further align the interests of NEOs with the long-term interests of our stockholders as well as to focus our NEOs on operational strategies and objectives:

- Further aligned performance-based incentive programs with short-and long-term strategic plans, enhancing operational efficiencies and fortifying our business model:
  - ¡ Annual Incentive Bonus measured as achievement against Adjusted EBIT (60%), Revenue Growth (30%), and Inventory Turn (10%);
  - ¡ RSUs continued to be measured as achievement against Adjusted Net Income with accelerated vesting occurring only at stretch level performance; and
  - ¡ PS measured as achievement against Adjusted EBIT (50%) and ROIC (50%).
- Updated the peer group composition with increased alignment to our strategic plan, incorporating a more global and e-commerce focus.

The following changes have been adopted for Fiscal 2014 and are a result of our continuing efforts to adhere to corporate governance best practices, limit fixed compensation expense, ensure competitiveness with peer practice, and reinforce a pay for performance culture:

- A one year suspension of base salary merit increases for Vice Presidents and above;
- Removal of the performance-based RS vesting acceleration feature; and

Adjusting the annual long term incentive mix between RSU and PS to be more performance oriented through the delivery of increased grant value in PS and decreased grant value in RSU.

Effective January 22, 2014, Mr. Schottenstein assumed the CEO role on an interim basis. For Fiscal 2014, Mr. Schottenstein s target compensation for the CEO role will be $4,250,000. In order to determine Fiscal 2014 CEO compensation for Mr. Schottenstein, the Compensation Committee considered peer benchmark information as well as the interim nature of the role.

Fiscal 2013 Performance Metrics and Results

Our Fiscal 2013 results reflected weak store traffic in North America and a high level of promotional activity, which negatively impacted both comparable sales and margins. Total net revenue decreased 5% to $3.3 billion. Continued competitive pressures and a challenging macroeconomic environment led to increased markdown rates, resulting in a lower gross margin in Fiscal 2013. On an adjusted basis, income from continuing operations this year was $0.74 per diluted share compared to $1.39 per diluted share last year.

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The Compensation Committee establishes specific performance metrics for each performance-based compensation element at the beginning of the respective fiscal year based on a variety of factors, primarily consisting of internal budget; investor expectations; peer results; our prior year performance; upcoming fiscal year business plan; and strategic initiatives.

The Compensation Committee selected Adjusted Net Income, Adjusted EBIT, Revenue Growth, Inventory Turn, and ROIC as the key performance metrics because they reflect our success in managing our core operations, growing the business and driving sustained increases in profit. We believe that these metrics reflect all aspects of performance, including top-line revenue, expense control and efficient use of capital while maintaining simplicity in the design and execution of our executive compensation program. Moreover, we believe that these targets encourage management to focus on top-line sales and regaining market share, without having performance-based compensation impacted by extraordinary, unusual, or infrequent items (as described in the definition of Adjusted Net Income below). As part of the plan design, the Compensation Committee had negative discretion (i.e., authority to reduce the amount otherwise payable based on achievement of the performance goals) on any incentive payments based on overall operating results. Overall operating results are considered a reflection of leadership s ability to drive strategy and impact top and bottom-line growth. Effective for Fiscal 2013, Mr. Hanson did not recommend adjustments to Annual Incentive Bonus targets for any NEO s. At the end of the fiscal year the Compensation Committee did not exercise negative discretion for any executive awards, including the NEOs, except for the decision regarding Inventory Turn as mentioned in the *2013 Compensation Considerations* section above.

Annual Incentive Bonus, RSUs and PS

For Fiscal 2013, the Compensation Committee chose the following performance metrics:

- Annual Incentive Bonus and vesting of Mr. Markfield s performance based NSOs: Adjusted EBIT, Revenue Growth, and Inventory Turn, weighted at 60%/30%/10%, respectively, to reflect an increased focus on operational and capital efficiency.

- The accelerated full vesting of the RSUs after the first year (on the Compensation Committee certification date) is contingent upon the achievement of a specific stretch Adjusted Net Income goal.

- For 2013, the long term, three year performance-based PS goals are measured against Adjusted EBIT and ROIC, weighted 50%/50%.

For Fiscal 2013, NEO compensation was driven by our financial results, as measured by Adjusted Net Income, Adjusted EBIT, Revenue Growth, Inventory Turn, and ROIC as described below:

Metric	Definition
Adjusted Net Income	Adjusted Net Income excludes (1) extraordinary charge(s); and/or (2) any accruals for restructuring programs, merger integration costs, or merger transaction costs; and/or (3) other unusual or infrequent items (whether gains or losses); and/or (4) asset impairment charges; and/or (5) discontinued operations and/or (6) lease buyouts charges related to store closures.
Adjusted EBIT	Earnings before interest and taxes, excludes (1) extraordinary charge(s); and/or (2) any accruals for restructuring programs, merger integration costs, or merger transaction costs; and/or (3) other unusual or infrequent items (whether gains or losses) and/or (4) asset impairment charges; and/or (5) discontinued operations; and/or (6) lease buyouts charges related to store closures.
Revenue Growth	Increase in total net revenue.
Inventory Turn	Measure of how productively inventory is bought and sold.
ROIC	Return on Invested Capital is a key measure to assess efficiency at allocating capital to profitable investments. This measure is critical in determining which strategic alternatives to pursue.

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The table below sets forth 1) the goals for Fiscal 2013 established by the Compensation Committee; 2) the Fiscal 2013 performance achieved with respect to the goals established by the Compensation Committee and 3) the resulting payouts with respect to each of the Fiscal 2013 Annual Incentive Bonus, Fiscal 2013 RSUs, Fiscal 2013 NSOs and Fiscal 2011 PS. These targets are aligned with our business strategy and with our status as a growth company. We continue to use multiple metrics for these programs with predetermined objectives for potential payouts at threshold, target and stretch levels.

Except as otherwise noted, we measured financial metrics against prior year financial results:

Compensation Element	FY2013 Performance Goals	FY2013 Performance Achieved	Resulting Payout
2013 Annual Incentive Bonus	60% Adjusted EBIT: Threshold: $464 million Target: $516 million Stretch: $567 million 30% Revenue Growth: Threshold: 2% Target: 5% Stretch: 7% 10% Inventory Turn: Threshold: 3.6 Target: 3.7 Stretch: 3.8	Adjusted EBIT: $236 million Revenue Growth: -5% Inventory Turn: 3.7	0% payout
2013 RS	Adjusted Net Income: $316 million, stretch goal to receive 100% vesting in Year 1.	Adjusted Net Income: $144 million	33% vesting

2013 Performance-based NSO s for Mr. Markfield	60% Adjusted EBIT: Threshold: $464 million Target: $516 million Stretch: $567 million 30% Revenue Growth: Threshold: 2% Target: 5% Stretch: 7% 10% Inventory Turn: Threshold: 3.6 Target: 3.7 Stretch: 3.8	Adjusted EBIT: $236 million Revenue Growth: -5% Inventory Turn: 3.7	0% vesting
2011 Performance Shares (performance period ending 2013)	3-year Cumulative Adjusted EPS: Threshold: $3.10 Target: $3.44 Stretch: $3.53	3-year Cumulative Adjusted EPS: $3.10	50% vesting

Roles and Responsibilities

Role of Our Compensation Committee

The Compensation Committee reviews and approves annual base salaries and other compensation of our NEOs and makes annual incentive bonus and long term incentive awards relating to our 2005 Amended Plan. The Compensation Committee also reviews CEO performance and approves contract terms, including compensation. Furthermore, the Compensation Committee reviews and approves changes to our compensation peer group, as deemed appropriate, taking into consideration suggestions made by the CEO. The Compensation Committee acts in accordance with its Charter which can be found on our website at http://www.ae.com under the links About AEO, AE Investment Info, Corporate Governance, Committees and Charters.

Role of Executive Officers in Compensation Decisions

Our CEO annually reviews the performance of each NEO with the Compensation Committee and makes recommendations to the Compensation Committee with respect to each element of executive compensation for the NEOs, excluding himself. The CEO considers Company, brand and individual performance in his recommendations to the Compensation Committee with regard to grants of annual long term incentives and Annual Incentive Bonus for all executives including the NEOs. The Compensation Committee makes the final determination of individual long term incentive awards taking into consideration the CEO s recommendations.

Role of Compensation Consultants

The Compensation Committee has the authority under the Compensation Committee Charter to retain outside consultants or advisors to assist the Compensation Committee. In accordance with this authority, during Fiscal 2013, the Compensation Committee continued to retain the services of Cook & Co., Inc. as its outside independent compensation consultant to advise on all matters related to CEO and other executive compensation. The services provided by Cook & Co., Inc. are subject to a written agreement with the Compensation Committee. The Compensation Committee has sole authority to terminate the relationship. The Compensation Committee reviewed the relationship with Cook & Co., Inc. and determined that there are no conflicts of interest. Cook & Co., Inc. does not provide any other services to us. The Compensation Committee may engage other consultants as needed in order to provide analysis, recommendations or other market data.

For Fiscal 2013, Management engaged consultants from The Hay Group to conduct a comprehensive benchmarking and analysis which covered a broad review of compensation practices and design for the executive population. Project findings were reviewed and recommendations were approved by the Compensation Committee in late Fiscal 2013, which then was taken into account in making changes to the compensation program for Fiscal 2014. Key changes include the removal of the RSU acceleration feature and an adjustment to the annual long term incentive blend to be more performance oriented.

Under the direction of the Compensation Committee, Cook & Co., Inc. interacts with members of the senior management team to provide insights into market practices and to ensure that management is aware of emerging best practices and market trends. Representatives from Cook & Co. Inc. advised senior management and the Compensation Committee on Company peer group make-up and proposed changes. Additionally, Cook & Co. Inc. provided assistance with the 2014 Stock Award and Incentive plan updates, and contributed to this Compensation Discussion & Analysis.

Compensation Governance Highlights

Below are selected Company executive pay and governance actions and practices. These highlights serve to illustrate our commitment to provide a compensation program that supports our financial and strategic goals, aligns executive pay with stockholder value creation, complies with regulatory requirements and discourages unnecessary and excessive risk-taking that threatens our and our stockholder s interests.

Use of multiple performance metrics in the incentive plans

Use of a long-term performance-based goal, and delivery of more than half of NEO long term incentive awards in PS

Stock ownership guidelines set at five times annual base salary for the CEO, three times annual base salary for the Vice Chairman, Executive Creative Director, and one times annual base salary for other NEOs as described in greater detail below in the *Share Ownership Requirements* section

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Change in Control and retirement provisions in certain long term incentive awards which are modest relative to many of our peers

Limited perquisites. Executive perquisites, which are disclosed below in the *Summary Compensation Table* section, are not a significant component of our executive compensation program

No gross-ups

No repricing

Anti-hedging policy

Clawback policy

Annual Award Pool for 162(m) Compliance

We established a performance-based Annual Award Pool (the Award Pool) for NEOs who are subject to Internal Revenue Code Section 162(m) (which does not include the Chief Financial Officer). At the beginning of each fiscal year, the Compensation Committee establishes annual performance goals for the Award Pool based on our earnings before interest, taxes, depreciation and amortization (EBITDA). Achievement of the performance goal determines the maximum amount payable as cash awards and/or grants of time-based RSUs to the NEOs. The following maximum award levels were established during Fiscal 2013 as a percent of EBITDA, in each case subject to the 2005 Amended Plan maximum of $5 million per person and further subject to the exercise of negative discretion by the Compensation Committee to reduce the maximum award:

Jay L. Schottenstein, Chief Executive Officer	0.35% of actual EBITDA
Roger S. Markfield, Vice Chairman, Executive Creative Director	0.75% of actual EBITDA
Fredrick W. Grover, EVP, Factory Stores	0.40% of actual EBITDA
Robert L. Hanson, Former Chief Executive Officer	1.00% of actual EBITDA

During Fiscal 2013, we granted time-based RSUs to the NEOs, with the exception of Mr. Markfield who did not receive a time-based RSU award, pursuant to the Award Pools based on the achievement of the Fiscal 2012 performance goals. To date, there have been no awards of cash incentives to NEOs under the Award Pool as the Compensation Committee has not allocated cash awards outside of awards resulting from our achieved performance.

Compensation Benchmarking

In addition to many other factors that affect compensation determinations, we take into account the compensation practices of comparable companies in formulating our compensation program. We consider three key factors in choosing the companies that comprise our peer group:

Talent Companies with which we compete for executive-level talent;

Size Companies within the retail industry with comparable revenue; and

Comparability Companies with which we compete for customers and investors.

We evaluate our peer group on an annual basis for relevance and propose changes when appropriate. The Compensation Committee reviews and approves the recommended peer group changes as it determines appropriate. Effective for Fiscal 2013, and based on analysis performed by Cook & Co., Inc. in October 2012,

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changes to our peer group were approved to provide better alignment with our size and business strategy, which is focused on growth through international expansion and deployment of an omni-channel retail model that serves our customers through on-line and in-store channels. The peer group consists of 19 companies, including 10 companies in our prior peer group. In terms of size, our revenue and market capitalization fall near the median of the peer group companies. The following companies, which were smaller than us and/or had a different business model or products, were deleted: Dick s Sporting Goods; Hot Topic; New York & Co.; Pacific Sunwear; and Quiksilver. Talbot s was also deleted as it is no longer publicly traded. Additions made to the peer group are denoted below.

The following retailers represent the peer group for CEO compensation benchmarking purposes. (Note: company name followed by stock ticker symbol in parenthetical):

Abercrombie & Fitch Co. (ANF)	Guess?, Inc (GES)
Aeropostale, Inc. (ARO)	J. Crew Group, Inc.
AnnTaylor Stores Corp. (ANN)	Limited Brands, Inc. (LB)
Ascena Retail Group (ASNA)*	Men s Wearhouse (MW)*
Burberry Group (BRBY.L)*	PVH Corp (PVH)*
Chico s FAS, Inc. (CHS)	Ralph Lauren (RL)
Coach, Inc. (COH)*	Tiffany & Co. (TIF) *
Express Inc. (EXPR)*	Urban Outfitters, Inc. (URBN)
Fossil Group, Inc. (FOSL)*	Williams-Sonoma, Inc. (WSM)*
Gap, Inc. (GPS)	

* Reflects addition to peer group.

Peer group data is also primarily used for benchmarking of other NEO compensation and is supplemented as needed with additional data from various retail and general industry market surveys, adjusted to reflect our revenue scope.

Other Practices and Policies

Timing of Long Term Incentive Awards

Although we do not have a formal policy relating to the timing of long term incentive awards and the release of material non-public information, we do utilize a consistent approach to selecting both the grant dates and the terms of long term incentive awards as described above. We make annual long-term incentive grants in the first quarter of the fiscal year. For the past eight years, the grant date for RSUs and PS was the Compensation Committee meeting date during which earnings were certified for the prior fiscal year (scheduled approximately one year in advance). The Fiscal 2013 NSOs were also granted on the same Compensation Committee meeting date, referenced in the *Timing of*

Awards chart, which provides additional detail regarding some of the key features of the RSU/PS programs.

Share Ownership Requirements

We have adopted share ownership requirements to establish commonality of interest between management and stockholders and to encourage executives to think and act like owners. By encouraging executives to accumulate and hold a minimum level of ownership, our compensation program ensures that pay remains at risk not only with regard to outstanding awards but also with regard to appreciation of vested awards. We instituted a requirement for certain senior executives, including the NEOs, to hold the equivalent value equal to one times their current salary in company stock. Mr. Hanson had an ownership requirement of five times his current salary ($5.5 million for Fiscal 2013). Ownership requirements are evaluated and adjusted for increases in annual base salary as necessary. This requirement can be met through various forms of equity: vested stock options; vested RSUs; Employee Stock Purchase Plan shares; or personal holdings.

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Until the ownership requirement is satisfied, the executive must hold half of his or her after-tax gains from any stock awards granted after Fiscal 2006 when the ownership requirement was instituted. The CEO considers compliance with the ownership requirements when recommending annual long term incentive awards for the executives, including the NEOs, to the Compensation Committee. If an executive does not hold half of after-tax gains in our stock, he or she jeopardizes eligibility for future stock grants or awards.

Clawback Policy: Recovery and Adjustments to Award

The Compensation Committee believes that it is appropriate that our cash and long term incentive awards be subject to financial penalties or clawback in the event of misconduct. Pursuant to the 2005 Amended Plan and the proposed 2014 Stock Award and Incentive Plan, equity and cash awards are subject to additional forfeiture conditions. Forfeiture and recovery will be determined by the Compensation Committee and triggered in the event of misconduct related to: (a) acts in competition with the Company; (b) disclosure of confidential or proprietary information; (c) failure to cooperate with the Company in regards to a legal suit; or (d) restatement of financial statements. The forfeiture will be triggered upon the occurrence of any of the aforementioned events at any time during active employment and resulting in termination of employment, or during the one-year period following termination. If any of the above events occur, the unexercised portion (vested or unvested) of an option, and any other award not settled, will immediately cancel and forfeit. Additionally, the NEO will be required to repay us the total amount of the award gain realized upon each exercise of an option or award settlement that occurred on or after the date which is one-year prior to either (a) the forfeiture event or (b) the termination date.

Prohibition Against Hedging Transactions and Pledging

Employees are prohibited from engaging in transactions in financial instruments designed to hedge or offset any decrease in the market value of our stock. This policy prohibits transactions in such instruments as prepaid variable forward contracts, equity swaps, collars or exchange funds, as well as any other hedging instrument. Employees are also prohibited from holding our stock in a margin account as collateral for a margin loan or otherwise pledging our stock as collateral.

Employment Agreements

Variations for NEOs with Employment Agreements

During Fiscal 2013, both Mr. Hanson and Mr. Markfield were employed pursuant to individual employment agreements which were separately negotiated with the Compensation Committee. These individual agreements provide an overall compensation package that varies relative to market practice from the target competitive positioning for other NEOs based on individual circumstances and the criticality of the leaders in these roles. However, the general principles and administration of the primary compensation elements are similar to those provided to other NEOs thus aligning our governing philosophy and objectives regarding executive compensation.

Severance and CIC Payments

Our NEOs are entitled to receive severance payments and other benefits in the event of a change in control of the Company (a CIC) and/or upon the termination of the executive s employment with us under specified circumstances. These arrangements provide essential protections to both the NEO and us. Agreements providing for severance and CIC payments assist us in attracting and retaining qualified executives who could have other job alternatives. At the same time, the applicable agreements preserve our valuable assets by imposing upon the executives non-competition and non-solicitation restrictions, confidentiality obligations, and cooperation covenants. For a description and quantification of these severance and change of control benefits, please refer to the section below *Post-Employment Compensation.*

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During Fiscal 2009, the Compensation Committee approved a CIC plan which provides for CIC agreements (each, a CIC Agreement) with certain executives, including each of the NEOs. The objectives of the plan are to motivate executives to continue to work for our best interests and our stockholders in a potential CIC situation. The standard CIC Agreement contains double-trigger provisions for severance, equity vesting, and other benefits; i.e. payments and benefits are provided only if the executive s employment terminates under limited circumstances within 18 months following a CIC. Specifically, in the event of a CIC and a subsequent termination by us, other than for Cause, Disability, or death, or if the executive terminates his or her employment for Good Reason (each capitalized term as defined in the applicable CIC Agreement), any and all equity compensation awards (i.e., NSO, RSUs, PS or other forms of securities issued by us and beneficially owned by the executive) that are unvested, restricted or subject to any similar restriction shall vest and become exercisable, or such restrictions shall lapse.

Mr. Markfield was eligible to receive post-employment payments (in addition to other benefits) under the terms of his employment agreement in certain termination scenarios, as negotiated. For a description and quantification of these severance and change in control benefits refer to the *Post-Employment Compensation* section below.

As a result of his separation, effective January 22, 2014, Mr. Hanson received severance payments and benefits pursuant to his Employment Agreement as well as a supplemental release agreement. See detail in the *Post-Employment Compensation* section below.

Tax Matters

Section 162(m) of the Internal Revenue Code generally permits a tax deduction to public corporations for compensation over $1,000,000 paid in any fiscal year to a corporation s CEO and the three other most highly compensated NEOs (other than the Chief Financial Officer) employed at the end of the year only if the compensation qualifies as being performance-based under Section 162(m). We endeavor to structure our compensation policies to allow for tax deductibility whenever it is reasonably possible to do so while meeting our compensation objectives.

Nonetheless, from time to time certain non-deductible compensation may be paid and the Board of Directors and the Compensation Committee reserve the authority to award non-deductible compensation in their discretion. Further, compensation which is intended to be performance-based pursuant to Section 162(m) may fail to be so if the requirements of 162(m) are not met.

Compensation Risk Assessment

Our Internal Audit department completed an independent risk assessment of the current compensation and incentive plans in place across the Company in Fiscal 2013. Internal Audit reviewed all applicable plan documentation and conducted interviews with key personnel involved in structuring and administering the plans to determine the level of risk created by plan design, maintenance, changes and execution, as well as, mitigating controls in place. Based upon their review, the Internal Audit department determined that the compensation programs, as designed and executed, appear to be low risk and are not reasonably likely to have a material adverse effect on the Company. Their findings were presented to the Compensation Committee in the first quarter of 2014.

Upon review and analysis of the information provided by the Internal Audit Department, the Compensation Committee determined that our compensation policies and practices in Fiscal 2013 are not reasonably likely to have a material adverse effect on us. The Compensation Committee considers the business and financial risk implications of all plan design recommendations during their review and discussion of overall compensation initiatives, including the annual compensation approval process.

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COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the disclosure set forth above under the heading Compensation Discussion and Analysis with management. Based on such review and discussion, the Compensation Committee has recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement.

Cary D. McMillan, Compensation Committee Chair

Michael G. Jesselson, Compensation Committee Member

Thomas R. Ketteler, Compensation Committee Member

Janice E. Page, Compensation Committee Member

Noel J. Spiegel, Compensation Committee Member

EXECUTIVE OFFICER COMPENSATION

General

The following table summarizes the compensation for each of the last three fiscal years of our (1) Interim Chief Executive Officer (Interim Principal Executive Officer); (2) Vice Chairman and Executive Creative Director; (3) Executive Vice President Asia/Pacific; (4) Executive Vice President, Factory Stores; (5) Executive Vice President Chief Financial and Administrative Officer (Principal Financial Officer); and (6) Former Chief Executive Officer (Former Principal Executive Officer).

Summary Compensation Table

d Principal Position	Fiscal Year (1)	Base Salary ($)	Bonus ($) (2)	Stock Awards ($) (3)	Option Awards ($) (4)	Non-Equity Incentive Plan Compensation ($) (5)	All Other Compensation ($) (6)	To (
hottenstein (7)	2013	$ 520,000		$ 500,001				$ 1
rincipal	2012	$ 509,615		$ 500,000		$ 1,000,000		$ 2
Officer								
Markfield	2013	$ 988,000		$ 4,530,002	$ 1,169,877		$ 13,695	$ 6
rman and	2012	$ 968,269		$ 4,530,000	$ 1,170,154	$ 1,900,000	$ 25,232	$ 8
Creative Director	2011	$ 950,000		$ 4,651,979		$ 484,179	$ 6,412	$ 6
g* (8)	2013	$ 437,967	$ 452,439	$ 849,979			$ 15,321	$ 1

Vice							
Asia/Pacific							
V. Grover	2013	$ 650,000		$ 1,000,003			$ 27,177	$ 1
tory Stores	2012	$ 637,019		$ 1,000,009		$ 1,000,000	$ 25,169	$ 2
	2011	$ 608,677		$ 1,000,002		$ 243,470	$ 17,518	$ 1
Boland	2013	$ 600,000		$ 1,000,003				$ 1
Financial Officer	2012	$ 331,731	$ 100,000	$ 583,330		$ 448,942	$ 46,903	$ 1
Hanson (9)	2013	$ 1,100,000		$ 3,000,007	$ 400,090		$ 2,837,791	$ 7
rincipal	2012	$ 1,049,808		$ 5,700,020	$ 2,498,113	$ 1,339,000	$ 1,026,899	$ 11
Officer								

* A fiscal year average exchange rate of HKD/USD 0.1289 was used to calculate Ms. Yung s base salary and all other compensation amounts for 2013.

(1) 2013, 2012 and 2011 refer to the fifty-two week period ended February 1, 2014, the fifty-three week period ended February 2, 2013 and the fifty-two week period ended January 28, 2012, respectively.

(2) For Ms. Yung and Ms. Boland, amounts consist of a cash sign-on bonus.

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(3) The value of the stock awards included in the Summary Compensation Table reflects the most probable outcome award value, where applicable, and is based on the aggregate grant date fair value computed in accordance with Accounting Standards Codification 718, *Compensation-Stock Compensation* (ASC 718). For assumptions used in determining these values, see Note 12 of the Consolidated Financial Statements contained in our Fiscal 2013 Annual Report on Form 10-K. See *Grants of Plan-Based Awards* table for additional information regarding the vesting parameters that are applicable to these awards.

The maximum value of the restricted stock awards at the date of grant was as follows:

	Fiscal 2013	Fiscal 2012	Fiscal 2011
Jay L. Schottenstein	$ 750,002	$ 823,909	
Roger S. Markfield	$ 6,795,003	$ 6,795,000	$ 6,977,969
Kitty Yung	$ 1,014,975		
Fredrick W. Grover	$ 1,275,000	$ 1,275,012	$ 1,275,002
Mary M. Boland	$ 1,275,000	$ 743,745	
Robert L. Hanson	$ 4,000,009	$ 6,580,024	

For Ms. Yung, amount includes a $250,000 one-time sign-on grant of performance-based RSUs on June 17, 2013.

(4) The value of the time based NSO awards included in the Summary Compensation Table is based on the aggregate grant date fair value computed in accordance with ASC 718. Additional information regarding this model is available in Note 12 of the Consolidated Financial Statements contained in our Fiscal 2013 Annual Report on Form 10-K. See *Grants of Plan-Based Awards* Table for additional information regarding the vesting parameters that are applicable to these awards.

(5) For Fiscal 2012, non-equity incentive plan compensation represents the annual incentive bonus for all NEOs. For Fiscal 2011, non-equity incentive plan compensation represents the annual incentive bonus for all NEOs, except for Mr. Markfield. For Fiscal 2011, amount includes $475,000 for the annual incentive bonus and $9,179 for long term incentive cash plan (LTICP) investment gains for Mr. Markfield. Pursuant to our executive compensation program, we eliminated the LTICP for all NEOs during Fiscal 2009 excluding Mr. Markfield due to contract terms which were negotiated prior to the plan changes taking effect. Mr. Markfield s LTICP balance was paid out on February 17, 2012.

(6) Amount represents total perquisites and personal benefits for each NEO.

For Messrs. Markfield and Grover and Ms. Yung, amount consists of a car benefit and employer contributions to the 401(k) plan.

For Mr. Hanson, amount consists of $2,200,000 in severance and $12,000 for COBRA insurance benefits pursuant to Mr. Hanson s Employment Agreement dated November 14, 2011; $560,000 for additional severance compensation consisting of (i) the vesting of certain deferred compensation, stock options and restricted stock units, (ii) the continued ability to vest in certain performance shares, with the amount vesting, if any, dependent on our performance through the applicable performance period, (iii) relocation and housing assistance, and (iv) legal and professional fees in connection with his departure; $28,397 for personal use of Company aircraft; $15,552 for a car benefit; $14,499 for employer contributions to the 401(k) plan; and $7,343 for relocation benefits. The incremental cost of use of our aircraft is calculated based on the variable costs to us, including fuel costs, mileage, trip-related maintenance, landing/ramp fees and other miscellaneous variable costs. Fixed costs which do not change based on usage, such as aircraft purchase costs, pilot salaries and the cost of maintenance not related to trips are excluded.

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In addition to the aforementioned benefits, we also pay attorneys fees related to the preparation and filing of NEO stock ownership forms with the SEC.

(7) Mr. Schottenstein, our Executive Chairman of the Board of Directors, was appointed Interim Chief Executive Officer on January 22, 2014.

(8) Ms. Yung was appointed Executive Vice President, Asia/Pacific on April 29, 2013.

(9) Mr. Hanson served as Chief Executive Officer and Principal Executive Officer until January 22, 2014.

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Grants of Plan-Based Awards

		Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards Threshold ($)	Target ($)	Maximum ($)	Estimated Future Payouts Under Equity Incentive Plan Awards Threshold (#)	Target (#)	Maximum (#)	All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Sh)	Gran Fair c Stoc Op Aw (
stein	(1)	N/A	$ 130,000	$ 520,000	$ 1,040,000							$
	(2)	3/5/13	$	$	$	11,087	22,173	33,260				$ 5
d	(1)	N/A	$ 247,000	$ 988,000	$ 1,976,000							$
	(2)	3/5/13	$	$	$	100,444	200,887	301,331				$ 4,5
	(3)	3/5/13	$	$	$					307,006	$ 22.55	$ 1,1
ng	(1)	N/A	$ 100,625	$ 402,500	$ 805,000							$
	(2)	4/29/13	$	$	$	8,630	17,259	25,889				$ 3
	(4)	4/29/13	$	$	$		14,121					$ 2
	(5)	6/17/13					13,123					$ 2
W.												
	(1)	N/A	$ 130,000	$ 520,000	$ 1,040,000							$
	(2)	3/5/13	$	$	$	12,195	24,390	36,585				$ 5
	(4)	3/5/13	$	$	$		19,956					$ 4
	(1)	N/A	$ 105,000	$ 420,000	$ 840,000							$
	(2)	3/5/13	$	$	$	12,195	24,390	36,585				$ 5
	(4)	3/5/13	$	$	$		19,956					$ 4
.												
	(1)	N/A	$ 412,500	$ 1,650,000	$ 3,300,000							$
	(2)	3/5/13	$	$	$	44,346	88,692	133,038				$ 2,0
	(4)	3/5/13	$	$	$		44,346					$ 1,0
	(6)	3/5/13	$	$	$					69,209	$ 22.55	$ 4

(1) Amount represents the annual incentive cash bonus under our 2005 Amended Plan. The Compensation Committee established individual annual bonus targets under the 2005 Amended Plan as a target percentage of the respective participant s base salary (ranging from 70% to 150%) in accordance with the Compensation Goals described more

fully in the *Annual Incentive Bonus* section above. On March 5, 2014, the Compensation Committee certified that we had not achieved its target level of Compensation Goals, resulting in a 100% of the awards above being forfeited.

(2) Amount represents a grant of PS under our 2005 Amended Plan. The Compensation Committee established performance goals based on two business criteria: (1) fifty percent (50%) is based on Adjusted EBIT and (2) fifty percent (50%) is based on our ROIC by the end of Fiscal 2015. Vesting of the PS ranges from 0% of the shares if threshold performance is not attained, to 50% of the shares at threshold performance, to 100% of the shares at target performance and 150% of the shares at maximum goal achievement.

(3) In accordance with Mr. Markfield s employment agreement dated February 24, 2012, amount represents a performance-based grant of stock options under our 2005 Amended Plan. On March 5, 2014, the Compensation Committee certified that we had not achieved the related performance goals and, as a result, 100% of the stock options above forfeited.

(4) Amount represents a grant of shares of time-based RSUs with a performance acceleration goal under our 2005 Amended Plan. On March 5, 2014, the Compensation Committee certified that we had not achieved the related performance goals and, as a result, one-third of the RSUs plus the respective dividends vested. The remaining two-thirds of such RSU award will vest in accordance with its terms on the second and third anniversary of the grant date.

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(5) In accordance with Ms. Yung s employment agreement dated April 8, 2013, amount represents a sign-on grant of shares of performance-based RSUs under our 2005 Amended Plan. Vesting of the RSU award will be subject to both continued employment and achievement of pre-determined objective performance goals for both Fiscal 2013 and Fiscal 2014 set forth in writing. If the performance goals are not met, then the entire RSU award will forfeit. The Compensation Committee must verify that the performance goals are met prior to vesting. If the performance goals are met, then the entire grant will vest two years after the grant date in the Spring of Fiscal 2015 conditioned on Ms. Yung s continued service to us over that period.

(6) Amount represents an award of time based stock options under our 2005 Amended Plan which are exercisable at the fair market value on the grant date and vest proportionately over three years. On February 22, 2014, 23,070 NSOs vested in conjunction with Mr. Hanson s departure from the Company.

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Outstanding Equity Awards at Fiscal Year-End

		Option Awards					Stock Awards (1)			
Name		**Number of Securities Underlying Unexercised Options (#) Exercisable**	**Number of Securities Underlying Unexercised Options (#) Unexercisable**	**Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)**	**Option Exercise Price ($)**	**Option Expiration Date**	**Number of Shares or Units of Stock That Have Not Vested (#)**	**Market Value of Shares or Units of Stock That Have Not Vested ($)**	**Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)**	**Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)**
Jay L. Schottenstein	(2)								38,409	$ 519,674
	(3)								22,715	$ 307,334
Roger S. Markfield		331,109			$ 16.11	5/16/15				
		304,190			$ 15.81	3/2/17				
		373,529			$ 13.70	2/28/19				
	(4)		307,006		$ 22.55	3/5/20				
	(2)								347,983	$ 4,708,210
	(3)								205,794	$ 2,784,393
	(5)								359,877	$ 4,869,136
Kitty Yung	(3)								17,681	$ 239,224
	(6)								14,466	$ 195,725
	(7)								13,444	$ 181,897
Fredrick W. Grover		47,181			$ 27.03	3/6/14				
		72,462			$ 19.28	3/5/15				
		83,141			$ 15.81	3/2/17				
	(2)								42,250	$ 571,643
	(3)								24,986	$ 338,061
	(5)								42,548	$ 575,674
	(6)								20,443	$ 276,594
	(8)								11,605	$ 157,016

Mary M. Boland	(2)						17,411	$	235,571
	(3)						24,986	$	338,061
	(6)						20,443	$	276,594
Robert L. Hanson	(9)	464,056	232,030	$	13.12	5/22/14			
	(10)	69,209		$	22.55	5/22/14			
	(6)						45,429	$	614,654
	(5)						90,859	$	1,229,322
	(3)						135,199	$	1,829,242
	(11)						66,844	$	904,399

(1) All stock awards include dividend equivalents.

(2) Amount represents a grant on February 28, 2012 (July 9, 2012 for Ms. Boland) of PS under our 2005 Amended Plan. The Compensation Committee established performance goals based on our EBIT results by the end of Fiscal 2014. Vesting of the PS ranges from 0% of the shares if threshold performance is not attained, to 50% of the shares at threshold performance, to 100% of the shares at target performance and 150% of the shares at maximum goal achievement.

(3) Amount represents a grant on March 5, 2013 (April 29, 2013 for Ms. Yung) of PS under our 2005 Amended Plan. The Compensation Committee established performance goals based on two business criteria: (1) fifty percent (50%) is based on EBIT and (2) fifty percent (50%) is based on our return on capital by the end of Fiscal 2015. Vesting of the PS ranges from 0% of the shares if threshold performance is not attained, to 50% of the shares at threshold performance, to 100% of the shares at target performance and 150% of the shares at maximum goal achievement.

(4) In accordance with Mr. Markfield s employment agreement dated February 24, 2012, amount represents a performance-based grant of stock options under our 2005 Amended Plan. On March 5, 2014, the Compensation Committee certified that we had not achieved the related performance goals and, as a result, 100% of the stock options above forfeited.

(5) Amount represents a grant on March 1, 2011 of PS under our 2005 Amended Plan. The Compensation Committee established performance goals based on our EPS results by the end of Fiscal 2013. Vesting of the PS ranges from 0% of the shares if threshold performance is not attained, to 50% of the shares at threshold performance, to 100% of the shares at target performance and 150% of the shares at maximum goal achievement for each year. On March 5, 2014, the Compensation Committee certified that we had achieved the Fiscal 2011 threshold goals resulting in 50% of the PS vesting.

(6) Amount represents a grant on March 5, 2013 (April 29, 2013 for Ms. Yung) of shares of time-based RSUs with a performance acceleration goal under our 2005 Amended Plan. On March 5, 2014, the Compensation Committee certified that we had not achieved the related performance goals and, as a result, one-third of the RSUs plus the respective dividends vested. The remaining two-thirds of such RSU award will vest in accordance with its terms on the second and third anniversary of the grant date, except for Mr. Hanson, whose remaining awards forfeited upon his departure from the Company.

(7) In accordance with Ms. Yung s employment agreement dated April 8, 2013, amount represents a sign-on grant on June 17, 2013 of shares of performance-based RSUs under our 2005 Amended Plan. Vesting of the RSU award will be subject to both continued employment and achievement of pre-determined objective performance goals for both Fiscal 2013 and Fiscal 2014 set forth in writing. If the performance goals are not met, then the entire RSU award will forfeit. The Compensation Committee must verify that the performance goals are met prior to vesting. If the performance goals are met, then the entire grant will vest two years after the grant date in the Spring of Fiscal 2015 conditioned on Executive s continued service to us over that period.

(8) Amount represents a grant on March 1, 2011 of shares of time-based RSUs with a performance acceleration goal under our 2005 Amended Plan. On March 1, 2014, the remaining shares vested.

(9) Amount represents a grant on January 30, 2012 of stock options under our 2005 Amended Plan which vest in equal annual installments over three years from the grant date. The remaining one-third of such NSO award forfeited upon Mr. Hanson s departure from the Company.

(10) Amount represents an award on March 5, 2013 of time based stock options under our 2005 Amended Plan which are exercisable at the fair market value on the grant date and vest proportionately over three years. On February 22, 2014, 23,070 NSOs vested in conjunction with Mr. Hanson s departure from the Company.

(11) Amount represents the final tranche of a grant on January 30, 2012 of shares of performance-based RSUs under our 2005 Amended Plan. Vesting of the RSU award was subject to both continued employment and achievement of pre-determined objective performance goals set forth in writing established by the Compensation Committee. The first two tranches of the award vested based on the achievement of the performance goals. The final tranche of the award or 66,844 RSUs, was forfeited upon Mr. Hanson s departure from the Company.

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Option Exercises and Stock Vested

Name	Option Awards: Number of Shares Acquired on Exercise (#)	Option Awards: Value Realized on Exercise ($)	Stock Awards: Number of Shares Acquired on Vesting (#)	Stock Awards: Value Realized on Vesting ($)
Jay L. Schottenstein				
Roger S. Markfield	331,109	$ 2,451,895	144,613	$ 3,179,584
Kitty Yung				
Fredrick W. Grover			70,445	$ 1,554,204
Mary M. Boland			13,907	$ 313,596
Robert L. Hanson			305,452	$ 5,754,985

Nonqualified Deferred Compensation

We have a nonqualified deferred compensation program which allows eligible participants to defer a portion of their salary and/or bonus on an annual basis into the plan. Participants can defer up to 90% of their annual salary (with a minimum annual deferral of $2,000) and up to 100% of their annual performance-based bonus into the plan. Distributions from the plan automatically occur upon retirement, termination of employment, disability or death during employment. Participants may also choose to receive a scheduled distribution payment while they are still employed with us. The following table summarizes the activity in each of the NEO s nonqualified deferred compensation accounts during Fiscal 2013.

Name	Executive Contributions in Last FY ($)	Registrant Contribution in Last FY ($)	Aggregate Earnings in Last FY ($)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at Last FYE ($)
Jay L. Schottenstein					
Roger S. Markfield (1)			$ 237,265	$ (324,249)	$ 2,853,254
Kitty Yung					
Fredrick W. Grover					
Mary M. Boland					
Robert L. Hanson (2)	$ 484,002		$ 145,311		$ 1,103,891

(1) Mr. Markfield elected not to participate in the Company s deferred compensation program during Fiscal 2013. The Fiscal 2013 earnings relate to contributions made in prior years. In accordance with the terms of the plan and Section 409A, Mr. Markfield received a scheduled in-service lump sum distribution.

(2) Mr. Hanson s Fiscal 2013 executive contributions are reported in the Summary Compensation Table as Base Salary.

Post-Employment Compensation

The following tables set forth the expected benefit to be received by each of the respective NEOs in the event of his or her termination resulting from various scenarios, assuming a termination date of February 1, 2014 and a stock price of $13.53, our closing stock price on January 31, 2014. The tables do not include the payment of the aggregate balance of the NEO s nonqualified deferred compensation that is disclosed in the Nonqualified Deferred Compensation table above.

For a description of our change in control benefits, please refer to the section above entitled *Severance and Change of Control Payments*.

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Jay L. Schottenstein

Mr. Schottenstein was employed by us as Interim Chief Executive Officer, effective January 22, 2014. Also during Fiscal 2013, Mr. Schottenstein was a non-independent Executive Chairman of the Board of Directors.

	Death or Disability	Voluntary Retirement	Termination w/out Cause	Termination for Cause	Change in Control (Double-Trigger)
Cash Payments					
Base	$	$	$	$	$
Bonus					
Stock Award Vesting					
PS Vesting (1)	$ 827,008	$ 827,008	$ 827,008		$ 827,008
Total	$ 827,008	$ 827,008	$ 827,008	$	$ 827,008

(1) Amount assumes that the Compensation Committee vested any PS outstanding to the extent the performance goals are met. Amount represents the PS awarded on February 28, 2012 and March 5, 2013 at Target and assumes achievement of the performance goal for the respective periods. If the performance goal is not achieved, the PS will forfeit. In the event of a termination following a change in control (i.e., double-trigger), we are obligated to vest any PS outstanding without proration.

Roger S. Markfield

Mr. Markfield was employed during Fiscal 2013 pursuant to an employment agreement dated February 24, 2012 (the Markfield Agreement). Pursuant to the Markfield Agreement, Mr. Markfield served as a full-time employee until February 1, 2014 (the Active Term) and would potentially serve as a consultant for a term of four years (the Consulting Period). The Markfield Agreement provided for an extension payment of $6,000,000 as a result of Mr. Markfield remaining employed by us on February 3, 2013 (the Extension Payment).

Pursuant to the Markfield Agreement, Mr. Markfield will generally receive the following in the event of a termination for any reason other than for cause :

- base salary earned but unpaid as of termination;
- the Extension Payment of $6,000,000;
- any annual cash incentive bonus for the year in which the termination occurred, prorated based on his service during the fiscal year to the extent the performance goals are met for the year;
- vesting of any unvested, non-performance based RSUs in accordance with their terms; and
- continued vesting of any unvested, performance-based, RSUs and stock options in accordance with the plan under which they were granted.

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In the event of a termination for cause, the Markfield Agreement provides for payment of base salary earned but unpaid as of termination and the Extension Payment of $6,000,000 if the termination occurs after February 3, 2013.

	Death or Disability	Voluntary Retirement	Termination w/out Cause	Termination for Cause	Change in Control (Double-Trigger)
Cash Payments					
Base (1)					$ 2,964,000
Extension Payment (2)	$ 6,000,000	$ 6,000,000	$ 6,000,000	$ 6,000,000	$ 6,000,000
Bonus (3)					$ 988,000
Stock Option Vesting					
RSU Vesting					
PS Vesting (4)	$ 9,927,171	$ 9,927,171	$ 9,927,171		$ 9,927,171
Total	$ 15,927,171	$ 15,927,171	$ 15,927,171	$ 6,000,000	$ 19,879,171

(1) In the event of a termination following a change in control (i.e., double-trigger), amount represents one and one half times the sum of Mr. Markfield s base salary and annual incentive bonus at Target.

(2) Pursuant to the Markfield Agreement, amount represents the Extension Payment.

(3) In the event of a termination following a change in control (i.e., double-trigger), amount represents Mr. Markfield s annual incentive bonus at Target.

(4) Amount assumes that the Compensation Committee vested any PS outstanding to the extent the performance goals are met. Amount represents the PS awarded on March 1, 2011, February 28, 2012 and March 5, 2013, at Target and assumes achievement of performance goals for the respective periods. If the performance goals are not achieved, the PS will forfeit. In the event of a termination following a change in control (i.e., double-trigger), we are obligated to vest any PS outstanding without proration.

Kitty Yung

	Death or Disability	Voluntary Separation	Termination w/out Cause	Termination for Cause	Change in Control (Double-Trigger)
Cash Payments					
Base (1)			$ 575,000		$ 1,466,250
Bonus (2)					$ 402,500
RSU Vesting (3)	$ 54,368				$ 195,725
PS Vesting (4)	$ 421,121	$ 66,451	$ 66,451		$ 421,121

Total	$ 475,489	$ 66,451	$ 641,451	$	$ 2,485,596

(1) Amount represents one year of base salary. In the event of a termination following a change in control (i.e., double-trigger), amount represents one and one half times the sum of Ms. Yung s base salary and annual incentive bonus at Target.

(2) In the event of a termination following a change in control (i.e., double-trigger), amount represents Ms. Yung s annual incentive bonus at Target.

(3) Amount assumes that the Compensation Committee fully vested the April 29, 2013 RSU award based on service. In the event of a termination following a change in control (i.e., double-trigger), we are obligated to vest any RSUs outstanding.

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(4) Amount assumes that the Compensation Committee vested any PS outstanding to the extent the performance goals are met. Amount represents the PS awarded on April 29, 2013 and June 17, 2013 at Target and assumes achievement of the performance goal for the respective periods. If the performance goal is not achieved, the PS will forfeit. In the event of a termination following a change in control (i.e., double-trigger), we are obligated to vest any PS outstanding without proration.

Fredrick W. Grover

	Death or Disability	Voluntary Retirement	Termination w/out Cause	Termination for Cause	Change in Control (Double-Trigger)
Cash Payments					
Base (1)			$ 650,000		$ 1,755,000
Bonus (2)					$ 520,000
Stock Option Vesting					
RSU Vesting (3)	$ 249,214	$ 249,214	$ 249,214		$ 433,610
PS Vesting (4)	$ 1,197,541	$ 1,197,541	$ 1,197,541		$ 1,197,541
Total	$ 1,446,755	$ 1,446,755	$ 2,096,755	$	$ 3,906,151

(1) Amount represents one year of base salary. In the event of a termination following a change in control (i.e., double-trigger), amount represents one and one half times the sum of Mr. Grover s base salary and annual incentive bonus at Target.

(2) In the event of a termination following a change in control (i.e., double-trigger), amount represents Mr. Grover s annual incentive bonus at Target.

(3) Amount assumes that the Compensation Committee partially vested the March 5, 2013 RSU awards and vested the final tranche of the March 1, 2011 RSU award. In the event of a termination following a change in control (i.e., double-trigger), we are obligated to vest any RSUs outstanding.

(4) Amount assumes that the Compensation Committee vested any PS outstanding to the extent the performance goals are met. Amount represents the PS awarded on March 1, 2011, February 28, 2012 and March 5, 2013 at Target and assumes achievement of performance goals for the respective periods. If the performance goals are not achieved, the PS will forfeit. In the event of a termination following a change in control (i.e., double-trigger), we are obligated to vest any PS outstanding without proration.

Mary M. Boland

	Death or Disability	Voluntary Separation	Termination w/out	Termination for Cause	Change in Control

			Cause		**(Double-Trigger)**
Cash Payments					
Base (1)			$ 600,000		$ 1,530,000
Bonus (2)					$ 420,000
RSU Vesting (3)	$ 92,198				$ 276,594
PS Vesting (4)	$ 573,632	$ 237,016	$ 237,016		$ 573,632
Total	$ 665,830	$ 237,016	$ 837,016	$	$ 2,800,226

(1) Amount represents one year of base salary. In the event of a termination following a change in control (i.e., double-trigger), amount represents one and one half times the sum of Ms. Boland s base salary and annual incentive bonus at Target.

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(2) In the event of a termination following a change in control (i.e., double-trigger), amount represents Ms. Boland s annual incentive bonus at Target.

(3) Amount assumes that the Compensation Committee partially vested March 5, 2013 RSU award based on service. In the event of a termination following a change in control (i.e., double-trigger), we are obligated to vest any RSUs outstanding.

(4) Amount assumes that the Compensation Committee vested any PS outstanding to the extent the performance goals are met. Amount represents the PS awarded on July 9, 2012 and March 5, 2013 at Target and assumes achievement of the performance goal for the respective periods. If the performance goal is not achieved, the PS will forfeit. In the event of a termination following a change in control (i.e., double-trigger), we are obligated to vest any PS outstanding without proration.

Robert L. Hanson

Mr. Hanson, our former Chief Executive Officer, departed from the Company on January 22, 2014. On February 22, 2014, the release of claims executed by Mr. Hanson in connection with his departure as a condition of his receipt of certain severance payments and benefits to which he was entitled under his employment agreement with us became effective. Pursuant to the terms of his employment agreement and in exchange for the general release of any claims against us, Mr. Hanson received a payment of $2,200,000, which represents twenty-four months of his annual base salary as well as reimbursement for up to twelve months of his COBRA premiums for medical, dental, and/or vision coverage estimated to be a total of approximately $12,000. As additional inducement for Mr. Hanson to execute and not revoke the release of claims, we agreed to provide Mr. Hanson with additional severance compensation in the aggregate amount of approximately $560,000, consisting of the vesting of certain deferred compensation, stock options, and restricted stock units, the continued ability to vest in certain performance shares, with the amount vesting, if any, dependent upon our performance through the applicable performance period, relocation and housing assistance, and legal and professional fees in connection with his departure.

Pursuant to the terms of his employment agreement and the general release, Mr. Hanson is subject to certain restrictive covenants post separation. For a period of twenty-four months immediately following the termination date, Mr. Hanson may not directly or indirectly accept employment with, act as a consultant to, or otherwise perform the same services for certain businesses that directly compete with our business and may not directly or indirectly solicit, induce or attempt to solicit or induce, any person known to be an employee, contractor, or consultant of the Company, to terminate his or her employment or other relationship with the Company.

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PROPOSAL THREE: APPROVAL OF THE AMERICAN EAGLE OUTFITTERS, INC. 2014 STOCK AWARD AND INCENTIVE PLAN

The Board of Directors is asking stockholders to approve the American Eagle Outfitters, Inc. 2014 Stock Award and Incentive Plan (the 2014 Plan).

The Board believes that the adoption of the 2014 Plan is in our best interests and necessary, in part, because approval of the 2014 Plan will also enable certain incentive compensation under the 2014 Plan to qualify for tax-deductibility as performance-based compensation under Section 162(m) of the Internal Revenue Code (Section 162(m)). In order to qualify as performance-based compensation, Section 162(m) requires, among other things, stockholder approval of the material terms of the performance criteria under which compensation may be paid under the 2014 Plan. Such criteria and the maximum individual limits on the amounts that can be paid are discussed in more detail below.
Section 162(m) requires such stockholder approval at least every five years, and our stockholders have not reapproved this type of performance-based criteria since 2009. If our stockholders approve the 2014 Plan at the Annual Meeting, we will have satisfied the requirements of 162(m) regarding stockholder approval of performance criteria.

We believe it is in the best interest of the Company and our stockholders to permit the grant of performance-based compensation under Section 162(m). However, in certain circumstances, we may determine to grant compensation to covered employees that will not qualify as performance-based compensation for purposes of Section 162(m).

As of January 31, 2014, there were stock options outstanding under our 2005 Stock Award and Incentive Plan, as amended (the 2005 Amended Plan) and our 1999 Stock Option Plan (collectively with the 2005 Amended Plan, the Prior Plans) with respect to 3,925,333 shares and there were 3,549,100 shares of restricted stock outstanding subject to time and/or performance vesting under the 2005 Amended Plan. There were 9,830,000 full-value shares available for issuance under the 2005 Amended Plan at January 31, 2014 (based on the 2005 Amended Plan s share counting rules which reduce the available shares by 1.85 for each share granted under restricted stock and performance awards). A portion of those shares has been granted as part of our Fiscal 2014 compensation program and it is anticipated that we will continue to grant shares prior to the Annual Meeting date. The Board also believes the adoption of the 2014 Plan as our new long-term incentive plan is in our best interests, in part, because the number of shares currently available under the 2005 Amended Plan is insufficient for awards after 2014.

The 2014 Plan is designed to replace the 2005 Amended Plan. Accordingly, if the 2014 Plan is approved at the Annual Meeting, no further awards will be granted under the 2005 Amended Plan. The Board of Directors has unanimously approved the 2014 Plan, subject to approval by the stockholders. We believe it is in the best interest of our Company and our stockholders to continue offering a long-term incentive program to our management-level employees.

Proxies solicited on behalf of the B