AMERICAN EAGLE OUTFITTERS INC
Form DEF 14A
April 12, 2017
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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 Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

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):

No fee required.

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

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

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

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(4) Proposed maximum aggregate value of transaction:

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(1) Amount previously paid:

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

(3) Filing party:

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Dear Fellow Stockholders:

In Fiscal 2016, American Eagle Outfitters continued to build upon progress fueled by our strategic priorities. I m pleased to report that within a highly competitive and challenging retail environment, we delivered our second consecutive year of sales and earnings growth. This was a significant accomplishment as we faced unprecedented headwinds. Behind our success in Fiscal 2016 was our team s unwavering focus on consistently delivering exceptional merchandise, infused with innovation, quality and value. Strong brands and great merchandise are vital to our success. This, combined with our leading omni-channel commercial capabilities and financial disciplines, drove results as highlighted below.

Fiscal 2016 total revenue grew 2% and consolidated comparable sales rose 3%. Both the American Eagle and Aerie brands achieved growth in comparable sales. American Eagle brand comps rose 1% and Aerie comps were up 23%.

American Eagle expanded its leadership position in men s and women s jeans, and also experienced accelerated growth in women s tops. Our men s tops business was challenging and is a key area of opportunity and focus in Fiscal 2017.

Aerie achieved very strong growth, posting double-digit sales increases consistently throughout the year. Aerie s momentum is driven by an expanding merchandise collection, growing customer base and unique brand positioning.

Across brands, the digital business was particularly strong, growing revenue by 24%. We continue to see positive returns on our investments in technology and omni-channel tools, which has vastly improved the brand and shopping experience. The strength in our digital business offset volatility in store sales and weaker mall traffic. In Fiscal 2017, we aim to optimize our commercial operations, market by market, by improving store productivity, leveraging our omni-tools, and maintaining strong digital momentum.

In Fiscal 2016, we delivered operating margin of 9.2% and EPS of $1.16. It was extremely gratifying to post 100 basis points of improvement to our adjusted operating margin[(1)], which rose to 9.8%. The strength of our brand initiatives and merchandise assortments combined with lower product costs led to higher merchandise margins. Operating expenses were also well managed throughout the year and contributed to a 24%[1] increase in our adjusted EPS to $1.25[(1)].

We ended the year in excellent financial condition, with $379 million in cash and no long-term debt. Additionally, we returned cash to stockholders through $91 million in dividends.

As I look ahead, I am excited about our numerous opportunities. AEO is positioned to win in an evolving retail landscape. Our Fiscal 2017 goals continue to build upon the progress we have made over the last several years, and we have a tremendous opportunity for market share gains and global expansion. American Eagle will leverage its dominant position as America s favorite jeans brand, building customer awareness, and expanding the #WeAllCan brand platform. Aerie presents an extraordinary growth opportunity. We will continue to expand our footprint and fuel brand momentum centered on strong merchandising, body positivity and our unique #AerieReal movement.

We have world-class teams, with the deep experience, talent and the right perspective to drive success in today s marketplace. We will continue to foster a corporate culture that unites and empowers all associates to drive business results, while supporting our communities and charitable causes.

I am optimistic that we will capitalize on the strength of our organization to fuel continued growth and returns to our stockholders.

Jay L. Schottenstein

Executive Chairman of the Board and Chief Executive Officer

(1) Calculated using Fiscal Year 2015 adjusted EPS of $1.01, which compares to GAAP EPS from continuing operations of $1.09, and Fiscal Year 2016 adjusted EPS of $1.25, which compares to GAAP EPS of $1.16. See page 42 of this Proxy Statement and page 22 of our Fiscal 2016 10-K for additional detail on the adjusted results and other important information regarding the use of non-GAAP or adjusted measures.

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PROXY STATEMENT SUMMARY

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 23, 2017, at 11:00 a.m., local time, at Langham Place, New York, located at 400 Fifth Avenue, New York, New York and at any adjournment or postponement thereof. It is being mailed to the stockholders on or about April 12, 2017. (We, our, AEO, us and the Company refer to American Eagle Outfitters, Inc.)

American Eagle Outfitters 2017 Annual Meeting Of Stockholders

May 23, 2017	Langham Place, New York
11:00 a.m., local time	400 Fifth Avenue
	New York, New York

Voting Matters

ITEMS	BOARD RECOMMENDATION
1. To elect one Class I director	FOR our nominee
2. To ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm	FOR
3. To approve the Company s 2017 Stock Award and Incentive Plan	FOR
4. To hold an advisory vote on the compensation of our named executive officers	FOR
5. To hold an advisory vote on the frequency of future advisory votes on executive compensation	FOR annual non-binding votes

Fiscal 2016 Business Highlights

In Fiscal 2016, we continued to build on our progress, generating sales and earnings growth despite a challenging retail environment. Greater consistency in financial results is a priority and was achieved in Fiscal 2016. AEO posted 2% revenue growth and adjusted earnings per share grew 24%(1) to $1.25(1), marking the second consecutive year of financial growth. Results were driven by merchandise improvements led by innovation, quality and value, improved costs and expense leverage. Cash flow was strong and we ended the year with $379M in cash.

(1) Calculated using Fiscal Year 2015 adjusted EPS of $1.01, which compares to GAAP EPS from continuing operations of $1.09 and Fiscal Year 2016 adjusted EPS of $1.25, which compares to GAAP EPS of $1.16. See page 42 of this Proxy Statement and page 22 of our Fiscal 2016 10-K for additional detail on the adjusted results and other important information regarding the use of non-GAAP or adjusted measures.

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To be held on Tuesday, May 23, 2017

To our Stockholders:

You are invited to attend American Eagle Outfitters, Inc. s 2017 Annual Meeting of Stockholders to be held at Langham Place, New York, located at 400 Fifth Avenue, New York, New York on Tuesday, May 23, 2017, at 11:00 a.m., local time, for the following purposes:

1. To elect Jay L. Schottenstein as a Class I director to serve until the 2020 Annual Meeting of Stockholders;

2. To ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending February 3, 2018;

3. To approve the Company s 2017 Stock Award and Incentive Plan;

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

5. To hold an advisory vote on the frequency of future advisory votes on executive compensation; and

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

Vote Your Shares Right Away

HOW TO VOTE

Your vote is important. You are eligible to vote if you were a stockholder of record at the close of business on March 29, 2017.

Please read the proxy statement and vote right away using any of the following methods.

STOCKHOLDERS OF RECORD

Vote by Internet	www.AALvote.com/AEO
Vote by Telephone	1 (866) 804-9616
Vote by Mail	Mail your signed proxy card

BENEFICIAL STOCKHOLDERS

We have set the close of business on March 29, 2017 as the record date for the meeting.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING TO BE HELD ON MAY 23, 2017:

On or about April 12, 2017, we mailed to most of our stockholders a Notice of Internet Availability of Proxy Materials containing instructions on how to gain access, free of charge, 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.

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 and you are a holder of record or you obtain a legal proxy from your broker, bank or other holder of record, you may vote in person and your proxy will not be used.

By order of the Board of Directors,

Jennifer B. Stoecklein

Corporate Secretary

April 12, 2017

If you are a beneficial owner, you will receive instructions from your bank, broker or other nominee that you must follow in order for your shares to be voted. Many of these institutions offer telephone and online voting.

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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 and Corporate Governance Committee (the Nominating Committee), the Board of Directors will fix the size of the board at six directors immediately following the Annual Meeting. The Board has nominated one candidate, Jay L. Schottenstein, who currently is a director of the Company, to be elected as a Class I director at the Annual Meeting. If re-elected,

Mr. Schottenstein will serve for a three-year term ending at the 2020 annual meeting, or when his successor is duly elected and qualified. The terms of Class II and Class III directors expire at the annual meetings to be held in 2018 and 2019, respectively.

Biographical information regarding Mr. Schottenstein, our nominee, and each incumbent director is set forth below as of April 1, 2017, together with a brief description of each individual s business experience and qualifications.

Jay L. Schottenstein

Age 62 Director since March 1992	***BACKGROUND*** Mr. Schottenstein has served as our Chief Executive Officer since December 2015. Prior thereto, he served as Interim Chief Executive Officer from January 2014 to December 2015. He has served as Chairman of the Board of Directors of the Company since March 1992. He previously served the Company as Chief Executive Officer from March 1992 until December 2002 and 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 since 2001.

Executive	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 Executive Chairman and Director of the Board since March 2005 of DSW Inc, a leading branded footwear and accessories retailer. He has also served as a member of the Board of Directors for AB Acquisition LLC (Albertsons/Safeway) since 2006. Mr. Schottenstein has also served as an officer and director of various other entities owned or controlled by members of his family since 1976. He is a graduate of Indiana University.
	QUALIFICATIONS Mr. Schottenstein has deep knowledge and extensive experience with the Company and the retail industry in general. His expertise across operations, apparel retail, real estate, brand building and team management provides valuable leadership, vision and in-depth retail expertise to the Board.
	OTHER PUBLIC COMPANY BOARD SERVICE Mr. Schottenstein also has served on the Board of Directors of DSW Inc. since 2005.

Mr. Schottenstein has consented to be named as a nominee. If he 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 Mr. Schottenstein will be unavailable or, if elected, unable to, serve.

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PROPOSAL ONE: ELECTION OF DIRECTORS

Janice E. Page

Age 68

Director since

June 2004

Independent

Committees:

Audit

Compensation

Nominating (Chair)

BACKGROUND

Prior to her retirement in 1997, Ms. Page spent 27 years in apparel retailing, holding numerous merchandising, marketing and operating positions with Sears Roebuck & Company (Sears), including Group Vice President from 1992 to 1997. While at Sears, Ms. Page oversaw men s, women s and children s apparel, as well as athletic footwear and accessories, among other responsibilities. She holds a BA from Pennsylvania State University.

QUALIFICATIONS

Ms. Page has extensive knowledge of the apparel retail industry and brings in-depth experience across diverse consumer product categories as well as retail operations. 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 served as a Director and Compensation Committee Chair of R.G. Barry Corporation from 2000 to 2014. She served as a Director and Nominating and Governance Committee Chair of Hampshire Group, Limited 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 also 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 63

Director since

June 2013

Independent

Committees:

Audit

BACKGROUND

Mr. Sable has served as Global Chief Executive Officer of Y&R, one of the world s largest marketing communications agencies (consisting of Y&R Advertising, VML, Bravo and Iconmobile) and a member of UK-based WPP Group, since February 2011. Prior to that time, he served at Wunderman, Inc., a leading customer relationship manager 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. Mr. Sable serves on the U.S. Fund for United Nations Children s Fund (UNICEF s) National Board and is a Vice Chair of the Ad Council s Board of Directors. He is a member of the Executive Board of the United Negro College Fund (UNCF) and also sits on the Board of the Christopher Reeve Foundation.

QUALIFICATIONS

With more than 30 years of experience in digital leadership and marketing communications, Mr. Sable brings to the Board his strategic insight and ability to connect talent across marketing disciplines and geographies.

OTHER PUBLIC COMPANY BOARD SERVICE

None

Noel J. Spiegel

Age 69 Director since June 2011	***BACKGROUND*** 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.
Independent	***QUALIFICATIONS*** Mr. Spiegel provides expertise in public company accounting, disclosure and financial system management to the Board and more specifically to the Audit Committee.
Committees: Audit (Chair) Compensation Nominating	***OTHER PUBLIC COMPANY BOARD SERVICE*** Mr. Spiegel also has served on the Board of Directors and Audit Committee of vTv Therapeutics Inc. since 2015 and on the Board of Directors and Audit Committee, Credit Committee and Finance and Investment Committee of Radian Group, Inc. since 2011. Mr. Spiegel was formerly on the Board of Directors, Audit Committee and Compensation Committee of Vringo, Inc. from 2013 to 2016.

Thomas R. Ketteler

Age 74

Director since

February 2011

Independent

Committees:

Audit

Compensation

Nominating

BACKGROUND

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 Board from 2003 until June 2010. He holds a BA in Accounting from Thomas More College and is a Certified Public Accountant.

QUALIFICATIONS

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 Board from 1994 to 2003 and on the Board of Directors and as Audit Committee Chair of Encompass Group, Inc. from 2007 to 2011.

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PROPOSAL ONE: ELECTION OF DIRECTORS

Cary D. McMillan

Age 59

Director since

June 2007

Independent

Committees:

Audit

Compensation (Chair)

Nominating

BACKGROUND

Mr. McMillan 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. Mr. McMillan holds a BS from the University of Illinois and is a Certified Public Accountant.

QUALIFICATIONS

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 has served on the Board of Directors, Audit Committee and Finance Committee of Hyatt Corporation since 2013. Mr. McMillan was formerly on the Board of Directors of McDonald s Corporation from 2003 to May 2015, Hewitt Associates, Inc. from 2002 to 2010 and Sara Lee Corporation from 2000 to 2004.

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CORPORATE GOVERNANCE

The following section discusses the Company s corporate governance, including the role of the Board and its Committees. Additional information regarding corporate governance, 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 and Principal Accounting Officer) and employees may be found on our Investors website at *investors.ae.com*. 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 upon request.

The Role of the Board

The Board is responsible for overseeing management, which is, in turn, responsible for the operations of the Company. The Board s primary areas of focus are strategy, risk management, corporate governance and compliance, as well as evaluating management and making changes as

circumstances warrant. In many of these areas, significant responsibilities are delegated to the Board s Committees, which are responsible for reporting to the Board on their activities and actions. Please refer to *Board Committees* for additional information on our Committees.

Board Oversight of Risk Management

The Board as a whole has the responsibility for overseeing risk associated with our business, although our Board committees oversee and review risk areas which are particularly relevant to them. The risk oversight responsibility of the Board and its committees is supported by our management reporting processes, which are designed to provide visibility to the Board to those Company personnel responsible for risk assessment (including our management-led risk management committee), and information about management s identification, assessment and mitigation strategies for critical risks. The risk areas identified by the Company include, but are not limited to, strategic, competitive, economic, operational, financial, legal, regulatory, compliance, and reputational risks.

Each of the Board s Committees has oversight of risks associated with their respective principal areas of focus. 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 or information technology and cybersecurity risk exposures and the steps management has taken to monitor and control those exposures. The Audit Committee also meets privately with the Company s independent registered public accounting firm, the internal auditor and management, including the 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 corporate governance policies and practices, and reviews any risks and exposures relating to director succession planning or the Company s governance or social responsibility programs. While each committee is responsible for overseeing the management of those risk areas within their responsibility, the entire Board of Directors is also regularly informed of such risks through committee reports.

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CORPORATE GOVERNANCE

Director Selection and Nominations

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 growth of our business. This

includes 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.

Director Skills and Qualifications

The Nominating Committee believes that the current members of the Board collectively have the skills, experience and character to execute the Board s responsibilities. The following is a summary of those qualifications:

Selected Director Skills and Experience

We believe that our directors combined mix of skills, qualifications and experience should provide the knowledge and abilities to allow our Board to fulfill its responsibilities. Our directors respective areas of experience and expertise include:

- CEO / Leadership
- Accounting, Finance, Disclosures
- Corporate Governance
- Consumer Products
- Domestic and International business
- Investment
- Marketing Communications
- Retail Industry Expertise

See *Proposal One: Election of Directors* for biographical information regarding each of our directors, highlighting the particular experience, qualifications, attributes or skills of each member of our Board.

Director Tenure

The Nominating Committee and the Board believe it is important for the Board to be refreshed by adding new directors from time to time. The Committee and the Board also believe that long-serving directors bring critical skills to the Board. Among other things, such directors bring a historical perspective to the Board, which is highly relevant in a cyclical business such as retailing. In addition, the

Nominating Committee and the Board believe that long-serving directors have knowledge of the business that tends to make them less dependent upon management for information and perspectives than may be the case with newer directors. Accordingly, while the Committee considers tenure as a factor in determining the nominee slate, it is not a critical or determinative factor.

Director Nominations

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. See *Submission of Nominations and Proposals for the 2018 Annual Meeting* for information regarding the submission of recommendations.

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CORPORATE GOVERNANCE

Director Independence

The Board has affirmatively determined that the following current directors are independent, as defined in the applicable rules of the New York Stock Exchange (NYSE):

Michael G. Jesselson
Thomas R. Ketteler
Cary D. McMillan
Janice E. Page
David M. Sable
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. The Board also determined that each member of the Audit Committee meets the heightened independence standards required for audit committee members under the NYSE listing standards and the Securities and Exchange Commission (SEC) rules, and considered the additional factors under the NYSE listing standards relating to members of the Compensation Committee before determining that each of them is independent.

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 of its subsidiaries;

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 of its subsidiaries;

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 of its subsidiaries 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 of its subsidiaries 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.

See *Related Party Transactions Policy* for information regarding our policy on related party transactions and transactions with affiliates of Mr. Schottenstein.

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CORPORATE GOVERNANCE

Board Leadership Structure

The current leadership structure of our Board consists of a combined Executive Chairman and Chief Executive Officer position held by Mr. Schottenstein and a Lead Independent Director appointed annually by the independent directors. The Board has determined that combining the positions of Executive Chairman and Chief Executive Officer is the most appropriate for the Company at this time. Having Mr. Schottenstein in the combined position provides unified leadership and direction to the Company and strengthens his ability to develop and implement strategic initiatives. Our Board believes that the current board composition, along with an emphasis on board independence, provides effective independent oversight of management. Mr. Jesselson was appointed as our Lead Independent Director for Fiscal 2016, and the Board anticipates appointing a new Lead Independent Director effective after the conclusion of the Annual Meeting. 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;
- Collaborating with the Chairperson 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 with the position of a Lead Independent Director.

Board Practices

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.

Self-assessments

We conduct self-assessments of the Board and its Committees annually. From time to time, these evaluations are conducted by a third party to refresh the process.

Director Orientation/Education

Each year, we hold a two-day educational program covering business developments and strategy, developments in corporate governance, fiduciary duties and other relevant topics. Additionally, all new directors attend an intensive orientation program. The orientation program is designed to familiarize new directors with the Company s businesses, strategies and challenges. Directors also attend industry- leading conferences and professional development courses focused on topics that are relevant to their duties as a director, including corporate governance, crisis management, cybersecurity, executive compensation and evolving retail trends.

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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 Investors website at *investors.ae.com*.

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

Director	Audit Committee	Compensation Committee	Nominating Committee
Jay L. Schottenstein, *Executive Chairman of the Board and Chief Executive Officer*			
Michael G. Jesselson, *Lead Independent Director* (1)			
Thomas R. Ketteler			
Cary D. McMillan			
Janice E. Page			
David M. Sable			
Noel J. Spiegel			

= Member = Committee Chair = Financial Expert

(1) Mr. Jesselson is not standing for re-election at the Annual Meeting. Committee assignments and the new Lead Independent Director will be determined after the Annual Meeting.

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CORPORATE GOVERNANCE

Board Committee Responsibilities

	Responsibilities	Committee Members	Meetings in Fiscal 2016
AUDIT COMMITTEE	The primary function of the Audit Committee is to assist the Board in monitoring: the integrity of the financial statements; the qualifications, performance and independence of the independent registered public accounting firm; the performance of the internal audit function; and our compliance with regulatory and legal requirements. The Audit Committee also reviews and approves the terms of any new related party agreements, as required. The Board has determined that each member of the Audit Committee meets all applicable independence and financial literacy requirements under the NYSE listing standards.	Michael G. Jesselson Thomas R. Ketteler * Cary D. McMillan * Janice E. Page David M. Sable Noel J. Spiegel (Chair) * * audit committee financial experts	17

COMPENSATION COMMITTEE	The primary 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 has the authority to retain a compensation consultant after taking into consideration all factors relevant to the adviser s independence from management, including those specified in Section 303A.05(c) of the NYSE Listed Company Manual. The Compensation Committee has delegated authority to the CEO to grant stock-based awards under the equity plan with a grant value of $250,000 or below to non-executive officers.	Michael G. Jesselson Thomas R. Ketteler Cary D. McMillan (Chair) Janice E. Page Noel J. Spiegel	16
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.	Michael G. Jesselson Thomas R. Ketteler Cary D. McMillan Janice E. Page (Chair) Noel J. Spiegel	4

The Nominating Committee developed and reviews annually our Corporate Governance Guidelines, which were adopted by the Board and are available under the Corporate Governance section of our website at *investors.ae.com*.

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Stockholder Outreach

Throughout Fiscal 2016, we continued to regularly meet and speak with stockholders. On a quarterly basis, we invited top holders to visit with senior management. These discussions

were consistently reported to the Board, and management and the Board discussed comments and business insights provided by stockholders.

Communications with the Board

The Board provides a process for stockholders and all interested parties to send communications to the independent members of the Board. That process is described on our Investors website at *investors.ae.com*.

Stockholders wishing to communicate with the Board may send an email to boardofdirectors@ae.com or writing to: American Eagle Outfitters, Inc., 77 Hot Metal Street,

Pittsburgh, PA 15203, c/o the Corporate Secretary, Communications intended for a specific director or directors (such as the Lead Independent Director or non-management directors) should be addressed to his, her or their attention c/o the Corporate Secretary at this address. Communications received from stockholders are provided directly to Board members following receipt of the communications.

Director Attendance

During Fiscal 2016, the Board met thirteen times and all members of the Board attended no fewer than 75% 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 current members of the Board were present at our 2016 Annual Meeting.

Related Party Transactions Policy

We have a Related Party Transaction Policy (the Policy) to allow us to identify, document and properly disclose related party transactions. The Policy applies to our directors and executive officers as well as all associates who have authority to enter into commitments on behalf of the Company. Under the Policy, a related party transaction is any transaction to which we or any of our subsidiaries is a participant and in which a related party has a direct or indirect material interest. Examples of transactions include, without limitation, those for the purchase or sale of goods, the provision of services, the rental of property, or the licensing of intellectual property rights. Additionally, if a related party or a member of such related party s immediate family is a supplier of goods or services or owns or is employed by a business that supplies us; or if a member of such related party s immediate family is employed by us; or if an applicable related party serves on the board of directors of a business that supplies goods or services to us, that transaction is a related party transaction. Certain related party transactions must be approved in advance by the Audit Committee if they involve a significant stockholder, director or executive officer. All other related party transactions must be disclosed in writing to, and approved in advance by, our General Counsel and our Chief Financial Officer. Each quarter, our directors, executive officers and associates who have authority to enter into commitments on our behalf are required to provide a certification regarding the existence of any related party transactions of which they have knowledge and which have not been fully and accurately disclosed in our filings with the SEC.

In the ordinary course of business, we have entered into agreements with affiliates of Jay L. Schottenstein, our Chairman of the Board of Directors and Chief Executive Officer. We believe that each of the agreements entered into with these entities is on terms at least as favorable to us as could be obtained in an arm s length transaction with an unaffiliated third party. The material terms of these transactions are described below. In each case, the transaction was approved in advance by the Audit Committee in accordance with our Policy.

During Fiscal 2016, we entered into a store lease for a flagship store with SG Island Plaza LLC, an entity in which an affiliate of Mr. Schottenstein has a 25% interest. Pursuant to that lease we expect to pay rent, together with other expenses, of approximately $2.5 million annually (subject to annual adjustments), in addition to an annual payment equal to a percentage of the applicable store s gross sales in excess of specified thresholds. The lease expires in September 2027. No rent was paid in Fiscal 2016.

In January 2016, we renewed our agreement for a period of two years with Retail Entertainment Design, LLC (R.E.D.) for in-store music program services. A majority of R.E.D. is owned by Jubilee-RED LLC, which is indirectly owned by trusts for which Mr. Schottenstein serves as trustee. Mr. Schottenstein does not receive any remuneration for serving as trustee of the trusts. Payments by the Company during Fiscal 2016 under the agreements totaled $660,000.

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CORPORATE GOVERNANCE

In June 2015, we entered into a one-year design services agreement with Artisan de Luxe, a company which is owned by trusts for the benefit or Mr. Schottenstein s sons for an annual fee of $300,000. The agreement expired in June 2016.

In September 2013, we entered into a store lease with J Foothills, LLC, an affiliate of Mr. Schottenstein, pursuant to which we paid rent, together with other expenses, of

approximately $270,000 annually (subject to annual adjustments), in addition to an annual payment equal to a percentage of the applicable store s gross sales in excess of specified thresholds. We incurred rent and other expenses under the lease of approximately $285,000 during Fiscal 2016. J Foothills, LLC sold the property and no longer has an interest in the lease as of December, 2016.

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 2016. 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. The Compensation Committee is charged with reviewing and making recommendations to the Board regarding director compensation. In making its recommendations, the

Compensation Committee considers the overall size of the Board, the significant time committed by each of our directors to the performance of their duties, as well as peer data and input from the Compensation Committee s independent compensation consultant. During Fiscal 2016, the Compensation Committee engaged FW Cook to conduct a comprehensive review and competitive assessment of the Company s non-employee director compensation program. As a result of this assessment, the Board approved multiple director compensation changes effective for Fiscal 2016 as described below.

Fiscal 2016 Director Compensation[(1)]

Name	Fees Earned or Paid in Cash[(2)]	Stock Awards[(3)]	Total
Michael G. Jesselson	$ 230,000	$ 150,000	$ 380,000
Thomas R. Ketteler	$ 190,000	$ 150,000	$ 340,000
Cary D. McMillan	$ 212,500	$ 150,000	$ 362,500
Janice E. Page	$ 202,500	$ 150,000	$ 352,500

David M. Sable	$ 110,000	$ 150,000	$ 260,000
Noel J. Spiegel	$ 220,000	$ 150,000	$ 370,000

(1) Fiscal 2016 refers to the fifty-two week period ended January 28, 2017.

(2) Amounts represent fees earned or paid during Fiscal 2016. The table below sets forth the annual director cash fees, which are payable in installments on the first business day of each calendar quarter.

Annual Retainer	$ 65,000
Additional Annual Retainer for Committee Service (per Committee)	$ 20,000
Additional Annual Retainer for Committee Chairs	
Audit Committee	$ 25,000/$40,000
Compensation Committee	$ 20,000
Nominating and Corporate Governance Committee	$ 15,000
Additional Annual Retainer for Lead Independent Director	$ 50,000

Effective September 1, 2016, the Board approved an increase in the Audit Committee Chair retainer from $25,000 to $40,000 annually.

During Fiscal 2016, the Board implemented a per meeting fee of $2,500 for any Board and/or Committee meetings attended by a non-employee director in excess of the planned number of meetings for the fiscal year. The additional meeting fees are payable annually following the end of the previous fiscal year. For Fiscal 2016, the amounts represent the following additional meeting fees: Mr. Jesselson $55,000; Mr. Ketteler $65,000; Mr. McMillan $67,500; Ms. Page $62,500; Mr. Sable $25,000; and Mr. Spiegel $65,000.

(3) Amounts represent shares granted during Fiscal 2016. Non-employee directors receive an automatic, fully vested stock grant of a number of shares equal in value to $37,500 based on the closing sale price of our stock on the first day of each calendar quarter under our 2014 Stock Award and Incentive Plan (the 2014 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. Ketteler, McMillan and Spiegel elected to defer their quarterly share retainers during calendar 2016 and 2017. Mr. Jesselson elected to defer his quarterly share retainer beginning January 1, 2017.

See *Ownership of and Trading in Our Shares* for information about stock ownership guidelines applicable to our Board of Directors.

Compensation of Executive Chairman of the Board

Jay L. Schottenstein, our Chief Executive Officer, serves as our Executive Chairman of the Board of Directors and does not receive additional compensation for this role. Mr. Schottenstein s Fiscal 2016 compensation is set forth under the section entitled *Compensation Tables and Related Information*.

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PROPOSAL TWO: RATIFICATION OF THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee has appointed Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending February 3, 2018. In the event the stockholders do not ratify the appointment of Ernst & Young LLP, the Audit Committee will reconsider its appointment. In addition, even if the stockholders ratify the appointment of Ernst & Young LLP, the Audit Committee may in its discretion appoint a different independent registered public accounting

firm at any time during the year if the Audit Committee determines that a change is in the best interest of the Company.

Representatives of Ernst & Young LLP are expected to be present at the annual meeting to respond to appropriate questions and to make a statement if such representatives so desire.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee oversees our financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process including the systems of internal controls. In fulfilling its oversight responsibilities, the Audit Committee reviewed the audited financial statements in the Annual Report for the year ended January 28, 2017 with management including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the financial statements.

The Audit Committee reviewed with the independent registered public accounting firm, who is responsible for expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles, its judgments as to the quality, not just acceptability, of our accounting principles and such other matters as are required to be discussed relating to the conduct of the audit under the auditing standards of the Public Company Accounting Oversight Board (PCAOB) Auditing Standard No. 1301 (Communications with Audit Committees). In addition, the Audit Committee has discussed with the independent registered public accounting firm its independence from management and the Company, including the matters in the written disclosures required by Rule 3526 of the PCAOB, Communication with Audit Committees Concerning Independence, and considered the compatibility of nonaudit services with the firm s independence.

The Audit Committee discussed with our internal auditors and our independent registered public accounting firm the overall scope and plans for their respective audits. The Audit Committee meets with the internal auditors and the independent registered public accounting firm, with and without management present, to discuss the results of their examinations, their evaluations of our internal controls, and the overall quality of our financial reporting. The Audit Committee also carried out the additional responsibilities and duties as outlined in its charter.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board that the audited financial statements be included in the Annual Report on Form 10-K for the year ended January 28, 2017 for filing with the Securities and Exchange Commission.

Noel J. Spiegel (Chair)

Michael G. Jesselson

Thomas R. Ketteler

Cary D. McMillan

Janice E. Page

David M. Sable

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INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FEES AND SERVICES

During Fiscal 2016, Ernst & Young LLP served as our independent registered public accounting firm and in that capacity rendered an unqualified opinion on our consolidated financial statements as of and for the year ended January 28, 2017.

The following table sets forth the aggregate fees billed to us by our independent registered public accounting firm in each of the last two fiscal years:

Description of Fees	Fiscal 2016	Fiscal 2015
Audit Fees	$ 1,578,636	$ 1,575,100
Audit-Related Fees	23,500	23,500
Tax Fees	443,100	441,857
All Other Fees	2,000	2,000
Total Fees	$ 2,047,236	$ 2,042,457

Audit Fees include fees billed for professional services rendered in connection with (1) the audit of our consolidated financial statements, including the audit of our internal control over financial reporting, and the review of our interim consolidated financial statements included in quarterly reports; (2) statutory audits of foreign subsidiaries; and (3) fees for services that generally only the independent registered public accounting firm can reasonably be expected to provide, including comfort letters, consents, assistance with the review of registration statements filed with the SEC and consultation regarding financial accounting and/or reporting standards. Audit-Related Fees include fees billed for internal control reviews and audits of the Company s employee benefit plan. Tax Fees primarily include fees billed related to federal, state and local tax compliance and consulting. All Other Fees include fees billed for accounting research software.

The Audit Committee has adopted a policy that requires pre-approval of all auditing services and permitted non-audit services to be performed by the independent registered public accounting firm, subject to the de minimis exceptions for non-audit services as described in SEC Exchange Act Section 10A(i)(1)(B) which are approved by the Audit Committee prior to the completion of the audit. The Audit Committee may form and delegate the authority to grant pre-approvals of audit and permitted non-audit services to subcommittees consisting of one or more members when it deems appropriate, provided that decisions of such subcommittee shall be presented to the full Audit Committee at its next scheduled meeting.

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PROPOSAL THREE: APPROVAL OF THE 2017 STOCK AWARD AND INCENTIVE PLAN

The Board of Directors is asking stockholders to approve the American Eagle Outfitters, Inc. 2017 Stock Award and Incentive Plan (the 2017 Plan).

Background and Reasons for the Proposal

The 2017 Plan is designed to aid the Company in attracting, retaining, motivating and rewarding employees, consultants, and non-employee directors of the Company or its subsidiaries or affiliates, to provide for equitable and competitive compensation opportunities, to recognize individual contributions and reward achievement of Company goals, and to promote the creation of long-term value for stockholders by closely aligning the interests of participants with those of stockholders.

The Board believes that the adoption of the 2017 Plan is in our best interests and necessary, in part, because approval of the 2017 Plan will also enable certain incentive compensation under the 2017 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 2017 Plan. Such criteria and the maximum individual limits on the amounts that can be paid are discussed in more detail below.

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).

In addition to Section 162(m) considerations, the Board and the Compensation Committee evaluated a number of factors described below in connection with the decision to recommend approval of the 2017 Plan. The Compensation Committee s independent compensation consultant, FW Cook, also provided assistance with preparing the 2017 Plan.

As of January 28, 2017, there were stock options outstanding under our 2014 Plan and our 2005 Stock Award and Incentive Plan, as amended (the 2005 Amended Plan and collectively with the 2014 Plan, the Prior Plans) with respect to approximately 2,314,000 shares, and there were approximately 4,826,000 shares of restricted stock outstanding subject to time and/or performance vesting under the Prior Plans. There

were approximately 3.4 million shares available for issuance under the 2014 Plan at January 28, 2017.

Based on its review of relevant factual information, the Compensation Committee approved and recommended that the Board approve the 2017 Plan, which would increase the number of available shares by approximately 7.8 million shares from approximately 3.4 million shares as of January 28, 2017, to approximately 11.2 million shares. Any shares granted subsequent to January 28, 2017, under the 2014 Plan reduce the number of shares available for grant under the 2017 Plan on a 1:1 basis. A portion of those shares has been granted as part of our Fiscal 2017 compensation program, and it is anticipated that we will continue to grant shares prior to the Annual Meeting date. The 2017 Plan is designed to replace the 2014 Plan. Accordingly, if the 2017 Plan is approved at the Annual Meeting, no further awards will be granted under the 2014 Plan.

The Board believes the adoption of the 2017 Plan as our new long-term incentive plan is in our best interests, in part, because the number of shares currently available under the Prior Plans is expected to be insufficient for awards after 2017. In setting the amount of shares subject to the 2017 Plan, the Compensation Committee and the Board considered the historical amounts of equity awards the Company has granted in the past three years. In fiscal years 2014, 2015, and 2016, the Company granted equity awards representing a total of approximately 2,946,000 shares, 2,388,000 shares, and 4,403,000 shares, respectively. After taking into consideration awards granted to date and anticipated future awards in Fiscal 2017, and assuming our stockholders approve the 2017 Plan, the Compensation Committee concluded the increased reserve under the 2017 Plan would likely be sufficient to cover awards for Fiscal 2017 plus an additional two to three years.

In setting the amount of shares subject to the 2017 Plan, the Compensation Committee and the Board also considered the Company s three-year average equity expenditures, typically referred to as a burn rate, as well as the total amount of awards outstanding under existing grants relative to external guidelines. The Company s three-year average burn rate was determined to be 2.07%. We calculated our burn rate by (i) applying a factor of 2.0 to restricted stock awards and a factor of 1.0 to stock options during the fiscal year and (ii) dividing the resulting number by a weighted average number of shares of our common stock outstanding for each fiscal year. Our burn rate includes time-based awards when granted and performance-based awards when earned.

PROPOSAL THREE: APPROVAL OF THE 2017 STOCK AWARD AND INCENTIVE PLAN

The Company had outstanding, as of January 28, 2017, approximately 7.14 million shares related to equity awards (commonly referred to as the overhang) which represented approximately 3.7% of the outstanding shares. When combined with the shares proposed for reserve, total overhang would be approximately 18.34 million shares, which was approximately 9.4% of outstanding shares on a fully diluted basis, as of January 28, 2017. We believe our three-year average annual burn rate and level of potential dilution, assuming the 2017 Plan is approved by our stockholders, compare favorably to our industry peers and standards.

While the terms of the 2017 Plan specify the maximum number of shares that may be subject to awards under the 2017 Plan, the actual grant of awards to employees and directors will continue to be subject to the Compensation Committee s and the Board s discretion. As evidenced by our relatively conservative burn rate, the Compensation Committee and the Board have been judicious in granting such awards and have displayed a sensitivity to minimizing the impact of the potential dilution that such awards could have on our stockholders.

The historical burn rate and the potential dilution above may not be indicative of what the actual amounts are in the future. The 2017 Plan does not contemplate the amount or timing of specific equity awards. Our future burn rate and dilution will depend on a number of factors, including the number of participants in the 2017 Plan, the price per share of our common stock, and our compensation practices in general. The potential dilution is a forward-looking statement. Forward-looking statements are not fact.

The Board of Directors has unanimously approved the 2017 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 Board of Directors will be voted **FOR** this proposal unless stockholders specify a contrary choice.

Highlights of the 2017 Plan

The 2017 Plan incorporates certain equity plan governance best practices, including:

- No liberal share recycling of options or SARs in that shares tendered to us or retained by us in the exercise or settlement of an award or for tax withholding may not become available again for issuance under the 2017 Plan;

- Payment of dividends and dividend equivalents on awards (both time-based and performance-based) occurs only if and when the underlying award vests;

- All stock options and SARs must be issued with an exercise or grant price at or above fair market value;

No liberal change in control definition in that change in control benefits are triggered by the consummation, rather than just stockholder approval, of a merger or similar corporate transaction;

No automatic single-trigger acceleration on a change in control transaction in that awards assumed by a successor company in connection with a change in control will not automatically vest and pay out solely as a result of the change in control; and

No repricing of options or SARs and no cash buyout of underwater options and SARs without stockholder approval, except for adjustments with respect to a change in control or an equitable adjustment in connection with certain corporate transactions.

Summary of the 2017 Plan

This summary is qualified in its entirety by reference to the full text of the 2017 Plan, which is attached to this proxy statement as Appendix A.

Purpose

The purpose of the 2017 Plan is to aid the Company in attracting, retaining, motivating and rewarding employees, consultants, and non-employee directors of our Company or our subsidiaries or affiliates, to provide for equitable and competitive compensation opportunities, to recognize individual contributions and reward achievement of Company goals, and to promote the creation of long-term value for stockholders by closely aligning the interests of participants with those of stockholders.

Eligibility

Awards may be granted under the 2017 Plan only to an employee of the Company or any subsidiary or affiliate, including any executive officer, to any non-employee director of our Company or a subsidiary or affiliate, to any person who has been offered employment by the Company or a subsidiary or affiliate, and to a consultant who provides significant services to the Company or any subsidiary or affiliate, as selected by the Compensation Committee. We currently have six non-employee directors, and our Company and our subsidiaries and affiliates currently have approximately 300 employees eligible to participate in the 2017 Plan. The actual number of participants who will ultimately receive awards under the 2017 Plan cannot be determined because eligibility for participation in the 2017 Plan is at the discretion of the Compensation Committee.

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PROPOSAL THREE: APPROVAL OF THE 2017 STOCK AWARD AND INCENTIVE PLAN

Permissible Awards

The 2017 Plan authorizes the granting of awards in any of the following forms:

- options to purchase shares of stock;
- restricted, unrestricted or bonus shares of stock;
- restricted stock units;
- stock appreciation rights (SARs);
- other stock-based awards;
- dividend equivalents; and
- performance awards payable in cash or stock, including annual incentive awards.

Stock Subject to 2017 Plan

A total of 11,200,000 shares of stock shall be authorized for grant under the 2017 Plan less one share of stock for every one share of stock that was subject to an award granted after January 28, 2017 under the 2014 Plan. Any shares that are subject to awards granted under the 2017 Plan shall be counted against this limit as one share for every one share granted.

Shares of stock represented by awards that have been forfeited, expired, settled in cash, or tendered by a participant or withheld by us to satisfy any tax withholding obligation (for awards other than an option or SAR) under the 2017 Plan or after January 28, 2017, under the Prior Plans, shall again be available for awards under the 2017 Plan to the extent of such forfeiture, expiration, cash settlement, or tendering or withholding for taxes.

The following shares shall not again be available for grants under the 2017 Plan: (i) shares tendered or withheld by us in payment of the exercise price of a stock option under the Prior Plans or the 2017 Plan; (ii) shares tendered or withheld by us to satisfy tax withholding with respect to a stock option or SAR under the Prior Plans after January 28, 2017 or the 2017 Plan; (iii) shares subject to a SAR under the Prior Plans after January 28, 2017 or 2017 Plan that are not issued in connection with its stock settlement on exercise thereof; and (iv) shares reacquired by our Company using the proceeds from the exercise of options under the 2017 Plan or after January 28, 2017 under the Prior Plans.

Shares issued under the 2017 Plan through the assumption or substitution of outstanding awards granted by a company acquired by us or a subsidiary or affiliate (Substitute Awards) will not reduce the maximum number of shares available for grants under the 2017 Plan. In addition, available shares under a stockholder approved plan of a company acquired by us or a subsidiary (adjusted to reflect the transaction) may be used for awards under the 2017 Plan

under certain circumstances and will not reduce the number of shares available under the 2017 Plan.

The total number of shares that may be granted with respect to incentive stock options under the 2017 Plan is 5,000,000 shares.

Limitations on Awards

Additionally, with respect to grants of awards intended to be qualified performance-based compensation under Section 162(m), the maximum amount of awards that may be granted to any participant during any calendar year are: (i) no more than 3,000,000 aggregate shares with respect to options and SARs, (ii) no more than 1,500,000 aggregate shares with respect to restricted shares of stock, bonus stock, restricted stock units and performance awards, (iii) no more than $7,000,000 for performance-based awards not valued in shares based on performance in a performance period of one fiscal year or less, and (iv) no more than $10,000,000 for performance-based awards not valued in shares based on performance in a performance period of greater than one year. Each of the limits described in items (i) through (iv) above shall be multiplied by two with respect to such awards granted during the first calendar year in which the participant commences employment. The aggregate grant date fair value of all awards granted to any non-employee director, taken together with any cash fees for such director s service as a member of the Board during such year, shall not exceed $750,000 in total compensation during any single calendar year. The Compensation Committee may make exceptions to this limit for a non-executive chair of the Board or, in extraordinary circumstances, for other individual non-employee directors, so long as such non-employee director does not participate in the decision to award such compensation.

Administration

The 2017 Plan is administered by the Compensation Committee, subject to its right to create subcommittees or delegate authority as required or permitted by law. The Compensation Committee has the sole authority to designate participants and determine the type, terms and conditions of awards to be granted, except that the Board of Directors may perform the functions of the Compensation Committee for granting awards to non-employee directors.

Stock Options

The Compensation Committee is authorized to grant incentive stock options or non-qualified stock options under the 2017 Plan. The exercise price of an option granted under the 2017 Plan may not be less than the fair market value of the underlying stock on the date of grant (other than for Substitute Awards) and the exercise period shall not exceed ten years; provided, however, that (other than with respect to any incentive stock options) to the extent an option would expire at a time when the holder of such option is prohibited by applicable law or our insider trading policy from selling or

PROPOSAL THREE: APPROVAL OF THE 2017 STOCK AWARD AND INCENTIVE PLAN

otherwise disposing of shares that the holder would otherwise acquire upon exercise of such option, then the exercise period shall be extended until the 30th day following the date such prohibition lapses.

Stock Appreciation Rights (SARs)

The Compensation Committee may grant SARs under the 2017 Plan; an SAR may be free-standing or tandem in combination with another award. An SAR award permits the participant to receive the appreciation, if any, of the fair market value of a share of common stock on the date of exercise over the fair market value of such a share on the date of grant. In general, the grant price of an SAR may not be less than the fair market value of the underlying stock on the date of grant (other than for Substitute Awards). Payment of any appreciation will be paid in cash, common stock or a combination of cash and stock as the Compensation Committee directs. The exercise period with respect to any SAR shall not exceed 10 years, subject to the exception discussed above under Stock Options.

Restricted Stock Awards and Restricted Stock Units

The Compensation Committee may make awards of restricted stock or restricted stock units (which may consist of a combination of stock and other awards) to participants, subject to such restrictions on transferability and other restrictions as the Compensation Committee may deem appropriate. Except as set forth in certain forfeiture provisions or other special circumstances as determined by the Compensation Committee, restricted stock and restricted stock units will vest over a minimum period of three years, unless the grant or vesting is based on the achievement of one or more performance conditions, in which case, the restricted stock and restricted stock units will vest over a minimum period of one year.

Unrestricted Stock Awards and Bonus Stock

The Compensation Committee may make awards of unrestricted stock as a bonus or to grant stock in lieu of obligations of the Company or our subsidiary or affiliate of the Company.

Other Stock-Based Awards

The Compensation Committee may make awards that may be denominated or payable in stock or factors that may influence the value of stock, including, without limitation, convertible or exchangeable debt securities, other rights convertible or exchangeable into stock, purchase rights for stock, awards with value and payment contingent upon performance of the Company or business units thereof or any other factors designated by the Compensation Committee, and awards valued by reference to the book value of stock or

the value of securities of or the performance of specified subsidiaries or affiliates or other business units of the Company.

Performance Awards, Including Annual Incentive Awards

The Compensation Committee may grant performance awards that are payable in cash, stock, other awards under the 2017 Plan or other property. Subject to the specific limitations discussed above under Limitations on Awards, the Compensation Committee has discretion to determine the number of performance awards granted to any participant and to set performance goals and other terms or conditions to payment of the performance awards. The extent to which these performance goals are met determines the amount of the settlement of the performance award that can be received by a participant.

The Compensation Committee may grant an annual incentive award to an employee who is designated by the Compensation Committee as likely to be a covered employee under Section 162(m), *i.e.*, an employee who at the end of the year is our chief executive officer or one of our three most highly compensated officers, other than our chief executive officer and financial officer. Such annual incentive award will be intended to qualify as performance-based compensation for purposes of Section 162(m), and its grant, exercise and/or settlement shall be contingent upon achievement of pre-established performance goals and other terms set forth in the 2017 Plan.

Performance Goals

If the Compensation Committee determines that a performance award granted to an employee for whom the Company s tax deductions would likely be subject to the deduction limitations of Section 162(m) as discussed under Section 162(m) Deduction Limitations below, the Compensation Committee may establish objectively determinable performance goals for awards during specified performance periods based on one or more of the business criteria listed in Section 7(b)(ii) of the 2017 Plan, including:

- earnings or profitability measures (such as net income, operating income, income (loss) per common share from continuing operations, net income (loss) per common share, earnings, any pre-established derivative of revenue, pre-tax operating income, inventory turnover or inventory shrinkage, sales growth and volumes, percentage increase in total net revenue or comparable store sales, and economic profit or value created);

- expense and efficiency measures (such as gross margins, cost of goods sold, mark-ups or mark-downs, operating margins, selling, general and administrative (S,G&A) expense, and other pre-established operating expenses);

PROPOSAL THREE: APPROVAL OF THE 2017 STOCK AWARD AND INCENTIVE PLAN

- return measures (such as total stockholder return, stock price, return on assets, return on investment, return on capital, and return on equity);
- cash flow measures (such as cash flow, free cash flow, cash flow return on investment, and net cash provided by operations);
- achievement of balance sheet, income statement, or cash-flow statement objectives; and
- strategic or operational business criteria, consisting of one or more objectives (such as meeting specified market penetration, geographic expansion or new concept development goals, cost targets, customer satisfaction, employee satisfaction, human resources goals, including staffing, training and development and succession planning, supervision of litigation and information technology, and goals relating to acquisitions or divestitures of subsidiaries, affiliates or joint ventures).

The goals may be established at such levels and in such terms as the Compensation Committee may determine, in its discretion, including with respect to the Company generally or any subsidiary, affiliate, business unit or business group of the Company. The Compensation Committee must establish such goals by the earlier of (i) 90 days after the beginning of the applicable performance period or (ii) the time 25% of such performance period has elapsed. Any payment of an award granted with performance goals is conditioned on the written certification of the Compensation Committee in each case that the performance goals and any other material conditions were satisfied.

Limits on Transferability

No award is assignable or transferable by a participant other than by will or the laws of descent and distribution. However, the Compensation Committee may (but need not) permit other transfers (other than for incentive stock options or SARs in tandem with incentive stock options) where it concludes that such transferability is appropriate and desirable, taking into account applicable securities laws. In no event may a transfer for value or consideration be made without the prior approval of our stockholders. A participant may, in the manner determined by the Compensation Committee, designate a beneficiary to exercise the rights of the participant and to receive any distribution with respect to any award upon the participant s death.

Change in Control

Except as otherwise provided in an award document or in another written agreement, plan or policy with respect to a

participant, upon both a change in control (as defined in the 2017 Plan) and a qualifying termination (an involuntary termination for reason other than cause or disability, as defined in the 2017 Plan), the vesting of all outstanding non-performance based awards will be accelerated. Except as otherwise provided in an award document or in another written agreement, plan or policy with respect to a participant, on the date of a change in control performance based awards will be converted into restricted stock based on performance to the change in control date or the target level value, depending on the portion of the performance period completed prior to the change in control, and upon a qualifying termination the vesting of the performance based awards will be accelerated. If an acquiring entity does not assume the awards, the vesting of all outstanding awards will be accelerated on the change in control date and performance based awards will be paid, either based on performance to the change in control date or based on the target level value, depending on the portion of the performance period completed prior to the change in control.

Adjustments

In the event of a merger, reorganization, recapitalization, stock dividend, stock split or other change in corporate structure affecting our common stock, the Compensation Committee shall make adjustments in the aggregate number and kind of shares reserved for issuance under the 2017 Plan, in the maximum number of shares that may be granted in any calendar year to any employee, in the number, kind and exercise price of shares subject to outstanding awards, and such other adjustments as it may determine to be appropriate to ensure that participants are treated equitably and there is no dilution or enlargement of rights. No adjustments will be made that would cause any award to a covered employee to not comply with Section 162(m).

No Repricing

Except in connection with an equitable adjustment or a change in control, no option or SAR may be amended to reduce the exercise price per share of the shares subject to such option or the grant price of such SAR, as applicable, below the option price or grant price as of the date the option or SAR is granted, without the prior approval of our stockholders. In addition, except in connection with an equitable adjustment or a change in control, without the prior approval of our stockholders, no option or SAR may be cancelled or surrendered for another award or cash if the per share exercise or grant price is greater than the fair market value of one share, nor may any option or SAR be granted in exchange for, or in connection with, the cancellation or surrender of an option, SAR or other award, having a higher option or grant price.

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PROPOSAL THREE: APPROVAL OF THE 2017 STOCK AWARD AND INCENTIVE PLAN

Dividends and Dividend Equivalents on Certain Awards

The Compensation Committee may grant dividend equivalents in connection with other awards, except for options and SARs. Dividends and dividend equivalents with respect to restricted stock, restricted stock units and other stock-based awards that vest based on the achievement of performance goals and dividend equivalents on performance awards will be subject to the same restrictions and risk of forfeiture as the shares subject to the applicable award with respect to which the dividends and dividend equivalents are distributed or payable. Such dividends and dividend equivalents shall only be paid at the time or times such vesting requirements are satisfied.

Additional Award Forfeiture Provisions

Each award granted under the 2017 Plan to employee participants may be subject to additional forfeiture conditions, if certain events occur, including but not limited to, (i) the participant acts in competition with us; (ii) the participant discloses confidential or proprietary information; (iii) the participant fails to cooperate with us in regards to a legal suit; or (iv) the participant engages in misconduct that causes the need for restatement of financial statements.

Termination and Amendment

Our Board of Directors may terminate or amend the 2017 Plan at any time without stockholder approval, but only to the

extent that stockholder approval is not required by applicable law or regulation. Stockholder approval is required with respect to any amendment to increase any of the award limitations set forth in the 2017 Plan, extend the term of the 2017 Plan, materially change the eligibility provisions, change the provisions governing the minimum exercise price for options and the grant price of SARs, or any other provisions of the 2017 Plan that expressly requires stockholder approval.

The Compensation Committee may amend or terminate outstanding awards; however, such amendments may require the consent of the participant.

Awards to Executive Officers and Others

Awards under the 2017 Plan will be made at the discretion of the Compensation Committee. Consequently, we cannot determine with respect to any particular person or group the awards that will be made in the future pursuant to the 2017 Plan or their benefits or amounts.

Because our executive officers and non-employee directors are eligible to receive awards under the 2017 Plan, they may be deemed to have a personal interest in the approval of the 2017 Plan by our stockholders.

For information on awards earned by certain executive officers under the 2014 Plan during Fiscal 2016, see Compensation Discussion and Analysis and Compensation Tables and Related Information below.

Stock Price

The closing market price of a share reported on the New York Stock Exchange on April 4, 2017 was $13.20 per share.

U.S. Federal Income Tax Consequences

The following is a general description of the federal income tax consequences to the participant and the Company with regard to awards granted under the 2017 Plan under present law. This discussion does not purport to discuss all tax consequences related to awards under the 2017 Plan.

Nonqualified Stock Options

There will typically be no federal income tax consequences to the optionee or to us upon the grant of a nonqualified stock option under the 2017 Plan. When the optionee exercises a nonqualified option, however, he or she will realize ordinary income in an amount equal to the excess of the fair market value of the common stock received at the time of exercise over the exercise price, and we will be allowed a corresponding deduction, subject to any applicable limitations under Section 162(m). The tax basis for the shares purchased is their fair market value on the date of exercise. Any gain that the optionee realizes when he or she later sells or disposes of the option shares will be short-term or long-term capital gain, depending on how long the shares were held.

Incentive Stock Options

There typically will be no federal income tax consequences to the optionee or to us upon the grant or exercise of an incentive stock option. If the optionee holds the option shares for the required holding period of at least two years after the date the option was granted and one year after exercise, the difference between the exercise price and the amount realized upon sale or disposition of the option shares will be long-term capital gain or loss, and we will not be entitled to a federal income tax deduction. If the optionee disposes of the option shares in a sale, exchange, or other disqualifying disposition before the required holding period ends, he or she will realize taxable ordinary income in an amount equal to the excess of the fair market value of the option shares at the time of exercise over the exercise price, and we will be allowed a federal income tax of the fair market value of the option shares at the time of exercise over the exercise price will be an item of adjustment for purposes of determining the optionee s alternative minimum taxable income.

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PROPOSAL THREE: APPROVAL OF THE 2017 STOCK AWARD AND INCENTIVE PLAN

Restricted Stock

Unless a participant makes an election to accelerate recognition of the income to the date of grant (as described below), the participant will not recognize income, and we will not be allowed a tax deduction, at the time a restricted stock award is granted. When the restrictions lapse, the participant will recognize ordinary income equal to the fair market value of the common stock as of that date (less any amount paid for the stock), and we will be allowed a corresponding federal income tax deduction at that time, subject to any applicable limitations under Section 162(m). If the participant files an election under Section 83(b) of the Internal Revenue Code (Section 83(b)) within 30 days of the date of grant of the restricted stock, he or she will recognize ordinary income as of the date of grant equal to the fair market value of the stock as of that date (less any amount paid for the stock), and we will be allowed a corresponding federal income tax deduction at that time, subject to any applicable limitations under Section 162(m). Any future appreciation in the stock will be taxable to the participant at capital gains rates. However, if the stock is later forfeited, the participant will not be able to recover the tax previously paid pursuant to a Section 83(b) election.

Restricted Stock Units

A participant granted a restricted stock unit award will not recognize taxable income, and we will not be allowed a tax deduction, at the time such award is granted. Upon payment or settlement of a restricted stock unit award, the participant will recognize ordinary income equal to the value of the shares or cash received, and we will be entitled to a corresponding deduction, subject to any applicable limitations under Section 162(m). Upon disposition of shares received by a participant in payment of an award, the participant will recognize capital gain or loss equal to the difference between the amount received upon such disposition and the fair market value of the shares on the date they were originally received by the participant.

Unrestricted Stock Awards and Bonus Stock

Generally, the participant will realize ordinary income, and we will be entitled to a corresponding deduction, subject to any applicable limitations under Section 162(m), in the year such unrestricted or bonus stock is delivered to the participant. The amount of such ordinary income and deduction will be equal to the fair market value of the shares of stock received, if any, on the date of issuance. Upon disposition of shares received by a participant in payment of an award, the participant will recognize capital gain or loss equal to the difference between the amount received upon such disposition and the fair market value of the shares on the date they were originally received by the participant.

Performance Awards

A participant generally will not recognize income, and we will not be allowed a tax deduction, at the time performance awards are granted, so long as the awards are subject to a

substantial risk of forfeiture. When the participant receives or has the right to receive payment of cash or shares under the performance award, the cash amount or the fair market value of the shares of stock will be ordinary income to the participant, and we will be allowed a corresponding federal income tax deduction at that time, subject to any applicable limitations under Section 162(m).

Stock Appreciation Rights (SARs)

There will typically be no federal income tax consequences to the participant or to us upon the grant of a SAR under the 2017 Plan. When the participant exercises a SAR, he or she will realize ordinary income in an amount equal to the excess of the fair market value of the common stock received at the time of exercise over the fair market value of a share of common stock on date of grant, and we will be allowed a corresponding deduction, subject to any applicable limitations under Section 162(m).

Section 409A Compliance

Section 409A provides that covered amounts deferred under a non-qualified deferred compensation plan are includable in the participant s gross income to the extent not subject to a substantial risk of forfeiture and not previously included in income, unless certain requirements are met, including limitations on the timing of deferral elections and events that may trigger the distribution of deferred amounts.

Based on final regulations and other guidance issued under Section 409A, the awards under the 2017 Plan could be affected. In general, if an award either (1) meets the requirements imposed by Section 409A or (2) qualifies for an exception from coverage under Section 409A, the tax consequences described above will continue to apply. If an award is subject to Section 409A and it does not comply with the requirements of Section 409A, then amounts deferred in the current year and in previous years will become subject to immediate taxation to the participant, and the participant will be required to pay (1) a penalty equal to interest at the underpayment rate plus 1% on the tax that should have been paid on the amount of the original deferral and any related earnings and (2) in addition to any regular tax, an additional tax equal to 20% of the original deferral and any earnings credited on the deferral.

The 2017 Plan has been designed so that most awards should be exempt from coverage under Section 409A. Certain terms have been defined in a manner so that if awards are subject to Section 409A, they should comply with Section 409A.

We do not intend the preceding discussion to be a complete explanation of all of the income tax consequences of participating in the 2017 Plan. Participants in the 2017 Plan should consult their own personal tax advisor to determine the particular tax consequences of the 2017 Plan to them, including the application and effect of foreign, state and local taxes, and any changes in the federal tax laws from the date of this proxy statement.

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PROPOSAL THREE: APPROVAL OF THE 2017 STOCK AWARD AND INCENTIVE PLAN

Section 162(m) Deduction Qualifications

Section 162(m) limits the deductions a publicly held company can claim for compensation in excess of $1 million in a given year paid to the chief executive officer and any of its three most highly compensated executive officers, other than the chief financial officer, serving on the last day of the fiscal year. Performance based compensation that meets certain requirements is not counted against the $1 million deductibility cap, and therefore remains fully deductible. The Compensation Committee intends to structure certain awards under the 2017 Plan to be deductible under Section 162(m) provided, however, we reserve the right to determine that compliance with Section 162(m) is not desired after consideration of the goals of the Company s executive compensation philosophy and whether it is in the best interests of the Company to have such award so qualified.

The 2017 Plan has been designed so that, assuming stockholder approval of the material terms of the 2017 Plan, certain awards granted to designated covered officers should qualify as performance-based compensation under Section 162(m). For purposes of Section 162(m), the material terms include (1) the employees eligible to receive compensation under the 2017 Plan, (2) a description of the business criteria on which the performance goals are based, and (3) the maximum amount of compensation that can be paid to a participant under the performance goal. Approval of the 2017 Plan will be deemed to include approval of the material terms of the 2017 Plan, including the general business criteria upon which performance objectives for performance awards are based. The key aspects of the 2017 Plan are discussed above.

Equity Compensation Plan Table

The following table sets forth additional information as of the end of Fiscal 2016, about shares of our common stock that may be issued upon the exercise of options and other rights under our existing equity compensation plans and arrangements. The information includes the number of shares

covered by, and the weighted average exercise price of, outstanding options and other rights and the number of shares remaining available for future grants excluding the shares to be issued upon exercise of outstanding options, warrants, and other rights.

Equity Compensation Plan Table

	Column (a) Number of securities to be issued upon	Column (b) Weighted-average exercise price of	Column (c) Number of securities remaining available

	exercise of outstanding options, warrants and rights [1]	outstanding options, warrants and rights [1]	for issuance under equity compensation plans (excluding securities reflected in column (a)) [1]
Equity compensation plans approved by stockholders	2,313,889	$ 15.33	3,364,255
Equity compensation plans not approved by stockholders			
Total	2,313,889	$ 15.33	3,364,255

(1) Equity compensation plans approved by stockholders include the 2005 Amended Plan and the 2014 Plan. Column (a) includes common stock that could be issued for outstanding options, RSUs, and PSUs under such plans. The weighted-average exercise price does not take into account shares issuable upon vesting of outstanding awards of RSUs and PSUs, which have no exercise price.

Required Vote

Approval of the 2017 Plan requires the affirmative vote of a majority of the shares represented and voting, in person or by proxy, at the Annual Meeting.

The Board of Directors recommends that the stockholders vote **FOR** the adoption of the 2017 Stock Award and Incentive Plan.

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PROPOSAL FOUR: ADVISORY VOTE ON THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

We are providing stockholders with an advisory vote on the overall compensation of our named executive officers.

As discussed in the *Compensation Discussion and Analysis* section below, our executive compensation program is based on four core principles: performance, competitiveness, affordability and simplicity. We believe that our program design implements these principles and provides the framework for alignment between executive compensation opportunities and long-term strategic growth. The overall program is designed to be balanced; providing incentive to ensure the delivery of both long term results and annual profitability. Based on the advisory vote at the 2016 Annual Meeting on our executive compensation program, which was approved by 97.6% of the votes cast, we are confident that our stockholders agree.

We have an ongoing commitment to ensuring that our executive compensation plans are aligned with our principles and evolve as the industry and business changes. We continue to engage with our stockholders to gain an

understanding of their key perspectives on all aspects of the business and the broader industry, including compensation programs. We continue to evaluate and enhance plan design to align with leading practices in executive compensation.

We urge our stockholders to read the following *Compensation Discussion and Analysis* for information on our executive compensation program.

In summary, we believe that our executive compensation program has provided and continues to provide appropriate incentives and remains responsive to our stockholders views. Accordingly, the following resolution will be submitted for a stockholder vote at the 2017 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.

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COMPENSATION COMMITTEE REPORT

The Compensation Committee has adopted and implemented core principles that form the basis for our executive compensation program: performance, competitiveness, affordability and simplicity. We believe that our executive compensation program supports our financial and strategic goals, aligns executive pay with stockholder value creation, and appropriately discourages unnecessary or excessive risk taking.

The Committee has reviewed and discussed the following Compensation Discussion and Analysis with management, which describes the Committee s decisions regarding our

executives compensation for Fiscal 2016 and how those decisions support and implement our principles. The Compensation Committee has recommended to the Board that it be included in this Proxy Statement.

Cary D. McMillan (Chair)

Michael G. Jesselson

Thomas R. Ketteler

Janice E. Page

Noel J. Spiegel

COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis describes our compensation philosophy, objectives, policies and practices framed within the context of the retail industry and specifically our strategy and performance with respect to our named executive officers (the NEOs) for Fiscal 2016. Our Fiscal 2016 NEOs are comprised of our Chief Executive Officer and Chief Financial Officer and the three most highly-compensated officers of the Company at the end of Fiscal 2016, as well as a current officer who served as an interim Chief Financial Officer in Fiscal 2016 and a former Chief Financial Officer who retired from the Company in Fiscal 2016:

Jay L. Schottenstein, our Chief Executive Officer (the CEO);
Robert L. Madore, our Executive Vice President, Chief Financial Officer (the CFO) effective as of October 28, 2016;
Peter Z. Horvath, our Chief Global Commercial and Administrative Officer (the CAO) effective as of May 9, 2016;
Charles F. Kessler, our Global Brand President, American Eagle Outfitters (the Global Brand President, AEO);
Jennifer M. Foyle, our Global Brand President, Aerie (the Global Brand President, Aerie);

Scott M. Hurd, our Senior Vice President, Chief Accounting Officer, who served as the Company s interim CFO from April 1, 2016 through October 28, 2016 (the Chief Accounting Officer); and

Mary M. Boland, our former Executive Vice President, Chief Financial and Administrative Officer, who retired effective April 1, 2016 (the Retired CFO).

This Compensation Discussion and Analysis is organized as follows: (i) an Executive Summary setting forth our Business & Leadership Overview for Fiscal 2016, our focus for Fiscal 2017, an overview of our Compensation Program Objectives and Philosophy, and our Executive Compensation Highlights, (ii) a discussion of our Executive Compensation Program,

including our Fiscal 2016 goal setting process and compensation considerations, compensation benchmarking and details regarding each element of our annual compensation, and (iii) Additional Compensation Information, including tax considerations and payments upon termination and change in control arrangements.

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COMPENSATION DISCUSSION AND ANALYSIS

Executive Summary

Fiscal 2016 Business & Leadership Overview

In Fiscal 2016 both the American Eagle Outfitters and Aerie brands achieved sales growth and profitability improvement. Some financial highlights of our year are as follows:

- Total Company revenue grew 2% to $3.6 billion;
- Consolidated comparable sales rose 3%;
- Our annual adjusted earnings per share rose 24%[1] to $1.25 for the year[(1)]; and
- We ended the year with $379 million in cash and no debt, after investing $161 million into capital projects and returning $91 million to stockholders through dividends.

Our executive compensation program, which has supported and helped drive our financial results, is designed to attract, motivate and retain key executives who will promote the short-term and long-term growth of the Company and create sustained stockholder value. We delivered strong financial results in Fiscal 2016 and continued to move our long-term initiatives forward despite a challenging and competitive retail macro environment. Our strong and consistent multi-year

growth and operating results, as shown in the chart set forth below, are a reflection of initiatives taken by our management team.

From a leadership perspective, Fiscal 2016 was a period of significant change within the organization. The Board of Directors and management remain focused on building a world-class retail team, and in Fiscal 2016 took positive steps to elevate and retain existing talent while recruiting and hiring new retail industry leaders into the team to support the Company s long term goals as further explained herein.

Specifically, with the retirement of the former Vice Chairman, Executive Creative Director in late Fiscal 2015, the Global Brand Presidents of American Eagle Outfitters and Aerie were elevated to lead the merchandising teams to deliver strong growth. We also recruited and hired a new Chief Global Commercial and Administrative Officer, an Executive Vice President-Chief Financial Officer, a Chief Marketing Officer and a Chief Technology Officer as well as other key leadership roles. These critical new hires reinforce the Company s focus on innovation and operational excellence.

(1) Calculated using Fiscal Year 2015 adjusted EPS of $1.01, which compares to GAAP EPS from continuing operations of $1.09, and Fiscal Year 2016 adjusted EPS of $1.25, which compares to GAAP EPS of $1.16. See page 42 of this Proxy Statement and page 22 of our Fiscal 2016 10-K for additional detail on the adjusted results and other important information regarding the use of non-GAAP or adjusted measures.

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COMPENSATION DISCUSSION AND ANALYSIS

Our Focus for Fiscal 2017

In Fiscal 2017, we will remain focused on driving continued business momentum and progressing on our long-term growth initiatives aimed at profit improvement and returns to stockholders.

Areas of focus include:

Merchandising and marketing innovation	Broaden customer base and grow sales.
Optimize omni-channel	Give our customers access to our merchandise wherever and however they choose to shop.
Aerie expansion	Grow Aerie by expanding its footprint and growing the customer file.
Global expansion	Expand through a balance of company-owned stores in the US, Canada, and Mexico while accelerating the growth of international license partners outside of North America.
Expense management	Seek opportunities to lower fixed operating expenses.

Compensation Program Objectives and Philosophy

The overall philosophy of our executive compensation program is to attract and retain 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. We focus on the following core principles in structuring an effective compensation program that meets our stated philosophy:

Performance	We align executive compensation with the achievement of measureable operational and financial results and increases in stockholder value.

	Our program includes significant performance-based remuneration that creates a meaningful incentive to achieve challenging, yet realistic performance objectives.
	Our program features a substantial long-term incentive component in order to align executive interests with those of our stockholders and retain executive talent through a multi-year vesting schedule.
	Long-term incentive 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	Executive compensation is structured to be competitive relative to a group of retail peers taking into consideration company size relative to peers 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, historic performance, expected future contributions and the criticality of each position to us.
Affordability	Our compensation program is designed to limit fixed compensation expense and tie realized compensation costs to the degree to which budgeted financial objectives are attained.
	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) and accounting efficient by striving to make performance-based payments align with expense.
Simplicity	We focus on simple, straight-forward compensation programs that our associates and stockholders can easily understand.

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COMPENSATION DISCUSSION AND ANALYSIS

Executive Compensation Highlights

Our compensation program design provides a framework for alignment between executive compensation and our long-term Company objectives and financial performance. We continually review leading practices in corporate governance and executive compensation and consider changes to our program to align with best practices, ensure competitiveness in order to attract and retain experienced executives in our industry, and reinforce the alignment between pay and performance. These practices are evidenced through the following:

- The elimination of the 20% single year lock-in feature for performance share unit awards, which provided for a partial vesting opportunity at the end of the three-year cycle based upon a single year of performance within the cycle,
which we believe further reinforces the long-term performance focus of our compensation program;

- The reduction of the threshold vesting level in the Performance Share Plan from 50% to 25%, to further align executive incentive opportunities with stockholder value creation; and

- A change to the Company s Stock Ownership requirements (with respect to the CEO, from 5x to 6x his salary, and for the other NEOs, from 1x to 3x of their respective salaries) in order to align to governance best practices, which the Company believes reflects its firm commitment to stock ownership by our executives.

The following table summarizes the Company s additional best practices relating to the executive compensation program.

American Eagle Outfitters Executive Compensation Checklist
A Compensation Committee composed entirely of independent directors oversees the Company s executive compensation policies

The Compensation Committee utilizes an independent compensation consulting firm, FW Cook. The firm does not provide any other services to the Company

We have executive stock ownership guidelines (6x base salary for CEO, 3x for other NEOs)

We pay for performance. The majority of our CEO and NEOs total compensation opportunities are performance-based and at-risk

Our long-term incentive plan does not provide dividends or dividend equivalents on unearned performance awards or unvested restricted stock unit awards

We have no employment contracts of defined length with our CEO or NEOs and no multi-year guarantees for base salary increases, bonuses, or long-term incentives

We have a robust clawback policy with respect to both cash and equity incentive awards

We have an anti-hedging and anti-pledging policy

We provide only limited perquisites at the executive level

No tax gross-ups on perquisites or change in control benefits

We have not repriced stock options nor are we able to do so without stockholder approval

Double-trigger cash severance and long-term incentive change in control vesting

OUR EXECUTIVE COMPENSATION PROGRAM

Fiscal 2016 Goal Setting Process and Compensation Considerations

Goal Setting:

We remain committed to setting incentive goals that are aligned with delivering strong financial performance and returns to our stockholders, while also enabling the successful execution of our strategy. This includes building a solid foundation for long-term growth while also delivering near term results. Management has been focused on improving our merchandise assortment while at the same time reducing our reliance on promotions as well as managing expenses and inventory. Capital investments have centered on growth in under-penetrated new markets, building strong omni-tools and digital capabilities.

Compensation Considerations:

When reviewing the results for the year and making year end pay decisions, the Compensation Committee considered a variety of factors, including our performance relative to the pre-established goals as well as our financial and operational performance relative to peers within the context of a highly competitive retail environment.

Fiscal 2016 financial and operational measures represent aggregate global results from our portfolio of brands and channels, including the American Eagle Outfitters, Aerie, Tailgate and Todd Snyder New York brands.

In addition to financial and operational performance, the Compensation Committee and management also consider alignment to our compensation program principles as well as corporate governance best practices when making compensation decisions.

Role of Our Compensation Committee

The Board has delegated authority to the Compensation Committee to develop and approve the Company s overall compensation program for NEOs, including the authority to establish and award annual base salaries, annual incentive bonuses and long-term incentive awards pursuant to our stockholder approved 2014 Plan. Furthermore, the Compensation Committee reviews and approves changes to our compensation peer group, as deemed appropriate. In making its decisions, the Compensation Committee takes into consideration a variety of factors, including suggestions made by the CEO, compensation consultants and external advisory firms. The Compensation Committee acts in accordance with its charter which can be found on our Investors website at *investors.ae.com*.

Role of Executive Officers in Compensation Decisions

Our CEO annually reviews the performance of each NEO 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 as well as market positioning in his recommendations to the Compensation Committee with regard to total compensation for all NEOs. The Compensation Committee makes the final determination of individual compensation levels and awards, taking into consideration the CEO s recommendations. CEO compensation is determined with input from the compensation consultant, FW Cook, is supported by market benchmarking and is ultimately approved by the Compensation Committee.

Role of Compensation Consultants

The Compensation Committee has the authority under its charter to retain outside consultants or advisors for assistance. In accordance with this authority, during Fiscal 2016, the Compensation Committee continued to retain the services of FW Cook as its outside independent compensation consultant to update the Company s peer group and advise on matters related to CEO and other executive compensation. The services provided by FW Cook 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 FW Cook and determined that there are no conflicts of interest. FW Cook does not provide any other services to the Company. The Compensation Committee may engage other consultants as needed in order to provide analysis, recommendations or other market data.

Under the direction of the Compensation Committee, FW Cook 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. In 2016, representatives from FW Cook contributed to this Compensation Discussion and Analysis as well as assisting with a review of Board of Director Compensation, annual incentive plan design, peer group, and stock ownership guidelines.

Response to 2016 Advisory Vote on Executive Compensation

At our 2016 Annual Meeting of Stockholders, 97.6% of all votes cast supported the compensation of our NEOs. While this vote demonstrated a very high level of support for our compensation program, our executive team remained engaged with stockholders throughout Fiscal 2016 to obtain an understanding of their views on a variety of issues, including our compensation programs.

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COMPENSATION DISCUSSION AND ANALYSIS

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.

Other selection criteria include an international presence and multi-channel retailing. We evaluate our peer group on an annual basis and propose changes when appropriate.

Effective in late Fiscal 2016 and based upon an analysis performed by FW Cook, changes to our peer group were approved by the Compensation Committee. The changes reflect the addition of four companies and the removal of three companies. Companies that were added represent peers who are comparable in their size and business model and those with which we compete for customers and talent. One company in the prior peer group is no longer publicly-traded and two others were removed because they had a different business model or product. Our peer group consists of 19 companies. In terms of size, our revenue and market capitalization are near the median of the 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.

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How We Pay our Executives and Why: Elements of Annual Compensation

Our executive annual compensation program includes both fixed components (such as base salary, benefits and limited executive perquisites) and variable components (such as annual bonus and annual long-term incentive awards), with the heaviest weight generally placed on the variable components. For Fiscal 2016, approximately 66% of Mr. Schottenstein s, 64% of Mr. Kessler and Ms. Foyle s and 59% of Mr. Horvath s compensation was subject to achievement of Company financial objectives. Note the following exclusions from the charts below: Mr. Madore, as he was hired in late 2016 and did not receive any equity awards, Ms. Boland, as she retired in April 2016 and did not receive any equity awards, and Mr. Hurd, as he was serving in an interim CFO capacity during a portion of the year.

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COMPENSATION DISCUSSION AND ANALYSIS

Element of Compensation	Form and Objective	Further Information	Alignment to Strategic Plan
Base Salary	Delivered in cash. 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.	Fiscal 2016 Base Salary changes for our NEOs are presented in the Base Salary section on the following page.	Base salaries set at competitive market levels that enable us to attract and retain qualified, high caliber executive officers to lead and implement our strategy.
Annual Incentive Bonus	Delivered in cash. Provides an opportunity for additional 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.	For Fiscal 2016, the annual incentive bonus was driven by EBIT[(1)] and Revenue Growth, weighted at 80%/20%, respectively.	Annually, performance metrics are established by the Compensation Committee which align to our strategic plan. Fiscal 2016 criteria were chosen to reflect a continued focus on revenue and profit growth.
Annual Long-Term Incentive Awards	Delivered in Performance Share Units (PSUs), Restricted Stock Units (RSUs) and Non-Qualified Stock Options (NSOs). Align our executives financial interests closely with those of our stockholders.	PSUs represent 70% of the annual equity grant target values and 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.	Aligns NEO compensation with our longer term performance objectives and changes in stockholder value over time.

	Link compensation to the achievement of multi-year financial goals.	RSUs represent 30% of the annual equity grant target value and vest proportionately over three years from grant based on continued service. NSOs are not a standard element of the annual compensation program and provide compensation only to the extent that our share price appreciates.

(1) EBIT is defined as earnings from continuing operations before interest and taxes and excludes (1) any accruals for restructuring programs, including lease buyout charges related to store closures and/or (2) asset impairment charges, as determined by the Compensation Committee.

The combination of these elements enables us to offer a competitive total direct 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.

COMPENSATION DISCUSSION AND ANALYSIS

Fiscal 2016 Compensation

The following provides additional details around our compensation components and related decisions for Fiscal 2016.

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.

Base Salary

Base salaries represent approximately 20%-30% of the NEO s total compensation package, are reviewed annually and increases, where applicable, are typically effective in the first quarter of the new fiscal year.

For Fiscal 2016, four of the seven NEO s did not receive a base salary increase, including Mr. Schottenstein. Ms. Boland retired in April 2016, Mr. Horvath joined in May 2016 with a salary of $850,000 and Mr. Madore joined in October 2016 with a salary of $850,000.

Three of the NEOs did receive salary increases in Fiscal 2016. Mr. Kessler received a 6% salary increase to $850,400 and Ms. Foyle received a 10% salary increase to $775,040 to recognize their contributions to a very strong performance in Fiscal 2015, to appropriately position their salary to the competitive market, and recognize their elevated role in brand leadership given the retirement of the former Vice Chairman, Executive Creative Director. Mr. Hurd received a salary increase of 12% to $500,000 to recognize his increasing responsibilities in finance leadership.

Annual Incentive Bonus

Our NEOs are eligible for annual cash incentive awards which focus the executive team on key annual objectives and business drivers that support growth in revenue and profits, improvement in overall operations, and increases in stockholder value. We establish a NEO s annual incentive bonus opportunity as a percentage of his or her base salary, with increases in target percentages directly related to position level.

Target bonus award opportunities constitute about 25%-35% of the NEO s total compensation package. During Fiscal 2016, the target bonus award opportunities for the NEOs were as follows:

CEO: 175% of base salary

CFO: 85% of base salary

CAO: 115% of base salary

Global Brand President, AEO: 125% of base salary

Global Brand President, Aerie: 125% of base salary

Chief Accounting Officer: 50% of base salary

The Retired CFO did not participate in the Fiscal 2016 annual incentive program

For Fiscal 2016, annual incentive bonus payouts were tied to EBIT (80% of payout) and Revenue Growth (20% of payout) results. Based upon pre-established goals and payout levels, actual payments each year range 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.

Fiscal 2016 annual incentive bonuses were earned at 90% of target. The amounts earned by each applicable NEO are set forth in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table.

Details of the realized performance and resulting payout for Fiscal 2016 are found in the *Fiscal 2016 Performance Metrics, Targets and Results* section.

Annual 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. Annual long-term incentive awards are approximately 30%-60% of the NEO s total compensation package. In Fiscal 2016 we awarded PSUs and RSUs, with a heavy emphasis on PSUs to directly link compensation to achievement of performance objectives.

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COMPENSATION DISCUSSION AND ANALYSIS

For Fiscal 2016, the NEOs received the following target regular-cycle long-term incentive award grant values.

Executive Officer	2016 Target Long-Term Incentive: PSU Awards	2016 Target Long-Term Incentive: RSU Awards	2016 Target Total Long-Term Incentive Award
CEO	$ 2,450,000	$ 1,050,000	$ 3,500,000
CFO [(1)]			
CAO	$ 595,000	$ 255,000	$ 850,000
Global Brand President, AEO	$ 1,750,000	$ 750,000	$ 2,500,000
Global Brand President, Aerie	$ 1,750,000	$ 750,000	$ 2,500,000
Chief Accounting Officer	$ 180,000	$ 120,000	$ 300,000
Retired CFO [(2)]			

(1) Due to Mr. Madore s hire date, he was not granted Fiscal 2016 long-term incentive awards.

(2) Due to Ms. Boland s retirement, she was not granted Fiscal 2016 long-term incentive awards.

PSUs: PSUs represented approximately 70% of the value of a NEO s annual long-term incentive for Fiscal 2016. We determine the number of target PSUs 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 PSUs are reinvested in additional units and paid out to the extent the associated PSUs vest.

Annual PSU grants cliff vest at the end of a three-year performance period. Fiscal 2016 PSUs vest upon achievement of pre-established three-year cumulative EBIT goals.

If cumulative threshold performance is not met, PSUs do not vest and all shares are forfeited. Vesting based on the cumulative three-year goal ranges from 0% of the target amount for below threshold performance, to 25% 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 long range business plan for the performance period.

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 30% of the value of an NEO s annual long-term incentive award. Annual RSU grants vest proportionately over three years from the grant date assuming continued employment.

Retention and New Hire Awards

We operate in an extremely competitive industry, and it is important that we ensure the retention of our successful executives when we introduce new leaders into the organization. Although not a standard element of the executive compensation program, retention cash or stock awards have been granted from time to time in an effort to reward increased responsibilities during times of leadership changes and to position our leaders appropriately internally.

During Fiscal 2016, Mr. Madore received a cash sign-on bonus of $500,000 and Mr. Hurd received a cash recognition bonus in the amount of $200,000 for serving as the Interim CFO as well as a time based restricted stock unit award in recognition of his increased role in Finance leadership.

NSOs and performance based restricted stock were granted as part of the new hire package for Mr. Horvath and NSO s were granted as part of the compensation package for Mr. Kessler and Ms. Foyle in recognition of the elevation of their roles. Market benchmarking of new hire and retention award practices was conducted to inform the offer and retention packages. Additional detail regarding these awards can be found in the *Grants of Plan Based Awards Fiscal 2016.* section.

Benefits and Perquisites

Executives generally are eligible for the same health and welfare plans as other full-time Company employees, including medical, dental, life and disability insurance, and retirement plans. We provide a comprehensive security benefit to the CEO, a portion of which, based upon the disclosure rules, is deemed to be personal even though we believe there is a legitimate business reason for providing such a benefit.

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Fiscal 2016 Performance Metrics, Targets and Results

The Compensation Committee selected EBIT and Revenue Growth as the key performance metrics for Fiscal 2016 because they are reflective of our success in managing our core operations, growing the business and driving sustained increases in profits. We believe that these metrics reflect a balanced approach to all aspects of performance, including top-line revenue and expense control, while maintaining simplicity in the design and execution of our executive compensation program. The Fiscal 2016 performance metrics for our annual incentive bonus and PSUs with the

weighting ascribed to each metric were as follows: annual incentive bonus: EBIT 80% and Revenue Growth 20% and PSUs: EBIT 100%. Additional detail regarding 2016 performance metrics for the PSU awards will not be disclosed until the end of the performance period given that the goal detail is confidential and competitive in nature. Such disclosure could cause competitive harm. The Compensation Committee deemed the goals to be challenging but achievable.

The charts set forth below represent the goal detail, realized performance and resulting payout for the Fiscal 2016 annual incentive bonus and the Fiscal 2014 PSU award. The goals were aligned with our business strategy. We continue to use multiple metrics for these programs with predetermined objectives for potential payouts at threshold, target, and stretch levels.

Fiscal 2016 Annual Incentive Bonus

Fiscal 2014 PSUs

(Three-year performance period ended January 28, 2017)

Note that five of the NEOs received a Fiscal 2014 PSU vesting. The shares vested were as follows: Mr. Schottenstein: 74,801; Mr. Kessler: 38,148; Ms. Foyle: 31,417; Mr. Hurd: 8,079; and Ms. Boland: 37,962.

(1) Return on Invested Capital (ROIC) is calculated as net income divided by average stockholders equity from continuing operations and excludes (1) any accruals for restructuring programs, including lease buyout charges related to store closures and/or (2) asset impairment charges, as determined by the Compensation Committee.

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COMPENSATION DISCUSSION AND ANALYSIS

Annual Award Pool for 162(m) Compliance

We establish 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 CFO). 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 for a fiscal year and/or grants of time-based RSUs to the NEOs in the following fiscal year. The following maximum award levels were established during Fiscal 2016 as a percent of Adjusted EBITDA, in each case subject to the 2014 Plan maximum of $5 million per person:

Jay L. Schottenstein, Chief Executive Officer	1.50% of actual EBITDA
Jennifer M. Foyle, Global Brand President, Aerie	0.45% of actual EBITDA
Charles F. Kessler, Global Brand President, American Eagle Outfitters	0.45% of actual EBITDA

During Fiscal 2016, we granted time-based RSUs to the NEOs, as payment and satisfaction of achievement of positive Fiscal 2015 EBITDA which funded the award pool for those awards.

Other Practices and Policies

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 clawbacks in the event of misconduct. Pursuant to the 2005 Amended Plan and the 2014 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 the Company 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 and the Board are prohibited from engaging in transactions in financial instruments designed to hedge or offset any decrease in the market value of our stock. Our 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 and the Board 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 and Change in Control Agreements

Our NEOs are entitled to receive consideration upon the termination of the executive s employment with us under specified circumstances, including a change in control (CIC) related termination. These arrangements provide essential protections to both the NEO and to us and assist us

in attracting and retaining qualified executives in a competitive environment. At the same time, certain agreements preserve our valuable assets by imposing non-competition and non-solicitation restrictions, confidentiality obligations, and cooperation covenants on our NEOs.

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Change in Control Provisions

The Company has entered into change in control agreements (each, a CIC Agreement) with all of our NEOs, with the exception of Mr. Schottenstein, that are designed to motivate executives to continue to work for the best interests of the Company and our stockholders in a potential CIC situation. The CIC Agreements contain double-trigger provisions for severance and other benefits. In the event of a CIC, and within 18 months of such event, if an NEO s employment is terminated by the Company other than for Cause, Disability, or as a result of the NEO s death, or if the executive terminates his or her employment for Good Reason (each capitalized term as defined in the applicable CIC Agreement), the NEO is entitled to receive:

- a lump sum cash payment of all earned and determinable, but unpaid, current salary and unused paid time off;
- a lump sum severance payment equal to one and a half times the NEO s base salary, annualized for any partial year amount, at target and annual incentive cash bonus amount, at target;
- a pro-rated amount of the NEO s then-current annual incentive cash bonus, at target; and
- upon the NEO s timely election of continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended (COBRA), the payment by the Company of the portion of premiums of Executive s group health insurance, including coverage for eligible dependents, for the period that the executive is entitled to coverage under COBRA, not to exceed 12 months (18 months for the CEO).

The CIC Agreements also provide that, any unvested or restricted awards, including NSOs, RSUs, and PSUs granted by the Company, will vest and become exercisable to the extent set forth in the applicable award agreement.

Severance Payments

Messrs. Horvath, Madore, and Hurd as well as Ms. Foyle are eligible to receive post-employment payments as a result of employment agreements that we have entered into with them. For a description and quantification of these severance benefits, please refer to the *Post-Employment Compensation section*. Generally, if the executive s employment is involuntarily terminated without cause by the Company and not due to death or disability, in exchange for the executive s execution and non-revocation of a general release of claims in a form provided by the Company, the executive will be entitled to a severance payment.

Additionally, in the event of termination of employment, Messrs. Schottenstein, Kessler, and Hurd as well as Ms. Foyle and Ms. Boland, who signed the RSU Confidentiality, Non-Solicitation, Non-Competition and Intellectual Property Agreement (the Non-Compete Agreement) may be eligible to receive a pro-rata portion of their PSUs following termination of employment, based on actual days worked and performance goals being met for the full performance period, but not at an amount above the target award level. The NEOs also agreed to certain provisions under the Non-Compete Agreement, including the following: (i) agreement not to use trade secrets, intellectual property, and other confidential or proprietary information of the Company for his or her own benefit, or for the benefit of any third party, including a competitor; (ii) agreement to provide the Company with at least 30 days written notice of any resignation; (iii) an 18-month non-solicit provision following any termination of employment; (iv) a waiver relating to the development of intellectual property during the executive s tenure with the Company; and (v) a 12-month non-compete provision following any termination of employment. The breach of any of the foregoing provisions may result in the executive forfeiting unvested equity awards.

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 CFO) 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.

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COMPENSATION DISCUSSION AND ANALYSIS

Forward-Looking Statements

This Proxy Statement contains various forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), including in our CEO s letter to our stockholders and our Compensation Discussion and Analysis, which represent our expectations or beliefs concerning future events, including with respect to merchandise innovation and product focused marketing, customer engagement, brand growth, new technologies, and improved customer experience. These forward-looking statements rely on assumptions and involve risks and uncertainties, many of which are beyond our control, including, but not limited to factors detailed herein and under Part I, Item 1A. Risk Factors and in other sections

of our most recent annual report on Form 10-K and in other filings with the SEC.

Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual outcomes may vary materially from those indicated. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by reference to these risks and uncertainties. You should not place undue reliance on our forward-looking statements. Each forward-looking statement speaks only as of the date of the particular statement, and, except as required by law, we undertake no duty to update or revise any forward-looking statement.

Non-GAAP Measures

This Proxy Statement includes information on non-GAAP financial measures (non-GAAP or adjusted), including earnings per share information and the consolidated results of operations excluding non-GAAP items. These financial measures are not based on any standardized methodology prescribed by U.S. generally accepted accounting principles (GAAP) and are not necessarily comparable to similar measures presented by other companies. The Company believes that this non-GAAP information is useful as an additional means for investors to evaluate the Company s operating performance, when reviewed in conjunction with the Company s GAAP financial statements. These amounts are not determined in accordance with GAAP and therefore, should not be used exclusively in evaluating the company s business and operations.

AMERICAN EAGLE OUTFITTERS, INC.

GAAP TO NON-GAAP RECONCILIATION

(Dollars in thousands, except per share amounts)

(unaudited)

	52 Weeks Ended January 28, 2017	
	Operating income	**Diluted income per common share**
GAAP Basis	$ 331,476	$ 1.16
% of Revenue	9.2%	
Asset Impairment and Restructuring Charges [1]:	21,166	0.07
Tax [2]:		0.02
Non-GAAP Basis	$ 352,642	$ 1.25
% of Revenue	9.8%	

(1) $21.2 million pre-tax asset impairments and restructuring charges relating to our wholly-owned businesses in the United Kingdom and Asia.

(2) GAAP tax rate included impact of valuation allowances on asset impairment and restructuring charges. Excluding the impact of those items resulted in a 35.6% tax rate for the year.

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	52 Weeks Ended January 30, 2016	
	Operating income (loss)	Diluted income per common share from continuing operations
GAAP Basis	$ 319,878	$ 1.09
% of Revenue	9.1%	
Gain on Sale of Warrendale DC [1]:	(9,422)	(0.04)
Tax [2]:		(0.04)
Non-GAAP Basis	$ 310,455	$ 1.01
% of Revenue	8.8%	

(1) $9.4 million pre-tax gain on sale of previously closed Warrendale Distribution center.

(2) GAAP tax rate included income tax settlements and a decrease to the valuation allowance on foreign deferred tax assets. Excluding the impact of those items resulted in a 36.3% tax rate.

	52 Weeks Ended January 31, 2015	
	Operating income	Diluted income per common share from continuing operations
GAAP Basis	$ 155,765	$ 0.46
Asset Impairment and Corporate Restructuring Charges [1]:	51,220	0.17
Non-GAAP Basis	$ 206,985	$ 0.63
% of Total Net Revenue	6.3%	

(1) Non-GAAP adjustments this year consist of $33.5 million of corporate and store asset impairments and $17.7 million of severance and related employee costs and corporate charges.

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COMPENSATION TABLES AND RELATED INFORMATION

General

The following table summarizes the compensation for each of the last three fiscal years of our:

1) Chief Executive Officer (Principal Executive Officer);
2) Executive Vice President Chief Financial Officer (Principal Financial Officer);
3) Chief Global Commercial and Administrative Officer;
4) Global Brand President American Eagle Outfitters;
5) Global Brand President Aerie;
6) Senior Vice President Chief Accounting Officer (Interim Principal Financial Officer); and
7) Former Principal Financial Officer.

Summary Compensation Table

Name and 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]	Total
Jay L. Schottenstein	2016	$ 1,500,000		$ 3,499,993		$ 2,362,500	$ 147,176	$ 7,509,669
	2015	$ 1,500,000		$ 2,199,999		$ 4,371,218		$ 8,071,217
Chief Executive Officer	2014	$ 1,100,000		$ 1,500,011		$ 1,155,000	$ 37,664	$ 3,792,675
Robert L. Madore[7] Chief Financial Officer	2016	$ 199,423	$ 500,000			$ 152,599	$ 40,377	$ 892,359
Peter Z. Horvath[8] Chief Global Commercial and Administrative Officer	2016	$ 604,808		$ 3,849,995	$ 2,999,981	$ 879,750	$ 78,868	$ 8,413,402
	2016	$ 842,646		$ 2,499,989	$ 1,499,799	$ 947,977	$ 9,396	$ 5,799,807

Charles F. Kessler	2015	$ 800,000	$ 300,000	$ 1,349,983		$ 1,520,000	$ 9,938	$ 3,979,921
Global Brand President, American Eagle Outfitters	2014	$ 700,000	$ 500,000	$ 1,849,990		$ 392,000	$ 241,309	$ 3,683,299
Jennifer M. Foyle[9]	2016	$ 763,495		$ 2,499,989	$ 1,499,799	$ 858,932	$ 10,153	$ 5,623,379
	2015	$ 692,308	$ 360,000	$ 849,986		$ 1,330,000	$ 9,362	$ 3,241,656
Global Brand President, Aerie	2014	$ 586,923	$ 100,000	$ 1,500,008		$ 287,592	$ 11,700	$ 2,486,223
Scott M. Hurd[10] Senior Vice President, Chief Accounting Officer	2016	$ 471,028	$ 200,000	$ 600,003		$ 211,963	$ 10,085	$ 1,493,079
Mary M. Boland[11]	2016	$ 123,082					$ 7,628	$ 130,710
	2015	$ 800,033		$ 1,825,009		$ 1,291,276	$ 52,575	$ 3,968,893
Former Principal Financial Officer	2014	$ 775,000		$ 1,000,007	$ 502,026	$ 434,000	$ 11,700	$ 2,722,733

(1) 2016, 2015 and 2014 refer to the fifty-two week periods ended January 28, 2017, January 30, 2016 and January 31, 2015, respectively.

(2) For Mr. Madore, the amount represents a cash sign-on bonus in Fiscal 2016. For Mr. Kessler, the amount consists of a cash sign-on bonus paid in Fiscal 2014 and cash retention bonus paid in Fiscal 2015. For Ms. Foyle, amount consists of a cash retention bonus in Fiscal 2014 and Fiscal 2015. For Mr. Hurd, the amount represents a recognition bonus for serving as the Interim Principal Financial Officer in Fiscal 2016.

(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 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 2016 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.

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COMPENSATION TABLES AND RELATED INFORMATION

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

	Fiscal 2016	Fiscal 2015	Fiscal 2014
Jay L. Schottenstein	$ 3,674,988	$ 2,250,017	$ 1,500,011
Peter Z. Horvath	$ 3,892,509		
Peter Z. Horvath annual award maximum value	$ 892,515		
Peter Z. Horvath new hire award maximum value	$ 2,999,994		
Charles F. Kessler	$ 2,624,997	$ 1,392,487	$ 1,664,991
Jennifer M. Foyle	$ 2,624,997	$ 892,490	$ 630,011
Scott M. Hurd	$ 270,006		

(4) The value of the time-based NSOs 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 assumption is available in Note 12 of the Consolidated Financial Statements contained in our Fiscal 2016 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 2014, Fiscal 2015, and Fiscal 2016, non-equity incentive plan compensation represents the annual incentive bonus paid to each NEO.

Mr. Schottenstein elected to receive 33% of his Fiscal 2016 Annual Incentive Bonus in the form of stock and 67% in cash. As a result, Mr. Schottenstein received 56,859 shares of AEO stock on March 24, 2017, the date that the annual incentive bonus was paid. This award fully vested upon grant. Mr. Madore received a pro-rated Fiscal 2016 annual incentive bonus due to his hire date.

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

For Mr. Schottenstein, the amount represents the aggregate incremental cost to the Company of security arrangements in addition to those provided during working days and for business travel. We provide a comprehensive security benefit to the CEO, a portion of which, based upon the disclosure rules, is deemed to be personal even though we believe there is a legitimate business reason for providing such a benefit.

For Mr. Madore, the amount consists of $38,307 for relocation benefits and $2,070 for a COBRA reimbursement benefit.

For Mr. Horvath, the amount represents the amount paid for relocation benefits. The relocation amount is fully quantifiable in the table.

For Messrs. Kessler and Hurd and Mss. Foyle and Boland, the amount consists of employer contributions to the 401k plan.

(7) Mr. Madore was appointed Executive Vice President and Chief Financial Officer on October 28, 2016.

(8) Mr. Horvath was appointed Chief Global Commercial and Administrative Officer on May 9, 2016.

(9) Ms. Foyle was not a Named Executive Officer in Fiscal 2015.

(10) Mr. Hurd served as Interim Chief Financial Officer from April 1, 2016 until October 27, 2016.

(11) Ms. Boland retired on April 1, 2016.

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COMPENSATION TABLES AND RELATED INFORMATION

Grants of Plan-Based Awards Fiscal 2016

ne		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 Date Fair Va of Stock a Optio Awar ($)
L. ttenstein	(1)		$ 656,250	$ 2,625,000	$ 5,250,000							
	(2)	3/9/2016				38,067	152,268	228,402				$ 2,449,
	(3)	3/9/2016							65,258			$ 1,050,
ert L. ore	(1)		$ 42,378	$ 169,510	$ 339,020							
r Z. rath	(1)		$ 244,375	$ 977,500	$ 1,955,000							
	(2)	5/9/2016				10,147	40,587	60,881				$ 595,
	(3)	5/9/2016							17,394			$ 254,
	(4)	5/9/2016				8,186	204,638	204,638				$ 2,999,
	(5)	5/9/2016								853,334	$ 14.66	$ 2,999,
les F. ler	(1)		$ 263,327	$ 1,053,308	$ 2,106,616							
	(2)	3/9/2016				9,245	36,979	55,469				$ 594,
	(3)	3/9/2016							15,848			$ 254,
	(2)	5/23/2016				18,368	73,473	110,210				$ 1,154,
	(6)	5/23/2016							31,489			$ 495,
	(7)	5/23/2016								421,280	$ 15.72	$ 1,499,
ifer M. e	(1)		$ 238,592	$ 954,369	$ 1,908,738							
	(2)	3/9/2016				9,245	36,979	55,469				$ 594,
	(3)	3/9/2016							15,848			$ 254,

	(2)	5/23/2016				18,368	73,473	110,210				$ 1,154,
	(6)	5/23/2016							31,489			$ 495,
	(7)	5/23/2016								421,280	$ 15.72	$ 1,499,
t M.												
l	(1)		$ 58,879	$ 235,514	$ 471,028							
	(2)	3/9/2016				2,797	11,187	16,781				$ 179,
	(3)	3/9/2016										