AMERICAN EAGLE OUTFITTERS INC
Form 8-K
March 03, 2011

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

FORM 8-K

CURRENT REPORT

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

Date of Report
(Date of earliest event reported)

March 1, 2011

AMERICAN EAGLE OUTFITTERS, INC.
(Exact name of registrant as specified in its charter)

Delaware

1-33338

13-2721761
(State of incorporation)

(Commission File Number)

(IRS Employer Identification No.)

77 Hot Metal Street
Pittsburgh, Pennsylvania

15203-2329
(Address of principal executive offices)

(Zip Code)

(412) 432-3300

(Registrant's telephone number, including area code)

N/A

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425) [ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Fiscal 2010 Compensation

On March 1, 2011, the Compensation Committee of the Board of Directors (the "Committee") of American Eagle Outfitters, Inc. (the "Company") certified achievement, in part, of the Company's financial goals based on its financial results for the fiscal year ended January 29, 2011 ("Fiscal 2010"), which resulted in the following actions:

- awards of Fiscal 2010 incentive compensation, under the Company's 2005 Stock Award and Incentive Plan, as amended, approved by the stockholders on June 16, 2009 (the "2005 Amended Plan"), to the Company's named executive officers ("NEO's") and certain other individuals were authorized to be paid. The incentive compensation amounts were determined as a percentage of the executive's base salary based on partial achievement of the Company's financial goals.

- awards of Fiscal 2010 restricted stock units plus the respective dividends, under the Company's 2005 Amended Plan, to the Company's NEO's and certain other individuals were partially vested subject to all of the other terms of the related award agreements.

- an award of stock options, under the Company's 2005 Stock Award and Incentive Plan, to Roger S. Markfield was vested subject to all of the other terms of the related award agreement.

Based on the Company's partial achievement of its financial goals for Fiscal 2010, the following awards were authorized to be paid and shares or share units were delivered:

Name and Principal Position	Compensation	Stock Award	Restricted Stock Award (# of Units)	Stock Option Award (# of Shares)
James V. O'Donnell Principal Executive Officer	$552,500	81,133	-	-
Roger S. Markfield Vice Chairman and Executive Creative Director	$237,500	40,567	300,000	-
Joan Holstein Hilson Principal Financial Officer	$100,039	7,117	-	-

Fiscal 2011 Compensation

On March 1, 2011, the Committee also took the following actions relating to compensation for the fiscal year ending January 28, 2012 ("Fiscal 2011") for certain executive officers of the Company:

Base Salary

:
- fixed individual annual base salaries;

Annual Cash Bonus

:
- established performance goals under the 2005 Amended Plan based on two business criteria: (1) fifty percent (50%) is based on the Company's percentage increase in comparable store sales (hereinafter "Fiscal 2011 Comp") and (2) fifty percent (50%) is based on the Company's net income excluding (i) extraordinary charge(s); and/or (ii) any accruals for restructuring programs, merger integration costs, or merger transaction costs; and/or (iii) other unusual or infrequent items (whether gains or losses) which may be disclosed as a separate component of income or loss on the face of the income statement or as may be disclosed in the notes to the financial statements; and/or (iv) asset impairment charges, including for stores or auction rate securities; and/or (v) discontinued operations (hereinafter "Fiscal 2011 NI"). The annual cash bonus performance goals for Fiscal 2011 are set at three levels of both Fiscal 2011 Comp and Fiscal 2011 NI: "Threshold", "Target" and "Outstanding";

- established individual annual cash bonus targets under the 2005 Amended Plan as a percentage of the respective participant's base salary, with the actual bonus payment ranging from 0% below Threshold, to 25% of the targeted percentage amount at the Threshold Fiscal 2011 Comp and NI Goals, to 100% of the targeted percentage amount at the Target Fiscal 2011 Comp and Fiscal NI Goals and 200% of the targeted percentage amount if the Outstanding Fiscal 2011 Comp and Fiscal NI Goals are achieved or exceeded;

Time-Based Restricted Stock Units:

- established a performance goal under the Company's 2005 Amended Plan based on the Company's Fiscal 2011 NI and granted awards of restricted stock units ("RSU's");

- the RSU's vest over three years in equal annual increments but may fully vest in one year if the target performance goal is met for Fiscal 2011. The RSU's are credited with dividend equivalents at vesting;

Performance Share Plan Restricted Stock Units

:
- established three single-year performance goals and one three-year cumulative performance goal under the Company's 2005 Amended Plan based on the Company's income per common share from continuing operations, fully diluted with expenses for stock options, excluding (i) extraordinary charge(s); and/or (ii) any accruals for restructuring programs, merger integration costs, or merger transaction costs; and/or (iii) other unusual or infrequent items (whether gains or losses) as defined by generally accepted accounting principles ("GAAP") which are disclosed as a separate component of income or loss on the face of the income statement or as may be disclosed in the notes to the financial statements; and/or (iv) asset impairment charges, including for stores or auction rate securities; and/or (v) discontinued operations (hereinafter "Fiscal 2011 EPS", "Fiscal 2012 EPS", "Fiscal 2013 EPS" and "Fiscal 2013 Cumulative EPS") and granted awards of performance share plan restricted stock units ("PSP RSU's");

- vesting of the PSP RSU's is determined as follows:
  - If the Fiscal 2013 Cumulative EPS equals the Fiscal 2013 Cumulative Threshold level, then the PSP RSU Target Percentage shall be 50%; if the Fiscal 2013 Cumulative EPS is between the Fiscal 2013 Cumulative Threshold level and the Fiscal 2013 Cumulative Target level, then the PSP RSU Target Percentage shall be interpolated between 50% and 100%; if the Fiscal 2013 Cumulative EPS equals the Fiscal 2013 Cumulative Target level, then the PSP RSU Target Percentage shall be 100%; if the Fiscal 2013 Cumulative EPS is between the Fiscal 2013 Cumulative Target level and the Fiscal 2013 Cumulative Outstanding level, then the PSP RSU Target Percentage shall be interpolated between 100% and 150%; if the Fiscal 2013 Cumulative EPS is equal to or greater than the Fiscal 2013 Cumulative Outstanding level, then the PSP RSU Target Percentage shall be 150%.
  - If the Fiscal 2013 Cumulative EPS is less than the Fiscal 2013 Cumulative Threshold level but Fiscal 2011 EPS equals the Fiscal 2011 Target level, then 20% of the PSP RSU's shall vest on the date of the Compensation Committee certification in 2014; and/or
  - If the Fiscal 2013 Cumulative EPS is less than the Fiscal 2013 Cumulative Threshold level but Fiscal 2012 EPS equals the Fiscal 2012 Target level, then an additional 20% of the PSP RSU's shall vest on the date of the Compensation Committee certification in 2014; and/or
  - If the Fiscal 2013 Cumulative EPS is less than the Fiscal 2013 Cumulative Threshold level but Fiscal 2013 EPS equals the Fiscal 2013 Target level, then an additional 20% of the PSP RSU's shall vest on the date of the Compensation Committee certification in 2014.

The award will be granted as restricted stock units that will be credited with dividend equivalents at vesting. All shares that do not vest based on the above performance goals for the Cumulative Fiscal 2013 Performance Period shall be forfeited. The grant of restricted stock units shall be set forth in a Performance Share Plan Restricted Stock Unit Agreement between the Company and the recipient in form consistent with the terms of this award and the terms of the 2005 Amended Plan.

The following sets forth the annual base salary levels, individual participant target bonus percentages, RSU awards and target PSP RSU awards of the indicated named executive officers:

Name and Principal Position	Fiscal 2011 Base Salary	Annual Bonus (% of Base Salary)	Restricted Stock Award (# of Units)	PSP RSU Award (# of Units)
James V. O'Donnell Chairman and Principal Executive Officer	$1,700,000	130%	-	379,494
Roger S. Markfield Executive Creative Director	$950,000	100%	-	309,719
Joan Holstein Hilson Principal Financial Officer	$600,233	75%	29,960	36,618

Finally, on March 1, 2011, the Compensation Committee also established under the 2005 Amended Plan a performance-based Annual Award Pool (the "Award Pool") for certain executive officers of the Company subject to Internal Revenue Code Section 162(m). The Compensation Committee established a Fiscal 2011 performance goal for the Award Pool under the Company's 2005 Amended Plan based on the Company's income per common share from continuing operations, fully diluted with expenses for stock options, excluding (i) extraordinary charge(s); and/or (ii) any accruals for restructuring programs, merger integration costs, or merger transaction costs; and/or (iii) other unusual or infrequent items (whether gains or losses) as defined by generally accepted accounting principles which are disclosed as a separate component of income or loss on the face of the income statement or as may be disclosed in the notes to the financial statements. Based on achievement of the performance goal, the Award Pool will be used to determine the maximum amount payable under the Company's Annual Cash Bonus Plan for 2011 and the Time-Based RSU's to be granted in Fiscal 2012 to executive officers who are covered employees under Section 162(m) for Fiscal

2011. The following maximum awards were established as a percent of EBITDA, in each case subject to the 2005 Amended Plan maximum of $5 million per person and further subject to the exercise of negative discretion by the Compensation Committee to reduce the maximum award:

Name and Principal Position	% of EBITDA
James V. O'Donnell Chief Executive Officer	1.5%
Roger S. Markfield Vice Chairman and Executive Creative Director	1.25%
Joan Holstein Hilson Principal Financial Officer	0.40%

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN EAGLE OUTFITTERS, INC.
(Registrant)

Date: March 3, 2011

By: /s/ Neil Bulman, Jr.
Neil Bulman, Jr.
Vice President, General Counsel and Secretary