

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended May 5, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 1-33338

American Eagle Outfitters, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

77 Hot Metal Street, Pittsburgh, PA
(Address of principal executive offices)

No. 13-2721761
(I.R.S. Employer
Identification No.)

15203-2329
(Zip Code)

Registrant's telephone number, including area code: (412) 432-3300

Former name, former address and former fiscal year, if changed since last report:
N/A

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a small reporting company, or emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 176,613,476 Common Shares were outstanding at May 29, 2018.

AMERICAN EAGLE OUTFITTERS, INC.
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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

AMERICAN EAGLE OUTFITTERS, INC.
CONSOLIDATED BALANCE SHEETS

<i>(In thousands, except per share amounts)</i>	May 5, 2018 <i>(Unaudited)</i>	February 3, 2018	April 29, 2017 <i>(Unaudited)</i>
Assets			
Current assets:			
Cash and cash equivalents	\$ 289,700	\$ 413,613	\$ 225,197
Short-term investments	20,000	-	-
Merchandise inventory	404,264	398,213	364,274
Accounts receivable, net	72,800	78,304	79,432
Prepaid expenses and other	87,832	78,400	94,769
Total current assets	874,596	968,530	763,672
Property and equipment, at cost, net of accumulated depreciation	732,179	724,239	710,500
Intangible assets, at cost, net of accumulated amortization	45,966	46,666	48,462
Goodwill	14,962	15,070	14,772
Non-current deferred income taxes	9,105	9,344	33,408
Other assets	54,106	52,464	62,379
Total assets	<u>\$ 1,730,914</u>	<u>\$ 1,816,313</u>	<u>\$ 1,633,193</u>
Liabilities and Stockholders' Equity			
Current liabilities:			
Accounts payable	\$ 207,774	\$ 236,703	\$ 208,857
Accrued compensation and payroll taxes	27,904	54,324	31,106
Accrued rent	83,524	83,312	78,018
Accrued income and other taxes	22,048	12,781	12,446
Unredeemed gift cards and gift certificates	39,918	52,347	39,744
Current portion of deferred lease credits	10,657	11,203	12,743
Other liabilities and accrued expenses	42,979	34,551	37,677
Total current liabilities	434,804	485,221	420,591
Non-current liabilities:			
Deferred lease credits	53,630	47,977	56,551
Non-current accrued income taxes	7,326	7,269	4,655
Other non-current liabilities	27,773	29,055	33,523
Total non-current liabilities	88,729	84,301	94,729
Commitments and contingencies	—	—	—
Stockholders' equity:			
Preferred stock, \$0.01 par value; 5,000 shares authorized; none issued and outstanding	—	—	—
Common stock, \$0.01 par value; 600,000 shares authorized; 249,566 shares issued; 176,217, 177,316 and 176,965 shares outstanding, respectively	2,496	2,496	2,496
Contributed capital	565,033	593,770	582,512
Accumulated other comprehensive loss	(34,936)	(30,795)	(32,671)
Retained earnings	1,904,190	1,883,592	1,774,315
Treasury stock, 73,349, 72,250 and 72,601 shares, respectively	(1,229,402)	(1,202,272)	(1,208,779)
Total stockholders' equity	1,207,381	1,246,791	1,117,873
Total liabilities and stockholders' equity	<u>\$ 1,730,914</u>	<u>\$ 1,816,313</u>	<u>\$ 1,633,193</u>

Refer to Notes to Consolidated Financial Statements

AMERICAN EAGLE OUTFITTERS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS
(Unaudited)

<i>(In thousands, except per share amounts)</i>	13 Weeks Ended	
	May 5, 2018	April 29, 2017
Total net revenue	\$ 822,961	\$ 761,836
Cost of sales, including certain buying, occupancy and warehousing expenses	518,518	484,014
Gross profit	304,443	277,822
Selling, general and administrative expenses	210,234	194,979
Restructuring charges	1,568	5,448
Depreciation and amortization expense	41,935	40,446
Operating income	50,706	36,949
Other income, net	502	403
Income before income taxes	51,208	37,352
Provision for income taxes	11,279	12,116
Net income	\$ 39,929	\$ 25,236
Net income per basic share	\$ 0.23	\$ 0.14
Net income per diluted share	\$ 0.22	\$ 0.14
Cash dividends per common share	\$ 0.1375	\$ 0.1250
Weighted average common shares outstanding - basic	176,853	179,312
Weighted average common shares outstanding - diluted	178,273	181,678
Retained earnings, beginning	\$ 1,883,592	\$ 1,775,775
Adoption of Accounting Standards Update 2014-09 (see Note 2)	152	-
Net income	39,929	25,236
Cash dividends and dividend equivalents	(24,661)	(22,602)
Reissuance of treasury stock	5,178	(4,094)
Retained earnings, ending	<u>\$ 1,904,190</u>	<u>\$ 1,774,315</u>

Refer to Notes to Consolidated Financial Statements

AMERICAN EAGLE OUTFITTERS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

<i>(In thousands)</i>	13 Weeks Ended	
	May 5, 2018	April 29, 2017
Net income	\$ 39,929	\$ 25,236
Other comprehensive income:		
Foreign currency translation income	4,141	3,791
Other comprehensive income:	4,141	3,791
Comprehensive income	\$ 44,070	\$ 29,027

Refer to Notes to Consolidated Financial Statements

AMERICAN EAGLE OUTFITTERS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

<i>(In thousands)</i>	13 Weeks Ended	
	May 5, 2018	April 29, 2017
Operating activities:		
Net income	\$ 39,929	\$ 25,236
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	42,472	40,893
Share-based compensation	5,716	4,798
Deferred income taxes	(1,162)	15,998
Foreign currency transaction loss (gain)	555	(838)
Changes in assets and liabilities:		
Merchandise inventory	(7,702)	(5,523)
Accounts receivable	5,447	7,315
Prepaid expenses and other	(9,765)	(17,346)
Other assets	(2,237)	(226)
Accounts payable	(33,024)	(38,778)
Unredeemed gift cards and gift certificates	(12,298)	(13,107)
Deferred lease credits	5,282	11,606
Accrued compensation and payroll taxes	(26,308)	(22,201)
Accrued income and other taxes	9,284	780
Accrued liabilities	11,801	2,101
Total adjustments	(11,939)	(14,528)
Net cash provided by operating activities	27,990	10,708
Investing activities:		
Capital expenditures for property and equipment	(46,903)	(40,071)
Purchase of available-for-sale investments	(20,000)	-
Acquisition of intangible assets	(314)	(75)
Net cash used for investing activities	(67,217)	(40,146)
Financing activities:		
Payments on capital leases	(3,284)	(2,382)
Repurchase of common stock as part of publicly announced programs	(44,913)	(87,682)
Repurchase of common stock from employees	(14,213)	(11,406)
Net proceeds from stock options exercised	2,354	-
Cash dividends paid	(24,225)	(22,120)
Net cash used for financing activities	(84,281)	(123,590)
Effect of exchange rates changes on cash	(405)	(388)
Net change in cash and cash equivalents	(123,913)	(153,416)
Cash and cash equivalents - beginning of period	413,613	378,613
Cash and cash equivalents - end of period	\$ 289,700	\$ 225,197
Supplemental disclosure of cash flow information:		
Cash paid during the period for income taxes	\$ 4,834	\$ 4,092
Cash paid during the period for interest	\$ 274	\$ 262

Refer to Notes to Consolidated Financial Statements

AMERICAN EAGLE OUTFITTERS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Interim Financial Statements

The accompanying Consolidated Financial Statements of American Eagle Outfitters, Inc. (the “Company”) at May 5, 2018 and April 29, 2017 and for the 13 week periods ended May 5, 2018 and April 29, 2017 have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. Certain notes and other information have been condensed or omitted from the interim Consolidated Financial Statements presented in this Quarterly Report on Form 10-Q. Therefore, these Consolidated Financial Statements should be read in conjunction with the Company’s Fiscal 2017 Annual Report on Form 10-K filed on March 16, 2018 (the “Fiscal 2017 Form 10-K”). In the opinion of the Company’s management, all adjustments (consisting of normal recurring adjustments and those described in the footnotes that follow) considered necessary for a fair presentation have been included. The existence of subsequent events has been evaluated through the filing date of this Quarterly Report on Form 10-Q.

As used in this report, all references to “we,” “our” and the “Company” refer to American Eagle Outfitters, Inc. and its wholly owned subsidiaries. “American Eagle Outfitters,” “American Eagle,” “AEO” and the “AE Brand” refer to our American Eagle Outfitters stores. “Aerie” refers to our Aerie® by American Eagle® stores. “AEO Direct” refers to our e-commerce operations, www.ae.com and www.aerie.com. “Tailgate” refers to our Tailgate brand of vintage, sports- inspired apparel. “Todd Snyder” refers to our Todd Snyder New York premium menswear brand.

Our business is affected by the pattern of seasonality common to most retail apparel businesses. Historically, a large portion of total net revenue and operating income occurs in the third and fourth fiscal quarters, reflecting the increased demand during the back-to-school and year-end holiday selling seasons, respectively. The results for the current and prior periods are not necessarily indicative of future financial results.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The Consolidated Financial Statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation. At May 5, 2018, the Company operated in one reportable segment.

Fiscal Year

The Company’s financial year is a 52 or 53-week year that ends on the Saturday nearest to January 31. As used herein, “Fiscal 2018” refers to the 52-week period ending February 2, 2019. “Fiscal 2017” refers to the 53-week period ended February 3, 2018.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of our contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. On an ongoing basis, our management reviews the Company’s estimates based on currently available information. Changes in facts and circumstances may result in revised estimates.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standard Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-02, *Leases* (“ASU 2016-02”) which replaces the existing guidance in Accounting Standard Certification (“ASC”) 840, *Leases*. The new standard establishes a right-of-use (“ROU”) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the Statement of Operations. The guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years and requires retrospective application. The Company will adopt the new standard in Fiscal 2019 and is currently evaluating the impact of ASU 2016-02 to its Consolidated Financial Statements, but expects that it will result in a significant increase to its long-term assets and liabilities on the Consolidated Balance Sheets.

In February 2018, the FASB issued ASU 2018-02, *Reclassification of Certain Tax Effects From Accumulated Other Comprehensive Income* (“ASU 2018-02”). The new guidance permits companies to reclassify the stranded tax effects of the Tax Cuts and Jobs Act (the “Tax Act”) on items within accumulated other comprehensive income to retained earnings. This guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company will adopt ASU 2018-02 in Fiscal 2019 and does not expect a material impact from the adoption of this guidance to its Consolidated Financial Statements.

Foreign Currency Translation

In accordance with ASC 830, *Foreign Currency Matters*, assets and liabilities denominated in foreign currencies were translated into United States dollars (“USD”) (the reporting currency) at the exchange rates prevailing at the balance sheet date. Revenues and expenses denominated in foreign currencies were translated into USD at the monthly average exchange rates for the period. Gains or losses resulting from foreign currency transactions are included in the results of operations, whereas, related translation adjustments are reported as an element of other comprehensive income in accordance with ASC 220, *Comprehensive Income*.

Revenue Recognition

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (“ASU 2014-09”). ASU 2014-09 is a comprehensive new revenue recognition model that expands disclosure requirements and requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2017.

The Company adopted ASU 2014-09 on February 4, 2018 using the modified retrospective method applied to all contracts as of February 4, 2018. Results for reporting periods beginning on or after February 4, 2018 are presented under ASU 2014-09, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting. The Company recorded a net increase to opening retained earnings of \$0.2 million as of February 4, 2018 due to the cumulative impact of adoption. The impact was the result of accounting for customer loyalty programs using a relative stand-alone selling price method vs. incremental cost method. The Company defers a portion of the sales revenue attributed to the loyalty points and recognizes revenue when the points are redeemed or expire, consistent with the requirements of ASU 2014-09. Refer to the Customer Loyalty Program caption below for additional information.

Additionally, ASU 2014-09 changes the balance sheet presentation of the Company’s sales return reserve. Presentation on a gross basis is now required, consisting of a separate right of return asset and liability. These amounts are recorded within (i) Prepaid Expenses and Other and (ii) Other Liabilities and Accrued Expenses, respectively, on the Consolidated Balance Sheets. Historically, the Company presented the net sales return liability within Other Liabilities and Accrued Expenses on the Consolidated Balance Sheets. Refer to the Sales Return Reserve caption below for additional information.

Revenue is recorded for store sales upon the purchase of merchandise by customers. The Company’s e-commerce operation records revenue upon the customer receipt date of the merchandise. Shipping and handling revenues are included in total net revenue. Sales tax collected from customers is excluded from revenue and is included as part of accrued income and other taxes on the Company’s Consolidated Balance Sheets.

Revenue is recorded net of estimated and actual sales returns and promotional price reductions. The Company records the impact of adjustments to its sales return reserve quarterly within total net revenue and cost of sales. The sales return reserve reflects an estimate of sales returns based on projected merchandise returns determined through the use of historical average return percentages.

Revenue is not recorded on the issuance of gift cards. A current liability is recorded upon issuance, and revenue is recognized when the gift card is redeemed for merchandise. Additionally, the Company recognizes revenue on unredeemed gift cards based on an estimate of the amounts that will not be redeemed ("gift card breakage"), determined through historical redemption trends. Gift card breakage revenue is recognized in proportion to actual gift card redemptions as a component of total net revenue. For further information on the Company's gift card program, refer to the Gift Cards caption below.

The Company recognizes royalty revenue generated from its license or franchise agreements based on a percentage of merchandise sales by the licensee/franchisee. This revenue is recorded as a component of total net revenue when earned.

The following table sets forth the approximate consolidated percentage of Total Net Revenue attributable to each merchandise group for each of the periods indicated:

	13 Weeks Ended	
	May 5, 2018	April 29, 2017
Men's apparel and accessories	30%	31%
Women's apparel and accessories (excluding Aerie)	53%	56%
Aerie	17%	13%
Total	100%	100%

The following table disaggregates the Company's Total Net Revenue by geography:

<i>(In thousands)</i>	13 Weeks Ended	
	May 5, 2018	April 29, 2017
Total Net Revenue:		
United States	\$ 707,387	\$ 662,115
Foreign (1)	115,574	99,721
Total Net Revenue	\$ 822,961	\$ 761,836

(1) Amounts represent sales from American Eagle and Aerie international retail stores, and e-commerce sales that are billed to and/or shipped to foreign countries and international franchise royalty revenue.

Cost of Sales, Including Certain Buying, Occupancy and Warehousing Expenses

Cost of sales consists of merchandise costs, including design, sourcing, importing and inbound freight costs, as well as markdowns, shrinkage and certain promotional costs (collectively "merchandise costs") and buying, occupancy and warehousing costs.

Design costs are related to the Company's Design Center operations and include compensation, travel and entertainment, supplies and samples for our design teams, as well as rent and depreciation for our Design Center. These costs are included in cost of sales as the respective inventory is sold.

Buying, occupancy and warehousing costs consist of compensation, employee benefit expenses and travel and entertainment for our buyers and certain senior merchandising executives; rent and utilities related to our stores, corporate headquarters, distribution centers and other office space; freight from our distribution centers to the stores; compensation and supplies for our distribution centers, including purchasing, receiving and inspection costs; and shipping and handling costs related to our e-commerce operation. Gross profit is the difference between total net revenue and cost of sales.

Selling, General and Administrative Expenses

Selling, general and administrative expenses consist of compensation and employee benefit expenses, including salaries, incentives and related benefits associated with our stores and corporate headquarters. Selling, general and administrative expenses also include advertising costs, supplies for our stores and home office, communication costs, travel and entertainment, leasing costs and services purchased. Selling, general and administrative expenses do not include compensation, employee benefit expenses and travel for our design, sourcing and importing teams, our buyers and our distribution centers as these amounts are recorded in cost of sales. Additionally, selling, general and administrative expenses do not include rent and utilities related to our stores, operating costs of our distribution centers, and shipping and handling costs related to our e-commerce operations.

Other Income, Net

Other income, net consists primarily of allowances for uncollectible receivables, foreign currency transaction gain/loss and interest income/expense.

Cash and Cash Equivalents and Short-term Investments

The Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

As of May 5, 2018, short-term investments include certificates of deposit with a maturity of greater than three months, but less than one year.

As of April 29, 2017, the Company held no short or long-term investments.

Refer to Note 3 to the Consolidated Financial Statements for information regarding cash and cash equivalents and short-term investments.

Merchandise Inventory

Merchandise inventory is valued at the lower of average cost or market, utilizing the retail method. Average cost includes merchandise design and sourcing costs and related expenses. The Company records merchandise receipts when control of the merchandise has transferred to the Company.

The Company reviews its inventory levels to identify slow-moving merchandise and generally uses markdowns to clear merchandise. Additionally, the Company estimates a markdown reserve for future planned permanent markdowns related to current inventory. Markdowns may occur when inventory exceeds customer demand for reasons of style, seasonal adaptation, changes in customer preference, lack of consumer acceptance of fashion items, competition, or if it is determined that the inventory in stock will not sell at its currently ticketed price. Such markdowns may have a material adverse impact on earnings, depending on the extent and amount of inventory affected. The Company also estimates a shrinkage reserve for the period between the last physical count and the balance sheet date. The estimate for the shrinkage reserve, based on historical results, can be affected by changes in merchandise mix and changes in actual shrinkage trends.

Income Taxes

The Company calculates income taxes in accordance with ASC 740, *Income Taxes* ("ASC 740"), which requires the use of the asset and liability method. Under this method, deferred tax assets and liabilities are recognized based on the difference between the Consolidated Financial Statement carrying amounts of existing assets and liabilities and their respective tax bases as computed pursuant to ASC 740. Deferred tax assets and liabilities are measured using the tax rates, based on certain judgments regarding enacted tax laws and published guidance, in effect in the years when those temporary differences are expected to reverse. A valuation allowance is established against the deferred tax assets when it is more likely than not that some portion or all of the deferred taxes may not be realized. Changes in the Company's level and composition of earnings, tax laws or the deferred tax valuation allowance, as well as the results of tax audits may materially impact the Company's effective income tax rate.

The Company evaluates its income tax positions in accordance with ASC 740, which prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements tax positions taken or expected to be taken on a tax return, including a decision whether to file or not to file in a particular jurisdiction. Under ASC 740, a tax benefit from an uncertain position may be recognized only if it is “more likely than not” that the position is sustainable based on its technical merits.

The calculation of deferred tax assets and liabilities, as well as the decision to recognize a tax benefit from an uncertain position and to establish a valuation allowance requires management to make estimates and assumptions. The Company believes that its estimates and assumptions are reasonable, although actual results may have a positive or negative material impact on the balances of deferred tax assets and liabilities, valuation allowances or net income.

Refer to Note 10 to the Consolidated Financial Statements for additional information regarding income taxes.

Property and Equipment

Property and equipment is recorded on the basis of cost, including costs to prepare the asset for use, with depreciation computed utilizing the straight-line method over the asset’s estimated useful life. The useful lives of our major classes of assets are as follows:

Buildings	25 years
Leasehold improvements	Lesser of 10 years or the term of the lease
Fixtures and equipment	5 years
Information technology	3-5 years

As of May 5, 2018, the weighted average remaining useful life of our assets is approximately 8 years.

In accordance with ASC 360, *Property, Plant, and Equipment* (“ASC 360”), the Company evaluates long-lived assets for impairment at the individual store level, which is the lowest level at which individual cash flows can be identified, for stores that have been open for a period of time sufficient to reach maturity. Impairment losses are recorded on long-lived assets used in operations when events and circumstances indicate that the assets are impaired and the undiscounted cash flows estimated to be generated by those assets are less than their carrying amounts. When events such as these occur, the impaired assets are adjusted to their estimated fair value and an impairment loss is recorded. No long-lived asset impairment charges were recorded during the 13 weeks ended May 5, 2018 or April 29, 2017.

Refer to Note 6 to the Consolidated Financial Statements for additional information regarding property and equipment.

Goodwill

The Company’s goodwill is primarily related to the acquisition of its importing operations, Canada business and Tailgate and Todd Snyder brands. In accordance with ASC 350, *Intangibles – Goodwill and Other* (“ASC 350”), the Company evaluates goodwill for possible impairment on at least an annual basis and last performed an annual impairment test as of February 3, 2018. As a result of the Company’s annual goodwill impairment test, the Company concluded that its goodwill was not impaired.

Intangible Assets

Intangible assets are recorded on the basis of cost with amortization computed utilizing the straight-line method over the assets’ estimated useful lives. The Company’s intangible assets, which consists primarily of trademark assets, are generally amortized over 15 to 25 years.

The Company evaluates intangible assets for impairment in accordance with ASC 350 when events or circumstances indicate that the carrying value of the asset may not be recoverable. Such an evaluation includes the estimation of undiscounted future cash flows to be generated by those assets. If the sum of the estimated future undiscounted cash flows is less than the carrying amounts of the assets, then the assets are impaired and are adjusted to their estimated fair value. No intangible asset impairment charges were recorded during the 13 weeks ended May 5, 2018 or April 29, 2017.

Refer to Note 7 to the Consolidated Financial Statements for additional information regarding intangible assets.

Gift Cards

Revenue is not recorded on the issuance of gift cards. The value of a gift card is recorded as a current liability upon issuance, and revenue is recognized when the gift card is redeemed for merchandise. The Company estimates gift card breakage and recognizes revenue in proportion to actual gift card redemptions as a component of total net revenue. The adoption of ASU 2014-09 did not have an impact of the Company's accounting for gift card breakage.

The Company determines an estimated gift card breakage rate by continuously evaluating historical redemption data and the time when there is a remote likelihood that a gift card will be redeemed. The Company recorded \$2.5 million of revenue related to gift card breakage during both the 13 weeks ended May 5, 2018 and April 29, 2017.

Deferred Lease Credits

Deferred lease credits represent the unamortized portion of construction allowances received from landlords related to the Company's retail stores. Construction allowances are generally comprised of cash amounts received by the Company from its landlords as part of the negotiated lease terms. The Company records a receivable and a deferred lease credit liability at the lease commencement date (date of initial possession of the store). The deferred lease credit is amortized on a straight-line basis as a reduction of rent expense over the term of the original lease (including the pre-opening build-out period). The receivable is reduced as amounts are received from the landlord.

Co-branded Credit Card

The Company offers a co-branded credit card (the "AEO Visa Card") and a private label credit card (the "AEO Credit Card") under the AEO and Aerie brands. These credit cards are issued by a third-party bank (the "Bank") in accordance with a credit card agreement ("the Agreement"). The Company has no liability to the Bank for bad debt expense, provided that purchases are made in accordance with the Bank's procedures. We receive funding from the Bank based on the Agreement and card activity, which includes payments for new account activations and usage of the credit cards. We recognize revenue for this funding when the amounts are fixed or determinable and collectability is reasonably assured. This revenue is recorded in other revenue, which is a component of total net revenue in our Consolidated Statements of Operations and Retained Earnings. The adoption of ASU 2014-09 did not have an impact of the Company's accounting for the co-branded credit card.

Once a customer is approved to receive the AEO Visa Card or the AEO Credit Card and the card is activated, the customer is eligible to participate in the customer loyalty program offered by the Company. For further information on the Company's loyalty program, refer to the Customer Loyalty Program caption below.

Customer Loyalty Program

The Company recently launched a new, digitized loyalty program called AEO Connected TM (the "Program"). This Program integrates the credit card rewards program and the AEREWARDS [®] loyalty program into one combined customer offering. Under the Program, customers accumulate points based on purchase activity and earn rewards by reaching certain point thresholds and, when reached, rewards are distributed. Customers earn rewards in the form of discount savings certificates. Rewards earned are valid through the stated expiration date, which is approximately 45 days from the issuance date of the reward. Additional rewards are also given for key items such as jeans and bras. Rewards not redeemed during the 45-day redemption period are forfeited.

Points earned under the Program on purchases at AE and Aerie are accounted for in accordance with ASU 2014-09. The portion of the sales revenue attributed to the award points is deferred and recognized when the award is redeemed or when the points expire, using the relative stand-alone selling price method. Additionally, reward points earned using the co-branded credit card on non-AEO or Aerie purchases are accounted for in accordance with ASU 2014-09. As the points are earned, a current liability is recorded for the estimated cost of the award, and the impact of adjustments is recorded in cost of sales. The Company recorded a net increase to opening retained earnings of \$0.2 million as of February 4, 2018 due to the cumulative impact of adoption. The impact was the result of accounting for customer loyalty programs using a relative stand-alone selling price method vs. incremental cost method.

Sales Return Reserve

Revenue is recorded net of estimated and actual sales returns and deductions for coupon redemptions and other promotions. The Company records the impact of adjustments to its sales return reserve quarterly within total net revenue and cost of sales. The Sales Return Reserve reflects an estimate of sales returns based on projected merchandise returns determined through the use of historical average return percentages.

As of May 5, 2018, the Company recorded a Right of Return Asset of \$5.2 million within Prepaid Expenses and Other on the Consolidated Balance Sheet, offset by a Sales Return Reserve Liability of \$13.2 million within Other Liabilities and Accrued Expenses on the Consolidated Balance Sheet. The Sales Return Reserve Liability was \$6.4 million, recorded within Other Liabilities and Accrued Expenses, at April 29, 2017.

Segment Information

In accordance with ASC 280, *Segment Reporting* ("ASC 280"), the Company has identified two operating segments (American Eagle Brand and Aerie Brand) that reflect the basis used internally to review performance and allocate resources. All operating segments have been aggregated and are presented as one reportable segment, as permitted by ASC 280.

3. Cash and Cash Equivalents and Short-term Investments

The following table summarizes the fair market values for the Company's cash and short-term investments, which are recorded on the Consolidated Balance Sheets:

<i>(In thousands)</i>	May 5, 2018	February 3, 2018	April 29, 2017
Cash and cash equivalents:			
Cash	\$ 209,927	\$ 184,107	\$ 143,878
Interest bearing deposits	57,812	174,577	81,319
Commercial paper	21,961	54,929	—
Total cash and cash equivalents	<u>\$ 289,700</u>	<u>\$ 413,613</u>	<u>\$ 225,197</u>
Short-term investments			
Certificates of Deposit	20,000	—	—
Total short-term investments	<u>20,000</u>	<u>—</u>	<u>—</u>
Total	<u>\$ 309,700</u>	<u>\$ 413,613</u>	<u>\$ 225,197</u>

Purchases of investments were \$20.0 million for the 13 weeks ended May 5, 2018. There were no sales or purchases of investments for the 13 weeks ended April 29, 2017.

4. Fair Value Measurements

ASC 820, *Fair Value Measurement Disclosures* ("ASC 820"), defines fair value, establishes a framework for measuring fair value in accordance with GAAP and expands disclosures about fair value measurements. Fair value is defined under ASC 820 as the exit price associated with the sale of an asset or transfer of a liability in an orderly transaction between market participants at the measurement date.

Financial Instruments

Valuation techniques used to measure fair value under ASC 820 must maximize the use of observable inputs and minimize the use of unobservable inputs. In addition, ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

- Level 1 — Quoted prices in active markets.
- Level 2 — Inputs other than Level 1 that are observable, either directly or indirectly.
- Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

In accordance with ASC 820, the following table represents the Company's fair value hierarchy for its financial assets (cash equivalents and investments) measured at fair value on a recurring basis at May 5, 2018 and April 29, 2017:

(In thousands)	Fair Value Measurements at May 5, 2018			
	Carrying Amount	Quoted Market Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents:				
Cash	\$ 209,927	\$ 209,927	—	—
Interest bearing deposits	57,812	57,812	—	—
Commercial paper	21,961	21,961	—	—
Total cash and cash equivalents	\$ 289,700	\$ 289,700	—	—
Short-term investments				
Certificates of Deposit	20,000	20,000	—	—
Total short-term investments	20,000	20,000	—	—
Total	\$ 309,700	\$ 309,700	—	—

(In thousands)	Fair Value Measurements at April 29, 2017			
	Carrying Amount	Quoted Market Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents:				
Cash	\$ 143,878	\$ 143,878	—	—
Interest bearing deposits	81,319	81,319	—	—
Total cash and cash equivalents	\$ 225,197	\$ 225,197	\$ —	\$ —

In the event the Company holds Level 3 investments, a discounted cash flow model is used to value those investments. There were no Level 3 investments at May 5, 2018 or April 29, 2017.

Non-Financial Assets

The Company's non-financial assets, which include goodwill, intangible assets and property and equipment, are not required to be measured at fair value on a recurring basis. However, if certain triggering events occur, or if an annual impairment test is required, and the Company is required to evaluate the non-financial asset for impairment, a resulting asset impairment would require that the non-financial asset be recorded at the estimated fair value. During the 13 weeks ended for May 5, 2018, the Company did not impair any non-financial assets.

5. Earnings per Share

The following is a reconciliation between basic and diluted weighted average shares outstanding:

<i>(In thousands)</i>	13 Weeks Ended	
	May 5, 2018	April 29, 2017
Weighted average common shares outstanding:		
Basic number of common shares outstanding	176,853	179,312
Dilutive effect of stock options and non-vested restricted stock	1,420	2,366
Diluted number of common shares outstanding	<u>178,273</u>	<u>181,678</u>

Equity awards to purchase approximately 0.7 million shares of common stock during the 13 weeks ended May 5, 2018 and approximately 3.3 million shares of common stock during the 13 weeks ended April 29, 2017 were outstanding, but were not included in the computation of weighted average diluted common share amounts as the effect of doing so would be anti-dilutive.

Additionally, there were no shares and approximately 0.6 million shares of restricted stock units for the 13 weeks ended May 5, 2018 and April 29, 2017, respectively, outstanding, but not included in the computation of weighted average diluted common share amounts as the effect of doing so would be anti-dilutive. Furthermore, approximately 1.4 million and 0.7 million shares of restricted stock units for the 13 weeks ended May 5, 2018 and April 29, 2017, respectively, were not included in the computation of weighted average diluted common shares amounts because the number of shares ultimately issued is contingent on the Company's performance compared to pre-established annual performance goals.

Refer to Note 9 to the Consolidated Financial Statements for additional information regarding share-based compensation.

6. Property and Equipment

Property and equipment consists of the following:

<i>(In thousands)</i>	May 5, 2018	February 3, 2018	April 29, 2017
Property and equipment, at cost	\$ 2,058,450	\$ 2,023,875	\$ 1,912,704
Less: Accumulated depreciation and impairment	(1,326,271)	(1,299,636)	(1,202,204)
Property and equipment, net	<u>\$ 732,179</u>	<u>\$ 724,239</u>	<u>\$ 710,500</u>

7. Intangible Assets

Intangible assets consist of the following:

<i>(In thousands)</i>	May 5, 2018	February 3, 2018	April 29, 2017
Trademarks, at cost	\$ 70,636	\$ 70,322	\$ 69,054
Less: Accumulated amortization	(24,670)	(23,656)	(20,592)
Intangible assets, net	<u>\$ 45,966</u>	<u>\$ 46,666</u>	<u>\$ 48,462</u>

8. Other Credit Arrangements

In Fiscal 2014, the Company entered into a Credit Agreement ("Credit Agreement") for five-year, syndicated, asset-based revolving credit facilities (the "Credit Facilities"). The Credit Agreement provides senior secured revolving credit for loans and letters of credit up to \$400 million, subject to customary borrowing base limitations. The Credit Facilities provide increased financial flexibility and take advantage of a favorable credit environment.

All obligations under the Credit Facilities are unconditionally guaranteed by certain subsidiaries. The obligations under the Credit Agreement are secured by a first-priority security interest in certain working capital assets of the borrowers and guarantors, consisting primarily of cash, receivables, inventory and certain other assets and have been further secured by first-priority mortgages on certain real property.

As of May 5, 2018, the Company was in compliance with the terms of the Credit Agreement and had \$8.1 million outstanding in stand-by letters of credit. No loans were outstanding under the Credit Agreement as of May 5, 2018.

Additionally, the Company has a borrowing agreement with one financial institution under which it may borrow an aggregate of \$5.0 million USD for the purposes of trade letter of credit issuances. The availability of any future borrowings under the trade letter of credit facilities is subject to acceptance by the financial institution. As of May 5, 2018, the Company had no outstanding trade letters of credit.

9. Share-Based Compensation

The Company accounts for share-based compensation under the provisions of ASC 718, *Compensation - Stock Compensation* ("ASC 718"), which requires companies to measure and recognize compensation expense for all share-based payments at fair value. The Company adopted ASU 2016-09, *Compensation—Stock Compensation* ("ASU 2016-09") prospectively at the beginning of Fiscal 2017 and now records excess tax benefits and deficiencies as a discrete adjustment to income tax expense when stock awards vest or are exercised, rather than in contributed capital where they have been historically recorded. ASU 2016-09 also requires cash flows related to excess tax benefits from share-based compensation to be presented in operating activities, rather than separately as a financing activity, in the Consolidated Statement of Cash Flows.

Total share-based compensation expense included in the Consolidated Statements of Operations and Retained Earnings for the 13 weeks ended May 5, 2018 and April 29, 2017 was \$5.7 million (\$4.5 million, net of tax) and \$4.8 million (\$3.2 million, net of tax), respectively.

Stock Option Grants

The Company grants both time-based and performance-based stock options. A summary of the Company's stock option activity for the 13 weeks ended May 5, 2018 follows:

	Options <i>(In thousands)</i>	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term <i>(In years)</i>	Aggregate Intrinsic Value <i>(In thousands)</i>
Outstanding - February 3, 2018	2,190	\$ 14.59		
Granted	715	\$ 19.60		
Exercised (1)	(153)	\$ 15.21		
Cancelled	—	\$ —		
Outstanding - May 5, 2018	<u>2,752</u>	<u>\$ 16.42</u>	<u>5.7</u>	<u>\$ 10,145</u>
Vested and expected to vest - May 5, 2018	<u>2,580</u>	<u>\$ 16.41</u>	<u>5.7</u>	<u>\$ 9,558</u>
Exercisable - May 5, 2018 (2)	592	\$ 15.38	5.3	\$ 2,801

- (1) Options exercised during the 13 weeks ended May 5, 2018 had exercise prices ranging from \$14.05 to \$15.72.
- (2) Options exercisable represent "in-the-money" vested options based upon the weighted-average exercise price of vested options compared to the Company's stock price on May 5, 2018.

Cash received from the exercise of stock options was \$2.4 million for the 13 weeks ended May 5, 2018. There were no stock options exercised during the 13 weeks ended April 29, 2017. The actual tax benefit realized from stock option exercises totaled \$0.1 million for the 13 weeks May 5, 2018.

As of May 5, 2018, there was \$5.9 million of unrecognized compensation expense for stock option awards that is expected to be recognized over a weighted average period of 2.8 years.

The fair value of stock options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions:

Black-Scholes Option Valuation Assumptions	13 Weeks Ended	13 Weeks Ended
	May 5, 2018	April 29, 2017
Risk-free interest rate (1)	2.6%	2.1%
Dividend yield	2.5%	3.1%
Volatility factor (2)	39.5%	38.5%
Weighted-average expected term (3)	4.5 years	4.5 years

- (1) Based on the U.S. Treasury yield curve in effect at the time of grant with a term consistent with the expected life of our stock options.
- (2) Based on a combination of historical volatility of the Company's common stock and implied volatility.
- (3) Represents the period of time options are expected to be outstanding. The weighted average expected option terms were determined based on historical experience.

Restricted Stock Grants

Time-based restricted stock awards are comprised of time-based restricted stock units. These awards vest over three years. Time-based restricted stock units receive dividend equivalents in the form of additional time-based restricted stock units, which are subject to the same restrictions and forfeiture provisions as the original award.

Performance-based restricted stock awards include performance-based restricted stock units. These awards cliff vest at the end of a three-year period based upon the Company's achievement of pre-established goals throughout the term of the award. Performance-based restricted stock units receive dividend equivalents in the form of additional performance-based restricted stock units, which are subject to the same restrictions and forfeiture provisions as the original award.

The grant date fair value of all restricted stock awards is based on the closing market price of the Company's common stock on the date of grant.

A summary of the Company's restricted stock activity is presented in the following tables:

	Time-Based Restricted Stock Units		Performance-Based Restricted Stock Units	
	13 Weeks Ended May 5, 2018		13 Weeks Ended May 5, 2018	
	Shares	Weighted -Average Grant Date Fair Value	Shares	Weighted -Average Grant Date Fair Value
<i>(Shares in thousands)</i>				
Nonvested - February 3, 2018	2,189	\$ 13.27	2,138	\$ 15.16
Granted	—	\$ —	497	\$ 19.60
Vested	(455)	\$ 15.35	(784)	\$ 14.87
Cancelled	(60)	\$ 13.08	(16)	\$ 15.51
Nonvested - May 5, 2018	1,674	\$ 12.71	1,835	\$ 16.48

As of May 5, 2018, there was \$12.8 million of unrecognized compensation expense related to non-vested, time-based restricted stock unit awards that is expected to be recognized over a weighted-average period of 1.5 years. Based on current probable performance, there is \$4.5 million of unrecognized compensation expense related to performance-based restricted stock unit awards which will be recognized as achievement of performance goals is probable over a one to three year period.

As of May 5, 2018, the Company had 8.2 million shares available for all equity grants.

10. Income Taxes

The provision for income taxes is based on the current estimate of the annual effective income tax rate and is adjusted as necessary for discrete quarterly events. The effective income tax rate for the 13 weeks ended May 5, 2018 was 22.0% compared to 32.4% for the 13 weeks ended April 29, 2017. The decrease in the effective income tax rate this year is primarily due to the reduction in the U.S. federal corporate tax rate from 35% to 21% as a result of the enactment of the Tax Cuts and Jobs Act (the "Tax Act") in December 2017, partially offset by changes in unrecognized tax benefits in the first quarter of the prior year.

The Company records accrued interest and penalties related to unrecognized tax benefits in income tax expense. The Company recognizes income tax liabilities related to unrecognized tax benefits in accordance with ASC 740 and adjusts these liabilities when its judgment changes as a result of the evaluation of new information not previously available. Unrecognized tax benefits did not change significantly during the 13 weeks ended May 5, 2018. Over the next twelve months, the Company believes that it is reasonably possible that unrecognized tax benefits may decrease by approximately \$4.9 million due to settlements, expiration of statute of limitations or other changes in unrecognized tax benefits.

In accordance with U.S. Securities and Exchange Commission Staff Accounting Bulletin No. 118 ("SAB 118"), issued in December 2017 and amended in March 2018, in Fiscal 2017 we recorded provisional amounts related to the Tax Act including the remeasurement of our U.S. net deferred tax liabilities, as well as the repatriation tax and other international tax provisions related to a modified territorial tax system. We continue to assess available tax methods and elections, refine our computation of the repatriation tax and evaluate regulatory guidance, which may result in changes to our tax estimates. See Note 14 to the Consolidated Financial Statements in the Fiscal 2017 Form 10-K for further details on the Tax Act and SAB 118.

11. Legal Proceedings

The Company is subject to certain legal proceedings and claims arising out of the conduct of its business. In accordance with ASC 450, *Contingencies* ("ASC 450"), the Company records a reserve for estimated losses when the loss is probable and the amount can be reasonably estimated. If a range of possible loss exists and no anticipated loss within the range is more likely than any other anticipated loss, the Company records the accrual at the low end of the range, in accordance with ASC 450. As the Company believes that it has provided adequate reserves, it anticipates that the ultimate outcome of any matter currently pending against the Company will not materially affect the consolidated financial position, results of operations or consolidated cash flows of the Company. However, our assessment of any litigation or other legal claims could potentially change in light of the discovery of facts not presently known or determinations by judges, juries, or other finders of fact which are not in accord with management's evaluation of the possible liability or outcome of such litigation or claims.

12. Restructuring Charges

During the 13 weeks ended May 5, 2018, the Company recorded pre-tax restructuring charges of \$1.6 million. These amounts consist primarily of charges for corporate severance costs. The Company may incur additional charges for corporate and international restructuring in Fiscal 2018. The magnitude is dependent on a number of factors, including negotiating third-party agreements, adherence to notification requirements and local laws.

During the 13 weeks ended April 29, 2017, the Company recorded restructuring charges of \$5.4 million. This amount primarily consists of severance and related charges corresponding to corporate restructuring and the previously announced initiative to explore the closure or conversion of Company owned and operated stores in Hong Kong, China, and the United Kingdom to licensed partnerships.

A rollforward of the liabilities recognized in the Consolidated Balance Sheet is as follows. The accrued liability as of February 3, 2018 relates to previous restructuring activities disclosed in the Company's Fiscal 2017 Form 10-K, which remained unpaid at the beginning of Fiscal 2018.

	<u>13 Weeks Ended</u>	
		<u>May 5,</u>
<i>(In thousands)</i>		<u>2018</u>
Accrued liability as of February 3, 2018	\$	7,650
Add: Costs incurred, excluding non-cash charges		1,568
Less: Cash payments and adjustments		(6,353)
Accrued liability as of May 5, 2018	\$	<u>2,865</u>

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion and analysis of financial condition and results of operations should be read in conjunction with our Fiscal 2017 Management's Discussion and Analysis of Financial Condition and Results of Operations which can be found in our Fiscal 2017 Form 10-K.

In addition, the following discussion and analysis of financial condition and results of operations are based upon our Consolidated Financial Statements and should be read in conjunction with these statements and notes thereto.

This report 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, which represent our expectations or beliefs concerning future events, including the following:

- the planned opening of approximately 15 to 20 American Eagle Outfitters stores and 10 to 15 Aerie stores, and conversion of 20 to 25 Aerie side-by-side format stores in North America during Fiscal 2018;
- the success of our efforts to expand internationally, engage in future franchise/license agreements, and/or growth through acquisitions or joint ventures;
- the selection of approximately 60 to 70 American Eagle Outfitters stores in the United States and Canada for remodeling and refurbishing during Fiscal 2018;
- the potential closure of approximately 10 to 15 American Eagle Outfitters and 5 to 10 Aerie stores, primarily in North America during Fiscal 2018;
- the planned opening of approximately 45 to 50 new international third-party operated American Eagle Outfitters stores during Fiscal 2018;
- the success of our core American Eagle Outfitters and Aerie brands through our omni-channel and licensed outlets within North America and internationally;
- the success of our business priorities and strategies;
- the expected payment of a dividend in future periods;
- the possibility that our credit facilities may not be available for future borrowings;
- the possibility that rising prices of raw materials, labor, energy and other inputs to our manufacturing process, if unmitigated, will have a significant impact to our profitability; and
- the possibility that we may be required to take additional store impairment charges related to underperforming stores.

We caution that these forward-looking statements, and those described elsewhere in this report, involve material risks and uncertainties and are subject to change based on factors beyond our control as discussed herein and Item 1A of our Fiscal 2017 Form 10-K. Accordingly, our future performance and financial results may differ materially from those expressed or implied in any such forward-looking statements.

Key Performance Indicators

Our management evaluates the following items, which are considered key performance indicators, in assessing our performance:

Comparable sales — Comparable sales provide a measure of sales growth for stores and channels open at least one year over the comparable prior year period. In fiscal years following those with 53 weeks, including Fiscal 2018, the prior year period is shifted by one week to compare similar calendar weeks. A store is included in comparable sales in the thirteenth month of operation. However, stores that have a gross square footage change of 25% or greater due to a remodel are removed from the comparable sales base, but are included in total sales. These stores are returned to the comparable sales base in the thirteenth month following the remodel. Sales from American Eagle Outfitters, Aerie, Tailgate and Todd Snyder stores, as well as sales from AEO Direct and other digital channels, are included in total comparable sales. Sales from licensed stores are not included in comparable sales. Individual American Eagle Outfitters and Aerie brand comparable sales disclosures represent sales from stores and AEO Direct.

AEO Direct sales are included in the individual American Eagle Outfitters and Aerie brand comparable sales metric for the following reasons:

- Our approach to customer engagement is “omni-channel”, which provides a seamless customer experience through both traditional and non-traditional channels, including four wall store locations, web, mobile/tablet devices, social networks, email, in-store displays and kiosks. Additionally, we fulfill online orders at stores through our buy online, ship from store capability, maximizing store inventory exposure to digital traffic. We also offer reserve online, pickup in store service to our customers and give them the ability to look up store inventory from all digital channels; and
- Shopping behavior has continued to evolve across multiple channels that work in tandem to meet customer needs. Management believes that presenting a brand level performance metric that includes all channels (i.e., stores and AEO Direct) is the most appropriate, given customer behavior.

Our management considers comparable sales to be an important indicator of our current performance. Comparable sales results are important to achieve leveraging of our costs, including store payroll, store supplies, rent, etc. Comparable sales also have a direct impact on our total net revenue, cash and working capital.

Gross profit — Gross profit measures whether we are optimizing profitability of our sales. Gross profit is the difference between total net revenue and cost of sales. Cost of sales consists of: merchandise costs, including design, sourcing, importing and inbound freight costs, as well as markdowns, shrinkage and certain promotional costs (collectively “merchandise costs”) and buying, occupancy and warehousing costs. Design costs consist of: compensation, rent, depreciation, travel, supplies and samples.

Buying, occupancy and warehousing costs consist of: compensation, employee benefit expenses and travel for our buyers and certain senior merchandising executives; rent and utilities related to our stores, corporate headquarters, distribution centers and other office space; freight from our distribution centers to the stores; compensation and supplies for our distribution centers, including purchasing, receiving and inspection costs; and shipping and handling costs related to our e-commerce operation.

The inability to obtain acceptable levels of sales, initial markups or any significant increase in our use of markdowns could have an adverse effect on our gross profit and results of operations.

Operating income — Our management views operating income as a key indicator of our performance. The key drivers of operating income are comparable sales, gross profit, our ability to control selling, general and administrative expenses, and our level of capital expenditures. Management also uses earnings before interest and taxes as an indicator of operating results.

Return on invested capital — Our management uses return on invested capital as a key measure to assess our efficiency at allocating capital to profitable investments. This measure is critical in determining which strategic investments to pursue.

Omni-channel sales performance — Our management utilizes the following quality of sales metrics in evaluating our omni-channel sales performance: comparable sales, average unit retail price (“AUR”), units per transaction (“UPT”), average transaction value, transactions, customer traffic and conversion rates.

Inventory turnover — Our management evaluates inventory turnover as a measure of how productively inventory is bought and sold. Inventory turnover is important as it can signal slow moving inventory. This can be critical in determining the need to take markdowns on merchandise.

Cash flow and liquidity — Our management evaluates cash flow from operations, investing and financing in determining the sufficiency of our cash position. Free cash flow has historically been sufficient to cover our uses of cash. Our management believes that free cash flow will be sufficient to fund anticipated capital expenditures, dividends and working capital requirements.

Results of Operations

Overview

Our first quarter produced the thirteenth consecutive quarter of positive comparable sales increase. Total net revenue increased 8% to \$823.0 million and consolidated comparable sales, including AEO Direct, increased 9%, following a 2% increase last year. By brand, American Eagle brand comparable sales increased 4% while Aerie comparable sales increased 38%. Gross profit increased 10% to \$304.4 million compared to \$277.8 million last year and increased 50 basis to 37.0% as a rate to total net revenue. The increase in the gross margin rate is the result of an improvement in the markdown rate and rent leverage, partially offset by increased delivery expense.

Net income for the quarter increased 58% to \$39.9 million, or \$0.22 per diluted share, compared to \$25.2 million, or \$0.14 per diluted share, last year. On an adjusted basis, net income per diluted share this year increased 44% to \$0.23 per share, which excludes \$0.01 per share of restructuring charges compared to \$0.16 per diluted share last year, which excludes \$0.02 per share of restructuring charges.

Our business is affected by the pattern of seasonality common to most retail apparel businesses. The results for the current and prior periods are not necessarily indicative of future financial results.

This results of operations section contains non-GAAP financial measures (“non-GAAP” or “adjusted”), comprised of earnings per share information excluding non-GAAP items. This financial measure is not based on any standardized methodology prescribed by U.S. generally accepted accounting principles (“GAAP”) and is not necessarily comparable to similar measures presented by other companies. We believe that this non-GAAP information is useful as an additional means for investors to evaluate our operating performance, when reviewed in conjunction with our GAAP financial statements. These amounts are not determined in accordance with GAAP and, therefore, should not be used exclusively in evaluating our business and operations. The table below reconciles the GAAP financial measure to the non-GAAP financial measure discussed above.

	13 Weeks Ended May 5, 2018	13 Weeks Ended April 29, 2017
Net income per diluted share - GAAP Basis	\$ 0.22	\$ 0.14
Add: Restructuring charges (1)(2)	0.01	0.02
Net income per diluted share - Adjusted or Non-GAAP Basis	\$ 0.23	\$ 0.16

- (1) 13 weeks ended May 5, 2018: \$1.6 million pre-tax restructuring charges, primarily consisting of corporate severance charges
- (2) 13 weeks ended April 29, 2017: \$5.4 million pre-tax restructuring charges for severance and related charges, which includes corporate overhead reductions and charges for the United Kingdom, Hong Kong, and China

During the 13 weeks ended May 5, 2018, we returned \$69.1 million to shareholders through share repurchases of \$44.9 million, and cash dividends of \$24.2 million. We had \$309.7 million in cash and short-term investments as of May 5, 2018 compared to \$225.2 million last year. Merchandise inventory at the end of the first quarter was \$404.3 million, compared to \$364.3 million last year, an 11% increase.

The following table shows the percentage relationship to total net revenue of the listed line items included in our Consolidated Statements of Operations and Retained Earnings.

	13 Weeks Ended	
	May 5, 2018	April 29, 2017
Total net revenue	100.0 %	100.0 %
Cost of sales, including certain buying, occupancy and warehousing expenses	63.0	63.5
Gross profit	37.0	36.5
Selling, general and administrative expenses	25.5	25.6
Restructuring charges	0.2	0.7
Depreciation and amortization expense	5.1	5.3
Operating income	6.2	4.9
Other income, net	—	—
Income before income taxes	6.2	4.9
Provision for income taxes	1.4	1.6
Net Income	4.8 %	3.3 %

The following table shows our consolidated store data:

	13 Weeks Ended	
	May 5, 2018	April 29, 2017
Number of stores:		
Beginning of period	1,047	1,050
Opened	5	6
Closed	(3)	(3)
End of period	<u>1,049</u>	<u>1,053</u>
Total gross square feet at end of period (in '000)	<u>6,598</u>	<u>6,638</u>
International licensed/franchise stores at end of period (1)	<u>217</u>	<u>189</u>

(1) International licensed/franchise stores are not included in the consolidated store data or the total gross square feet calculation.

Our operations are conducted in one reportable segment, consisting of 935 American Eagle Outfitters retail stores which include 118 Aerie side-by-side locations, 109 Aerie stand-alone locations and AEO Direct. Additionally, there were 4 Tailgate and 1 Todd Snyder stand-alone locations.

Comparison of the 13 weeks ended May 5, 2018 to the 13 weeks ended April 29, 2017

Total net revenue

Total net revenue increased 8%, or \$61.2 million, to \$823.0 million compared to \$761.8 million last year. The increase resulted from a consolidated comparable sales increase of 9% for the period following a 2% increase last year.

By brand, including the respective AEO Direct sales, American Eagle Outfitters brand comparable sales increased 4%, or \$27.3 million, and Aerie brand comparable sales increased 38%, or \$31.7 million. Total comparable sales for AE women's increased 3% and men's increased 7%. First quarter 2018 comparable sales are compared to the 13 weeks ended May 6, 2017.

For the first quarter, consolidated comparable traffic increased in the low-double digits while transactions increased in the mid-single digits. Units per transaction decreased slightly, partially offset by an AUR increase in the low-single digits.

Gross Profit

Gross profit increased 10% or \$26.6 million to \$304.4 million compared to \$277.8 million last year. The gross margin rate improved 50 basis points to a rate of 37.0% of revenue. 20 basis points of the gross margin was due to an improvement in the markdown rate. Additionally, buying, occupancy and warehousing costs improved by 30 basis points as a result of rent leverage, partially offset by increased digital delivery expense related to increased AEO Direct penetration.

There was \$2.8 million and \$2.6 million of share-based payment expense included in gross profit for the periods ended May 5, 2018 and April 29, 2017, comprised of both time and performance-based awards.

Our gross profit may not be comparable to that of other retailers, as some retailers include all costs related to their distribution network, as well as design costs in cost of sales and others may exclude a portion of these costs from cost of sales, including them in a line item such as selling, general and administrative expenses. Refer to Note 2 to the Consolidated Financial Statements for a description of our accounting policy regarding cost of sales, including certain buying, occupancy and warehousing expenses.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses increased 8% or \$15.3 million to \$210.2 million from \$195.0 million last year. As a rate to total net revenue, SG&A expenses improved 10 basis points to 25.5%, compared to 25.6% last year. SG&A expense increased as a result of higher store salaries and incentive expense.

There was \$3.0 million and \$2.2 million of share-based payment expense included in SG&A expenses for the periods ended May 5, 2018 and April 29, 2017, respectively, comprised of both time and performance-based awards.

Restructuring Charges

Restructuring charges were \$1.6 million, or 0.2% as a rate to total net revenue, for the 13 weeks ended May 5, 2018. These charges are primarily the result of corporate severance charges. Restructuring charges were \$5.4 million, or 0.7% as a rate to total net revenue for the 13 weeks ended April 29, 2017. These charges are primarily the result of severance and related charges, which includes corporate overhead reductions and charges for the United Kingdom, Hong Kong, and China.

Depreciation and Amortization Expense

Depreciation and amortization expense increased 4% or \$1.5 million to \$41.9 million, compared to \$40.4 million last year. As a rate to total net revenue, depreciation and amortization expense was 5.1% this year compared to 5.3% last year. The increase in expense was driven by omnichannel, stores and IT technology investments.

Other Income, Net

Other income increased to \$0.5 million this year, compared to other income of \$0.4 million last year, primarily as a result of foreign currency fluctuations.

Provision for Income Taxes

The provision for income taxes is based on the current estimate of the annual effective income tax rate and is adjusted as necessary for quarterly events. The effective income tax rate for the 13 weeks ended May 5, 2018 was 22.0% compared to 32.4% for the 13 weeks ended April 29, 2017. The decrease in the effective income tax rate for the 13 weeks ended May 5, 2018 is primarily due to the reduction in the U.S. federal corporate tax rate from 35% to 21% as a result of the enactment of the Tax Act in December 2017, partially offset by changes in unrecognized tax benefits in the first quarter of the prior year.

Net Income

Net income increased 58%, or \$14.7 million, to \$39.9 million, or 4.9% as a percent to total net revenue, from \$25.2 million, or 3.3% as a percent to total net revenue last year. Net income per share increased 57% to \$0.22 per diluted share, including \$0.01 of restructuring charges from \$0.14 per diluted share, including \$0.02 of restructuring charges last year. The change in net income is attributable to the factors noted above.

International Operations

We have agreements with multiple third party operators to expand our brands internationally. Through these agreements, a series of franchised, licensed or other brand-dedicated American Eagle Outfitters stores have opened and will continue to open in areas including Eastern Europe, the Middle East, Central and South America, Northern Africa and parts of Asia. These agreements do not involve a significant capital investment or operational involvement from us. We continue to increase the number of countries in which we enter into these types of arrangements as part of our strategy to expand internationally. As of May 5, 2018, we had 217 stores operated by our third party operators in 24 countries. International third party operated stores are not included in the consolidated store data or the total gross square feet calculation.

As of May 5, 2018, we had 104 company-owned stores in Canada, 34 in Mexico, 6 in Hong Kong, 5 in China and 6 in Puerto Rico.

Fair Value Measurements

ASC 820 defines fair value, establishes a framework for measuring fair value in accordance with GAAP, and expands disclosures about fair value measurements. Fair value is defined under ASC 820 as the exit price associated with the sale of an asset or transfer of a liability in an orderly transaction between market participants at the measurement date.

Financial Instruments

Valuation techniques used to measure fair value under ASC 820 must maximize the use of observable inputs and minimize the use of unobservable inputs. In addition, ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

- Level 1 — Quoted prices in active markets.
- Level 2 — Inputs other than Level 1 that are observable, either directly or indirectly.
- Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

As of May 5, 2018, we held certain assets that are required to be measured at fair value on a recurring basis. These include cash and cash equivalents and short-term investments.

In accordance with ASC 820, the following table represents the fair value hierarchy of our financial assets (cash equivalents and investments) measured at fair value on a recurring basis as of May 5, 2018:

<i>(In thousands)</i>	Fair Value Measurements at May 5, 2018			
	Carrying Amount	Quoted Market Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents:				
Cash	\$ 209,927	\$ 209,927	—	—
Interest bearing deposits	57,812	57,812	—	—
Commercial paper	21,961	21,961	—	—
Total cash and cash equivalents	\$ 289,700	\$ 289,700	—	—
Short-term investments				
Certificates of Deposit	20,000	20,000	—	—
Total short-term investments	20,000	20,000	—	—
Total	\$ 309,700	\$ 309,700	—	—

Liquidity and Capital Resources

Our uses of cash are generally for working capital, the construction of new stores and remodeling of existing stores, information technology upgrades, distribution center improvements and expansion and the return of value to shareholders through the repurchase of common stock and the payment of dividends. Additionally, our uses of cash include the development of the Aerie brand, investments in omni-channel capabilities, and our international expansion efforts. Historically, these uses of cash have been funded with cash flow from operations and existing cash on hand. Also, we hold a five-year asset-based revolving credit facility that allows us to borrow up to \$400 million, which will expire in December of 2019. We expect to be able to fund our future cash requirements through current cash holdings as well as cash generated from operations.

Our growth strategy includes fortifying our brands and further e-commerce and store expansion or acquisitions. We periodically consider and evaluate these options to support future growth. In the event we do pursue such options, we could require additional equity or debt financing. There can be no assurance that we would be successful in closing any potential transaction, or that any endeavor we undertake would increase our profitability.

The following sets forth certain measures of our liquidity:

	May 5, 2018	February 3, 2018	April 29, 2017
Working Capital (in thousands)	\$ 439,792	\$ 483,309	\$ 343,081
Current Ratio	2.01	2.00	1.82

Working capital decreased \$43.5 million compared to February 3, 2018 and increased \$96.7 million compared to last year. The \$43.5 million decrease in our working capital as of May 5, 2018, is driven by \$28.0 million of cash inflow from operations, offset by capital expenditures of \$46.9 million and the payment of cash dividends of \$24.2 million. Additionally, we repurchased 2.3 million shares for \$44.9 million under our publically announced program during the 13 weeks ended May 5, 2018.

Cash Flows from Operating Activities

Net cash provided by operating activities totaled \$28.0 million and \$10.7 million for the 13 weeks ended May 5, 2018 and April 29, 2017, respectively. For both periods, our major source of cash from operations was merchandise sales and our primary outflow of cash for operations was for the payment of operational costs.

Cash Flows for Investing Activities

Investing activities for the 13 weeks ended May 5, 2018 primarily consisted of \$46.9 million of capital expenditures for property and equipment and \$20.0 million of short-term investment purchases. Investing activities for the 13 weeks ended April 29, 2017 primarily included \$40.1 million of capital expenditures for property and equipment.

Cash Flows for Financing Activities

Cash used for financing activities for the 13 weeks ended May 5, 2018 consisted primarily of \$44.9 million used for purchases of 2.3 million shares of common stock under publically announced programs, \$24.2 million for cash dividends paid at a quarterly rate of \$0.1375 per share, \$14.2 million for the repurchase of common stock from employees for the payment of taxes in connection with the vesting of share-based payments and \$3.3 million for the payments on capital leases.

Cash used for financing activities for the 13 weeks ended April 29, 2017 consisted primarily of \$87.7 million used for purchases of common stock under publically announced programs, of \$22.1 million for cash dividends paid at a quarterly rate of \$0.125 per share, \$11.4 million for the repurchase of common stock from employees for the payment of taxes in connection with the vesting of share-based payments and \$2.4 million for the payments on capital leases.

Credit Facilities

In Fiscal 2014, we entered into a Credit Agreement (“Credit Agreement”) for five-year, syndicated, asset-based revolving credit facilities (the “Credit Facilities”). The Credit Agreement provides senior secured revolving credit for loans and letters of credit up to \$400.0 million, subject to customary borrowing base limitations. The Credit Facilities provide increased financial flexibility and take advantage of a favorable credit environment.

All obligations under the Credit Facilities are unconditionally guaranteed by certain subsidiaries. The obligations under the Credit Agreement are secured by a first-priority security interest in certain working capital assets of the borrowers and guarantors, consisting primarily of cash, receivables, inventory and certain other assets and have been further secured by first-priority mortgages on certain real property.

As of May 5, 2018, we were in compliance with the terms of the Credit Agreement and had \$8.1 million outstanding in stand-by letters of credit. No loans were outstanding under the Credit Agreement on May 5, 2018.

Additionally, we have a borrowing agreement with one financial institution under which we may borrow an aggregate of \$5.0 million for the purposes of trade letter of credit issuances. The availability of any future borrowings under the trade letter of credit facilities is subject to acceptance by the respective financial institutions. As of May 5, 2018, we had no outstanding trade letters of credit.

Capital Expenditures for Property and Equipment

Capital expenditures for the 13 weeks ended May 5, 2018 were \$46.9 million and included \$27.4 million related to investments in our stores. In the 13 weeks ended May 5, 2018, we opened 1 new Aerie location. We opened 4 new AE stores; 1 in Canada and 3 in the U.S. to better position select markets. Additionally, we continued to support our infrastructure growth by investing in information technology initiatives (\$6.4 million), e-commerce (\$7.7 million), the improvement of our distribution centers (\$5.1 million), and other home office projects (\$0.3 million).

For Fiscal 2018, we expect capital expenditures to be in the range of \$180 million to \$190 million in support of our expansion efforts, stores investments including selective remodels of high performing, long-term locations, information technology upgrades to support growth and investments in e-commerce.

Stock Repurchases

During the 13 weeks ended May 5, 2018, as part of our publicly announced share repurchase program, we repurchased 2.3 million shares for \$44.9 million, at a weighted average price of \$19.51 per share. During the 13 weeks ended April 29, 2017, as part of our publicly announced share repurchase program, we repurchased 6.0 million shares for \$87.7 million, at a weighted average price of \$14.59 per share.

During Fiscal 2016, our Board authorized the repurchase of 25.0 million shares under a new share repurchase program which expires on January 30, 2021. As of May 5, 2018, 16.7 million shares remain authorized under the current program.

During the 13 weeks ended May 5, 2018 and April 29, 2017, we repurchased approximately 0.7 million and 0.8 million shares, respectively, from certain employees at market prices totaling \$14.2 million and \$11.4 million, respectively. These shares were repurchased for the payment of taxes, in connection with the vesting of share-based payments, as permitted under our equity incentive plans. The aforementioned shares repurchased have been recorded as treasury stock.

Dividends

In March 2018, our Board raised our quarterly dividend to \$0.1375, per share, a 10% increase. During the 13 weeks ended May 5, 2018, our Board declared a quarterly cash dividend of \$0.1375 per share, which was paid on April 27, 2018. The payment of future dividends is at the discretion of our Board and is based on future earnings, cash flow, financial condition, capital requirements, changes in U.S. taxation and other relevant factors. It is anticipated that any future dividends paid will be declared on a quarterly basis.

Critical Accounting Policies

Our critical accounting policies are described in Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, and in the notes to our Consolidated Financial Statements for the year ended February 3, 2018 contained in our Fiscal 2017 Form 10-K. Any new accounting policies or updates to existing accounting policies as a result of new accounting pronouncements have been discussed in the notes to our Consolidated Financial Statements in this Quarterly Report on Form 10-Q. The application of our critical accounting policies may require our management to make judgments and estimates about the amounts reflected in the Consolidated Financial Statements. Our management uses historical experience and all available information to make these estimates and judgments, and different amounts could be reported using different assumptions and estimates.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

There were no material changes in our exposure to market risk from February 3, 2018. Our market risk profile as of February 3, 2018 is disclosed in Item 7A, *Quantitative and Qualitative Disclosures About Market Risk*, of our Fiscal 2017 Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in our reports under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to the management of American Eagle Outfitters, Inc. (the "Management"), including our principal executive officer and our principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, Management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

In connection with the preparation of this Quarterly Report on Form 10-Q, as of May 5, 2018, the Company performed an evaluation under the supervision and with the participation of our Management, including the principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Exchange Act). Based upon that evaluation, our principal executive officer and our principal financial officer have concluded that, as of the end of the period covered by this Quarterly Report on Form 10-Q, our disclosure controls and procedures were effective in the timely and accurate recording, processing, summarizing and reporting of material financial and non-financial information within the time periods specified within the Securities and Exchange Commission's rules and forms. Our principal executive officer and principal financial officer also concluded that our disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is accumulated and communicated to our Management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the 13 weeks ended May 5, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Off Balance Sheet Arrangements

We are not a party in any off-balance sheet arrangements.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

We are involved, from time to time, in actions associated with or incidental to our business, including, among other things, matters involving credit card fraud, trademark and other intellectual property, licensing, importation of products, taxation, and employee relations. We believe at present that the resolution of currently pending matters will not individually or in the aggregate have a material adverse effect on our financial position or results of operations. However, our assessment of any litigation or other legal claims could potentially change in light of the discovery of facts not presently known or determinations by judges, juries, or other finders of fact which are not in accord with management's evaluation of the possible liability or outcome of such litigation or claims.

ITEM 1A. RISK FACTORS.

Risk factors that affect our business and financial results are discussed within Item 1A of our Fiscal 2017 Form 10-K. There have been no material changes to the disclosures relating to this item from those set forth in our Fiscal 2017 on Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

Issuer Purchases of Equity Securities

The following table provides information regarding our repurchases of our common stock during the 13 weeks ended May 5, 2018.

Period	Total Number of Shares Purchased (1)	Average Price Paid Per Share (2)	Total Number of Shares Purchased as Part of Publicly Announced Programs (1)	Maximum Number of Shares that May Yet Be Purchased Under the Program (1) (3)
Month #1 (February 4, 2018 through March 3, 2018)	88,301	\$ 20.27	—	19,000,000
Month #2 (March 4, 2018 through April 7, 2018)	2,930,718	\$ 19.59	2,300,000	16,700,000
Month #3 (April 8, 2018 through May 5, 2018)	3,069	\$ 21.30	—	16,700,000
Total	<u>3,022,088</u>	<u>\$ 19.61</u>	<u>2,300,000</u>	<u>16,700,000</u>

- (1) During the 13 weeks ended May 5, 2018, there were 2.3 million shares repurchased as part of our publicly announced share repurchase program and there were 0.7 million shares repurchased for the payment of taxes in connection with the vesting of share-based payments.
- (2) Average price paid per share excludes any broker commissions paid.
- (3) During Fiscal 2016, our Board authorized 25.0 million shares under a new share repurchase program which expires on January 30, 2021.

ITEM 6. EXHIBITS.

- * Exhibit 10.1 [American Eagle Outfitters, Inc. 2017 Stock Award and Incentive Plan \(as amended and restated effective March 14, 2018\)](#)
- * Exhibit 10.2 [Form of Notice of Grant of Time-Based Restricted Stock Units and Restricted Stock Units Awards Agreement](#)
- * Exhibit 10.3 [Form of Notice of Grant of Performance-Based Restricted Stock Units and Restricted Stock Units Awards Agreement](#)
- * Exhibit 10.4 [Form of Notice of Grant of Stock Option Award Agreement](#)
- * Exhibit 31.1 [Certification by Jay L. Schottenstein pursuant to Rule 13a-14\(a\) or Rule 15d-14\(a\)](#)
- * Exhibit 31.2 [Certification by Robert L. Madore pursuant to Rule 13a-14\(a\) or Rule 15d-14\(a\)](#)
- **Exhibit 32.1 [Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- **Exhibit 32.2 [Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- * Exhibit 101 Interactive Data File

* Filed with this report.

** Furnished with this report.

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 thereunto duly authorized.

Dated: June 1, 2018

American Eagle Outfitters, Inc.
(Registrant)

By: /s/ Jay L. Schottenstein
Jay L. Schottenstein
Chief Executive Officer
(Principal Executive Officer)

By: /s/ Robert L. Madore
Robert L. Madore
Executive Vice President, Chief Financial Officer
(Principal Financial Officer)

AMERICAN EAGLE OUTFITTERS, INC.

2017 STOCK AWARD AND INCENTIVE PLAN

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AMERICAN EAGLE OUTFITTERS, INC.
2017 STOCK AWARD AND INCENTIVE PLAN

1. **Purpose** . The purpose of this 2017 Stock Award and Incentive Plan (the “Plan”) is to aid American Eagle Outfitters, Inc., a Delaware corporation (together with its successors and assigns, 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 Plan authorizes stock-based and cash-based incentives for Participants.

2. **Definitions** . In addition to the terms defined in Section 1 above and elsewhere in the Plan, the following capitalized terms used in the Plan have the respective meanings set forth in this Section:

(a) “Annual Incentive Award” means a type of Performance Award granted to a Participant under Section 7 representing a conditional right to receive cash, Stock or other Awards or payments, as determined by the Committee, based on performance in a performance period of one fiscal year or a portion thereof.

(b) “Annual Limit” means the maximum aggregate number of Shares or the maximum aggregate amount of any Award not denominated in Shares, as applicable and as set forth in Section 5(b).

(c) “Award” means any Option, SAR, Restricted Stock, Restricted Stock Unit, Stock granted as a bonus or in lieu of another award, Dividend Equivalent, Other Stock-Based Award, Performance Award or Annual Incentive Award, together with any related right or interest, granted to a Participant under the Plan.

(d) “Beneficiary” means the personal representative, executor or administrator of the Participant’s estate, provided that, if and to the extent authorized by the Committee, a Participant may be permitted to designate a Beneficiary, in which case the “Beneficiary” instead will be the person, persons, trust or trusts (if any are then surviving) which have been designated by the Participant in his or her most recent written and duly filed beneficiary designation to receive the benefits specified under the Participant’s Award upon such Participant’s death.

(e) “Board” means the Company’s Board of Directors.

(f) “Bonus Stock” means an Award of Stock granted as a bonus under Section 6(f).

(g) “Cause” shall have the meaning defined in an Award document or, except as provided in an Award document, as defined in any employment agreement or severance agreement, plan or policy with respect to the Participant and the Company or a subsidiary or affiliate of the Company then in effect or, if not defined in an Award document and no such agreement, plan or policy is then in effect, “Cause” shall mean (i) the Participant’s willful and continued failure substantially to perform the duties of his or her position after notice and opportunity to cure; (ii) any willful act or omission by the Participant constituting dishonesty, fraud or other malfeasance, which in any such case is demonstrably injurious to the financial condition or business reputation of the Company or any of its subsidiaries or affiliates; (iii) an act that constitutes misconduct resulting in a restatement of the Company’s financial statements due to material non-compliance with any financial reporting requirement within the meaning of Section 304 of The Sarbanes-Oxley Act of 2002; or (iv) a plea of guilty or no contest or a felony conviction in a court of law under the laws of the United States or any state thereof or any other jurisdiction in which the Company or a subsidiary or affiliate of the Company conducts business which materially impairs the value of the Participant’s Service to the Company or any of its subsidiaries or affiliates; provided, however, that for purposes of this definition, no act or failure to act shall be deemed “willful” unless effected by the Participant not in good faith and without a reasonable belief that such action or failure to act was in or not opposed to the Company’s best interests, and no act or failure to act shall be deemed “willful” if it results from any incapacity of the Participant due to physical or mental illness.

(h) “Change in Control” and related terms have the meanings specified in Section 9.

(i) “Code” means the Internal Revenue Code of 1986, as amended. References to any provision of the Code or regulation thereunder shall include any successor provisions and regulations, and reference to regulations includes any applicable guidance or pronouncement of the Department of the Treasury and Internal Revenue Service.

(j) “Committee” means the Compensation Committee of the Board, the composition and governance of which is established in the Committee’s Charter as approved from time to time by the Board and subject to the listing requirements of the New York Stock Exchange or any other stock exchange or automated quotation system on which the Stock may then be listed or quoted (the “Listing Requirements”), and other corporate governance documents of the Company. No action of the Committee shall be void or deemed to be without authority due to the failure of any member, at the time the action was taken, to meet any qualification standard set forth in the Committee Charter or this Plan. The full Board may perform any function of the Committee hereunder except to the extent limited under the Listing Requirements, in which case as used in this Plan the term “Committee” shall refer to the Board.

(k) “Covered Employee” means an Eligible Person who is a Covered Employee as specified in Section 11(j).

(l) "Disability" means, except as otherwise defined in an Award document, that the Participant is by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months receiving income replacement benefits for a period of not less than 3 months under an accident or health plan of the Company.

(m) "Dividend Equivalent" means a right, granted under this Plan, to receive cash, Stock, other Awards or other property equal in value to all or a specified portion of the dividends paid with respect to a specified number of shares of Stock. Dividend Equivalents shall not be permitted on Options and SARs. An adjustment referenced in Section 11(c) shall not be considered a "Dividend Equivalent."

(n) "Effective Date" means the effective date specified in Section 11(p).

(o) "Eligible Person" has the meaning specified in Section 5.

(p) "Employee" means any person treated as an employee (including an officer of the Company or member of the Board who also is treated as an employee) in the records of the Company or any subsidiary or affiliate of the Company, and with respect to any Incentive Stock Option granted to such person, who is an employee for purposes of Code Section 422; provided, however, that neither Service as a member of the Board nor payment of a director's fee shall be sufficient to constitute employment for purposes of the Plan. The term "Employee" shall not include a person hired as an independent contractor, leased employee, consultant, or such other person not on the payroll of the Company or any subsidiary or affiliate of the Company. The Company will determine in good faith and in its sole discretion whether a person has become or ceased to be an Employee, and the effective dates of such person's employment and termination of employment.

(q) "Exchange Act" means the Securities Exchange Act of 1934, as amended. References to any provision of the Exchange Act or rule (including a proposed rule) thereunder shall include any successor provisions and rules.

(r) "Fair Market Value" means the fair market value of Stock, Awards or other property as determined in good faith by the Committee or under procedures established by the Committee. Unless otherwise determined by the Committee, the Fair Market Value of Stock shall be the closing sale price per share of Stock reported on a consolidated basis for securities listed on the principal stock exchange or market on which Stock is traded on the day as of which such value is being determined or, if there is no sale on that day, then on the last previous day on which a sale was reported; provided however, that Fair Market Value relating to the exercise price or base price of any Non-409A Option or SAR shall conform to requirements so as to exempt them from Code Section 409A.

(s) "409A Awards" means Awards that constitute a deferral of compensation under Code Section 409A and regulations thereunder. "Non-409A Awards" means Awards other than 409A Awards. Although the Committee retains authority under the Plan to grant Options, SARs and Restricted Stock on terms that will qualify those Awards as 409A Awards, Options, SARs, and Restricted Stock are intended to be Non-409A Awards unless otherwise expressly specified by the Committee.

(t) "Incentive Stock Option" or "ISO" means any Option designated as an incentive stock option within the meaning of Code Section 422 and qualifying thereunder.

(u) "Option" means a right, granted under this Plan, to purchase Stock.

(v) "Other Stock-Based Awards" means Awards granted to a Participant under Section 6(h).

(w) "Participant" means a person who has been granted an Award under the Plan which remains outstanding, including a person who is no longer an Eligible Person.

(x) "Performance Award" means a conditional right, granted to a Participant under Sections 6(i) and 7, to receive cash, Stock or other Awards or payments.

(y) "Preexisting Plans" means each of the following Company plans: the 2005 Stock Award and Incentive Plan, as amended, and the 2014 Stock Award and Incentive Plan, as amended.

(z) "Restricted Stock" means Stock granted under this Plan which is subject to certain restrictions and to a risk of forfeiture.

(aa) "Restricted Stock Unit" or "RSU" means a right, granted under this Plan, to receive Stock or other Awards or a combination thereof at the end of a specified restricted period.

(bb) "Retirement" means, in the case of an Employee, a termination of Service (other than by death, Disability or for Cause) at or after his or her having achieved a combination of years of age and years of employment by the Company or any affiliate

which equal or exceed 70 years, or such other combination of age and years of Service as may be fixed from time to time by the Committee. With respect to a non-employee director, "Retirement" means termination of Service on the Board with the consent of the remaining Directors. Consultants are not eligible for Retirement under the Plan.

(cc) "Rule 16b-3" means Rule 16b-3, as from time to time in effect and applicable to Participants, promulgated by the Securities and Exchange Commission under Section 16 of the Exchange Act.

(dd) "Service" means a Participant's work with the Company or a subsidiary or an affiliate of the Company, either as an Employee or consultant or as a non-Employee director. For purposes of determining when payment of a 409A Award should be made, a Participant will be considered to have terminated or separated from Service in accordance with Code Section 409A and the guidance promulgated thereunder.

(ee) "Stock" means the Company's Common Stock, par value \$0.01 per share, and any other equity securities of the Company that may be substituted or resubstituted for Stock pursuant to Section 11(c).

(ff) "Stock Appreciation Rights" or "SAR" means a right granted to a Participant under Section 6(c).

3. Administration .

(a) **Authority of the Committee** . The Plan shall be administered by the Committee, which shall have full and final authority, in each case subject to and consistent with the provisions of the Plan, to select Eligible Persons to become Participants; to grant Awards; to determine the type and number of Awards, the dates on which Awards may be exercised and on which the risk of forfeiture or deferral or restricted period relating to Awards shall lapse or terminate, the acceleration of any such dates, the expiration date of any Award, whether, to what extent, and under what circumstances an Award may be settled, or the exercise price of an Award may be paid, in cash, Stock, other Awards, or other property, and other terms and conditions of, and all other matters relating to, Awards; to prescribe documents evidencing or setting terms of Awards (such Award documents need not be identical for each Participant), amendments thereto, and rules and regulations for the administration of the Plan and amendments thereto; to construe and interpret the Plan and Award documents and correct defects, supply omissions or reconcile inconsistencies therein; and to make all other decisions and determinations as the Committee may deem necessary or advisable for the administration of the Plan. Decisions of the Committee with respect to the administration and interpretation of the Plan shall be final, conclusive, and binding upon all persons interested in the Plan, including Participants, Beneficiaries, transferees under Section 11(b) and other persons claiming rights from or through a Participant, and stockholders. The foregoing notwithstanding, the Board may perform the functions of the Committee for purposes of granting Awards under the Plan to non-employee directors.

(b) **Manner of Exercise of Committee Authority** . The express grant of any specific power to the Committee, and the taking of any action by the Committee, shall not be construed as limiting any power or authority of the Committee. The Committee may act through subcommittees, including for purposes of perfecting exemptions under Rule 16b-3 or qualifying Awards under Code Section 162(m) as performance-based compensation, in which case the subcommittee shall be subject to and have authority under the charter applicable to the Committee, and the acts of the subcommittee shall be deemed to be acts of the Committee hereunder, provided that any such subcommittee intended to qualify Awards under Code Section 162(m) shall be made up solely of two or more outside directors within the meaning of Treasury Reg. 1.162-27(e)(3). The Committee may delegate to officers or managers of the Company or any subsidiary, affiliate, or committees thereof, the authority, subject to such terms as the Committee shall determine, to perform such functions, including administrative functions, as the Committee may determine, to the extent (i) that such delegation will not result in the loss of an exemption under Rule 16b-3(d) for Awards granted to Participants subject to Section 16 of the Exchange Act in respect of the Company and will not cause Awards intended to qualify as "performance-based compensation" under Code Section 162(m) to fail to so qualify, and (ii) permitted under Section 157 and other applicable provisions of the Delaware General Corporation Law. As such, the aforementioned delegation does not permit officers or managers of the Company to make, cancel or suspend Awards to Covered Employees or to members of the Board.

(c) **Limitation of Liability** . The Committee and each member thereof, and any person acting pursuant to authority delegated by the Committee, shall be entitled, in good faith, to rely or act upon any report or other information furnished by any executive officer, other officer or Employee of the Company or a subsidiary or affiliate of the Company, the Company's independent registered public accounting firm, consultants or any other agents assisting in the administration of the Plan. Members of the Committee, any person acting pursuant to authority delegated by the Committee, and any officer or Employee of the Company or a subsidiary or affiliate of the Company acting at the direction or on behalf of the Committee or a delegatee shall not be personally liable for any action or determination taken or made in good faith with respect to the Plan, and shall, to the extent permitted by law, be fully indemnified and protected by the Company with respect to any such action or determination.

4. Stock Subject To Plan .

(a) Subject to adjustment as provided in Section 11(c), a total of 11,200,000 shares of Stock shall be authorized for grant under the 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 Preexisting Plans. Any shares that are subject to Awards shall be counted against this limit as one share for every one share granted. After the Effective Date no awards may be granted under any Preexisting Plan.

(b) If (i) any shares subject to an Award are forfeited, an Award expires or an Award is settled for cash (in whole or in part), or shares subject to an Award are tendered by the Participant or withheld by the Company to satisfy any tax withholding obligation with respect to an Award other than an Option or a Stock Appreciation Right or (ii) after January 28, 2017, any shares subject to an award under the Preexisting Plans are forfeited, or an award under the Preexisting Plans expires or is settled for cash (in whole or in part) or shares subject to an award under the Preexisting Plans are tendered by the participant or withheld by the Company to satisfy any tax withholding obligation with respect to an award other than an option or a stock appreciation right, the shares subject to such Award or award under the Preexisting Plans shall, to the extent of such forfeiture, expiration, cash settlement, or tendering or withholding for taxes, again be available for Awards under the Plan on a one-for-one basis. Notwithstanding anything to the contrary contained herein, the following shares shall not be added to the shares authorized for grant under paragraph (a) of this Section: (i) shares tendered by the Participant or withheld by the Company in payment of the purchase price of an Option or after January 28, 2017 an option granted under the Preexisting Plans, (ii) shares tendered by the Participant or withheld by the Company to satisfy any tax withholding obligation with respect to an Option or a Stock Appreciation Right or after January 28, 2017 an option or a stock appreciation right granted under the Preexisting Plans, or (iii) shares subject to a Stock Appreciation Right or after January 28, 2017 a stock appreciation right granted under the Preexisting Plans that are not issued in connection with its stock settlement on exercise thereof and (iv) shares reacquired by the Company on the open market or otherwise using cash proceeds from the exercise of Options or after January 28, 2017 options granted under the Preexisting Plans.

(c) Substitute Awards as provided in Section 8(a) shall not reduce the shares authorized for grant under the Plan or the applicable limitations for grant to a Participant under Section 5(b), nor shall shares subject to a substitute award again be available for Awards under the Plan to the extent of any forfeiture, expiration or cash settlement as provided in paragraph (b) above. Additionally, in the event that a company acquired by the Company or any subsidiary or affiliate of the Company or with which the Company or any subsidiary or affiliate of the Company combines has shares available under a pre-existing plan approved by stockholders and not adopted in contemplation of such acquisition or combination, the shares available for grant pursuant to the terms of such pre-existing plan (as adjusted, to the extent appropriate, using the exchange ratio or other adjustment or valuation ratio or formula used in such acquisition or combination to determine the consideration payable to the holders of common stock of the entities party to such acquisition or combination) may be used for Awards under the Plan and shall not reduce the shares authorized for grant under the Plan; provided that Awards using such available shares shall not be made after the date awards or grants could have been made under the terms of the pre-existing plan, absent the acquisition or combination, and shall only be made to individuals who were not Employees, consultants, or directors preexisting to such acquisition or combination.

(d) The total number of shares with respect to which ISOs may be granted shall not exceed five million shares.

5. Eligibility; Per-Person Award Limitations .

(a) **Eligibility** . Awards may be granted under the Plan only to Eligible Persons. For purposes of the Plan, an "Eligible Person" means an Employee of the Company or any subsidiary or affiliate of the Company, a consultant who provides significant services to the Company or any subsidiary or affiliate of the Company, a non-employee director of the Company or a subsidiary or affiliate of the Company, and any person who has been offered employment by the Company or a subsidiary or affiliate of the Company, provided that such prospective employee may not receive any payment or exercise any right relating to an Award until such person has commenced employment with the Company or a subsidiary or affiliate of the Company. An Employee on leave of absence may be considered as still in the employ of the Company or a subsidiary or affiliate of the Company for purposes of eligibility for participation in the Plan. For purposes of the Plan, a joint venture in which the Company or a subsidiary of the Company has a substantial direct or indirect equity investment shall be deemed an affiliate, if so determined by the Committee. Holders of awards granted by a company or business acquired by the Company or a subsidiary or affiliate of the Company, or with which the Company or a subsidiary or affiliate combines, are eligible for grants of substitute awards as provided in Section 8(a) granted in assumption of or in substitution for such outstanding awards previously granted under such other plans in connection with such acquisition or combination transaction.

(b) **Per-Person Award Limitations** . In each calendar year during any part of which the Plan is in effect, an Eligible Person may be granted Awards intended to qualify as "performance-based compensation" under Code Section 162(m) up to his or her Annual Limit. Subject to adjustments as provided herein, the following Annual Limits shall apply to grants of such Awards under the Plan:

- (i) Options and SARs: The maximum aggregate number of shares which may be subject to (i) one or more Awards of Options, (ii) one more Awards of Stock Appreciation Rights, or (iii) any combination of Awards of Options and Stock Appreciation Rights shall be 3,000,000 shares, except that such Annual Limit shall be multiplied by 2 for such Awards of Options and Stock Appreciation Rights granted to a Participant during the first calendar year in which the Participant commences employment with the Company or a subsidiary or affiliate of the Company.
- (ii) Restricted Stock, Restricted Stock Units, Bonus Stock and Awards in Lieu of Obligations, Other Stock-Based Awards, and Performance Awards Denominated in Stock: The maximum aggregate number of shares which may be subject to

(i) one or more Awards of Restricted Stock, (ii) one or more Awards of Restricted Stock Units, (iii) one or more Awards of Bonus Stock and Awards in lieu of obligations, (iv) Other Stock-Based Awards, (v) Performance Awards settled in shares, and (vi) any combination thereof, shall be 1,500,000 shares, except that such Annual Limit shall be multiplied by 2 for such Awards granted to a Participant during the first calendar year in which the Participant commences employment with the Company or a subsidiary or affiliate of the Company.

- (iii) **Cash-Based Awards:** The maximum aggregate amount of any Award not valued in shares, including any cash-based Award or Annual Incentive Award not valued in shares, under this Plan shall be (i) \$7,000,000 for each calendar year under an Annual Incentive Award and (ii) \$10,000,000 for each calendar year under any and all Performance Awards granted to a Participant that have a vesting or performance period of greater than one year, except that such Annual Limit shall be multiplied by 2 for such Awards granted to a Participant during the first calendar year in which the Participant commences employment with the Company or a subsidiary or affiliate of the Company.

(c) **Limit on Awards to Non-Employee Directors** . Notwithstanding any other provision of the Plan to the contrary, the maximum number of Shares subject to Awards granted during a single fiscal year to any non-employee director, taken together with any cash fees paid to such non-employee director during the fiscal year in respect of such director's service as a member of the Board during such year (including service as a member or chair of any committees of the Board), shall not exceed \$750,000 in total value (calculating the value of any such Awards based on the grant date fair value of such Awards for financial reporting purposes). The 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, as the Committee may determine in its discretion, provided that the non-employee director receiving such additional compensation may not participate in the decision to award such compensation.

6. Specific Terms Of Awards.

(a) **General** . Awards may be granted on the terms and conditions set forth in this Section 6. In addition, the Committee may impose on any Award or the exercise thereof, at the date of grant or thereafter (subject to Sections 11(e) and 11(k)), such additional terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall determine, including terms requiring forfeiture of Awards in the event of termination of Service by the Participant and terms permitting a Participant to make elections relating to his or her Award. The Committee shall retain full power and discretion with respect to any term or condition of an Award that is not mandatory under the Plan, subject to Section 11(k). The Committee shall require the payment of lawful consideration for an Award to the extent necessary to satisfy the requirements of the Delaware General Corporation Law, and may otherwise require payment of consideration for an Award except as limited by the Plan.

(b) **Options** . The Committee is authorized to grant Options to Participants on the following terms and conditions:

- (i) **Exercise Price.** The exercise price per share of Stock purchasable under an Option (including both ISOs and non-qualified Options) shall be determined by the Committee, provided that such exercise price shall be not less than the Fair Market Value of a share of Stock on the date of grant of such Option. Notwithstanding the foregoing, any substitute award granted in assumption of or in substitution for an outstanding award granted by a company or business acquired by the Company or a subsidiary or affiliate of the Company, or with which the Company or a subsidiary or affiliate of the Company combines may be granted with an exercise price per share of Stock other than as required above, provided that such substitute award is granted in a manner consistent with Code Section 409A or, in the case of Incentive Stock Options, Code Section 422.
- (ii) **Option Term; Time and Method of Exercise.** The Committee shall determine the term of each Option, provided that in no event shall the term of any Option exceed a period of ten years from the date of grant. The Committee shall determine the time or times at which or the circumstances under which an Option may be exercised in whole or in part (including based on achievement of performance goals and/or future Service requirements), the methods by which such exercise price may be paid or deemed to be paid and the form of such payment (subject to Sections 11(k) and 11(l)), including, without limitation, cash, Stock (including by withholding Stock deliverable upon exercise), other Awards or awards granted under other plans of the Company or any subsidiary or affiliate of the Company, or other property (including through broker-assisted "cashless exercise" arrangements, to the extent permitted by applicable law), and the methods by or forms in which Stock will be delivered or deemed to be delivered in satisfaction of Options to Participants (including, in the case of 409A Awards, deferred delivery of shares subject to the Option, as mandated by the Committee, with such deferred shares subject to any vesting, forfeiture or other terms as the Committee may specify). Notwithstanding the foregoing, the Committee may provide that if on the last day of the Option term, the Fair Market Value of a share of Common Stock exceeds the exercise price by a specified amount, the Participant has not exercised the Option and the Option has not expired, the Option shall be deemed to have been exercised by the Participant on such day with payment made by withholding shares otherwise issuable in connection with the exercise of the Option. In such event, the Company shall deliver to the Participant the number of shares for which the Option was deemed exercised, less the number of shares required to be withheld for the payment of the total purchase price and required withholding taxes. Notwithstanding the foregoing, in the event that on the last business day of the term of an Option (other than an ISO) (i) the exercise of the Option is prohibited by applicable law or (ii) shares of Stock may not be purchased or sold by certain employees or directors of the Company due to the "black-out period" of a Company policy

or a "lock-up" agreement undertaken in connection with an issuance of securities by the Company, the term of the Option shall be extended for a period of thirty (30) days following the end of the legal prohibition, black-out period or lock-up agreement.

- (iii) ISOs. The terms of any ISO granted under the Plan shall comply in all respects with the provisions of Code Section 422. As such, ISOs may be granted only to Employees. ISOs may not be granted to any Employee that would permit the aggregate Fair Market Value (determined on the date of grant) of the Stock with respect to which ISOs are exercisable for the first time by such Employee during any calendar year to exceed \$100,000. Any excess shall be deemed to be a non-statutory Option. If Stock acquired upon exercise of an ISO is disposed of by an Employee before the expiration of either two (2) years from the date of grant of such ISO or one year from the transfer of Stock to such Employee pursuant to the exercise of such ISO, or in any other disqualifying disposition within the meaning of Code Section 422, such Employee shall notify the Committee in writing of the date and terms of such disposition and shall cooperate with the Committee with respect to any tax withholding required or resulting from such disqualifying dispositions.

(c) **Stock Appreciation Rights** . The Committee is authorized to grant SARs to Participants on the following terms and conditions:

- (i) Right to Payment. An SAR shall confer on the Participant to whom it is granted a right to receive, upon exercise thereof, the excess of (A) the Fair Market Value of one share of Stock on the date of exercise over (B) the grant price of the SAR as determined by the Committee. The grant price of an SAR shall not be less than the Fair Market Value of a share of Stock on the grant date of such SAR; provided, however, that the grant price of an SAR that is granted subsequent to the related Option may be less than Fair Market Value on the grant date if it is equal to the exercise price of the related Option so long as such subsequently granted SAR does not cause a Non-409A Award to become subject to Code Section 409A or cause a 409A Award to violate Code Section 409A. Notwithstanding the foregoing, any substitute award granted in assumption of or in substitution for an outstanding award granted by a company or business acquired by the Company or a subsidiary or affiliate of the Company, or with which the Company or a subsidiary or affiliate of the Company combines may be granted with a grant price per share of Stock other than as required above, provided that such substitute award is granted in a manner consistent with Code Section 409A.
- (ii) Other Terms. The Committee shall determine the term of each SAR, provided that in no event shall the term of an SAR exceed a period of ten years from the date of grant. The Committee shall determine at the date of grant or thereafter, the time or times at which and the circumstances under which a SAR may be exercised in whole or in part (including based on achievement of performance goals and/or future Service requirements), the method of exercise, method of settlement, form of consideration payable in settlement, method by or forms in which Stock will be delivered or deemed to be delivered to Participants, whether or not a SAR shall be free-standing or in tandem or combination with any other Award, and whether or not the SAR will be a 409A Award or Non-409A Award. The Committee may require that an outstanding Option be exchanged for an SAR exercisable for Stock having vesting, expiration, and other terms substantially the same as the Option, so long as such exchange will not result in additional accounting expense to the Company. Notwithstanding the foregoing, the Committee may provide that if on the last day of the term of a Stock Appreciation Right the Fair Market Value of one Share exceeds the grant price per Share of the Stock Appreciation Right, the Participant has not exercised the Stock Appreciation Right or the tandem Option (if applicable), and neither the Stock Appreciation Right nor the Option has expired, the Stock Appreciation Right shall be deemed to have been exercised by the Participant on such day. In such event, the Company shall make payment to the Participant in accordance with this Section, reduced by the number of shares (or cash) required for withholding taxes. Notwithstanding the foregoing, in the event that on the last business day of the term of an SAR (i) the exercise of the SAR is prohibited by applicable law or (ii) shares of Stock may not be purchased or sold by certain employees or directors of the Company due to the "black-out period" of a Company policy or a "lock-up" agreement undertaken in connection with an issuance of securities by the Company, the term of the SAR shall be extended for a period of thirty (30) days following the end of the legal prohibition, black-out period or lock-up agreement.

(d) **Restricted Stock** . The Committee is authorized to grant Restricted Stock to Participants on the following terms and conditions:

- (i) Grant and Restrictions. Restricted Stock shall be subject to such restrictions on transferability, risk of forfeiture and other restrictions, if any, as the Committee may impose, which restrictions may lapse separately or in combination at such times, under such circumstances (including based on achievement of performance goals and/or future Service requirements), in such installments or otherwise and under such other circumstances as the Committee may determine at the date of grant or thereafter. Except to the extent restricted under the terms of the Plan and any Award document relating to the Restricted Stock, a Participant granted Restricted Stock shall have all of the rights of a stockholder, including the right to vote the Restricted Stock and the right to receive dividends thereon.

- (ii) Forfeiture. Except as otherwise determined by the Committee, upon termination of Service during the applicable restriction period, Restricted Stock that is at that time subject to restrictions shall be forfeited and reacquired by the Company; provided that the Committee may provide, by rule or regulation or in any Award document, or may determine in any individual case, that restrictions or forfeiture conditions relating to Restricted Stock will lapse in whole or in part, including in the event of terminations resulting from specified causes.
 - (iii) Certificates for Stock. Restricted Stock granted under the Plan may be evidenced in such manner as the Committee shall determine. If certificates representing Restricted Stock are registered in the name of the Participant, the Committee may require that such certificates bear an appropriate legend referring to the terms, conditions and restrictions applicable to such Restricted Stock, that the Company retain physical possession of the certificates, and that the Participant deliver a stock power to the Company, endorsed in blank, relating to the Restricted Stock.
 - (iv) Dividends and Splits. As a condition to the grant of an Award of Restricted Stock, the Committee may require that any dividends paid on a share of Restricted Stock shall be either (A) paid with respect to such Restricted Stock at the dividend payment date in cash, in kind, or in a number of shares of unrestricted Stock having a Fair Market Value equal to the amount of such dividends, or (B) automatically reinvested in additional Restricted Stock or held in kind, which shall be subject to the same terms as applied to the original Restricted Stock to which it relates, or (C) deferred as to payment, either as a cash deferral or with the amount or value thereof automatically deemed reinvested in RSUs, other Awards or other investment vehicles, subject to such terms as the Committee shall determine or permit a Participant to elect.
- (e) **Restricted Stock Units** . The Committee is authorized to grant RSUs to Participants, subject to the following terms and conditions:
- (i) Award and Restrictions. Unless otherwise specified by the Committee, issuance of Stock will occur upon expiration of the restricted period specified for an Award of RSUs by the Committee (or, if permitted by the Committee, as elected by the Participant). In addition, RSUs shall be subject to such restrictions on transferability, risk of forfeiture and other restrictions, if any, as the Committee may impose, which restrictions may lapse at the expiration of the restricted period or at earlier specified times (including based on achievement of performance goals and/or future Service requirements), separately or in combination, in installments or otherwise, and under such other circumstances as the Committee may determine at the date of grant or thereafter. RSUs may be satisfied by delivery of Stock, other Awards, or a combination thereof, as determined by the Committee at the date of grant or thereafter.
 - (ii) Forfeiture. Except as otherwise determined by the Committee, upon termination of Service during the applicable restricted period or portion thereof to which forfeiture conditions apply (as provided in the Award document evidencing the RSU), all RSUs that are at that time subject to such forfeiture conditions shall be forfeited; provided that the Committee may provide, by rule or regulation or in any Award document, or may determine in any individual case, that restrictions or forfeiture conditions relating to RSUs will lapse in whole or in part, including in the event of terminations resulting from specified causes.
- (f) **Bonus Stock and Awards in Lieu of Obligations** . The Committee is authorized to grant Stock as a bonus, or to grant Stock or other Awards in lieu of obligations of the Company or a subsidiary or affiliate of the Company to pay cash or deliver other property under the Plan or under other plans or compensatory arrangements, subject to such terms as shall be determined by the Committee.
- (g) **Dividend Equivalents** . The Committee is authorized to grant Dividend Equivalents to a Participant in connection with the grant of an Award (other than Options or SARs).
- (h) **Other Stock-Based Awards** . The Committee is authorized, subject to limitations under applicable law, to grant to Participants such other Awards that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, 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 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. The Committee shall determine the terms and conditions of such Awards. Stock delivered pursuant to an Award in the nature of a purchase right granted under this Section 6(h) shall be purchased for such consideration, paid for at such times, by such methods, and in such forms, including, without limitation, cash, Stock, other Awards, notes, or other property, as the Committee shall determine. Cash awards, as an element of or supplement to any other Award under the Plan, may also be granted pursuant to this Section 6(h).
- (i) **Performance Awards** . Performance Awards, denominated in cash or in Stock or other Awards, may be granted by the Committee in accordance with Section 7.

7. Performance Awards, Including Annual Incentive Awards.

(a) **Performance Awards Generally** . Performance Awards, including Annual Incentive Awards, may be denominated as a cash amount, number of shares of Stock, or specified number of other Awards (or a combination) which may be earned upon achievement or satisfaction of performance conditions specified by the Committee. In addition, the Committee may specify that any other Award shall constitute a Performance Award by conditioning the right of a Participant to exercise the Award or have it settled, and the timing thereof, upon achievement or satisfaction of such performance conditions as may be specified by the Committee. The Committee may use such business criteria (including, for the avoidance of doubt, the business criteria outlined in Section 7(b)(ii) for Performance Awards that are not intended to qualify as “performance-based compensation” under Code Section 162(m)), and other measures of performance as it may deem appropriate in establishing any performance conditions, and may exercise its discretion to reduce or increase the amounts payable under any Award subject to performance conditions, except as limited under Sections 7(b) and 7(c) in the case of a Performance Award intended to qualify as “performance-based compensation” under Code Section 162(m). Effective for tax years after 2017, the qualified performance-based compensation exception of Code Section 162(m)’s tax deduction limitation was repealed; provided, however, that notwithstanding such repeal, the performance-based compensation under Code Section 162(m) is subject to a transition rule for remuneration that is payable pursuant to a written binding contract that was in effect on November 2, 2017 and is not materially modified thereafter. For the avoidance of doubt, it is the intent of the Committee to preserve the performance-based compensation exception that is or may be available for Awards payable under this Plan to the maximum extent permitted by law. Dividend Equivalents distributed in connection with Performance Awards shall be subject to restrictions and a risk of forfeiture to the same extent as the underlying Award with respect to which such Stock or other property has been distributed.

(b) **Performance Awards Granted to Covered Employees** . If the Committee determines that a Performance Award to be granted to an Eligible Person who is designated by the Committee as likely to be a Covered Employee should qualify as “performance-based compensation” for purposes of Code Section 162(m), the grant, exercise and/or settlement of such Performance Award shall be contingent upon achievement of a pre-established performance goal and other terms set forth in this Section 7(b).

- (i) **Performance Goal Generally**. The performance goal for such Performance Awards shall consist of one or more business criteria and a targeted level or levels of performance with respect to each of such criteria, as specified by the Committee consistent with this Section 7(b). The performance goal shall be objective and shall otherwise meet the requirements of Code Section 162(m) and regulations thereunder, including the requirement that the level or levels of performance targeted by the Committee result in the achievement of performance goals being “substantially uncertain.” The Committee may determine that such Performance Awards shall be granted, exercised and/or settled upon achievement of any one performance goal or that two or more of the performance goals must be achieved as a condition to grant, exercise and/or settlement of such Performance Awards. Performance goals may differ for Performance Awards granted to any one Participant or to different Participants.
- (ii) **Business Criteria**. One or more of the following business criteria shall be used by the Committee in establishing performance goals for such Performance Awards:
 - (a) Earnings or profitability measures (which include (i) net income, (ii) operating income, (iii) income (loss) per common share from continuing operations, either basic or fully diluted; (iv) net income (loss) per common share, either basic or fully diluted; (v) earnings before interest, taxes, depreciation, and amortization; (vi) earnings before interest and taxes, (vii) any pre-established derivative of revenue (gross, operating, or net), (viii) pre-tax operating income, (ix) inventory turnover or inventory shrinkage, (x) sales growth and volumes, (xi) percentage increase in total net revenue or comparable store sales, and (xii) economic profit or value created);
 - (b) Expense and efficiency measures (which include (i) gross margins, cost of goods sold, mark-ups or mark-downs; (ii) operating margins, (iii) selling, general and administrative (S,G&A) expense; and (iv) other pre-established operating expenses);
 - (c) Return measures (which include (i) total stockholder return, (ii) stock price, (iii) return on assets, (iv) return on investment, (v) return on capital, and (vi) return on equity);
 - (e) Cash flow measures (which include (i) cash flow, (ii) free cash flow, (iii) cash flow return on investment, and (iv) net cash provided by operations);
 - (f) Achievement of balance sheet, income statement, or cash-flow statement objectives;
 - (g) Strategic or operational business criteria, consisting of one or more objectives based on 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;
 - (h) Any of items (a) through (g) above with respect to any subsidiary, affiliate, business unit or business group of the Company whether or not such information is included in the Company’s annual report to stockholders, proxy statement or notice of annual meeting of stockholders;
 - (i) Any of items (a) through (h) above with respect to a performance period whether or not such information is included in the Company’s annual report to stockholders, proxy statement or notice of annual meetings of stockholders;

- (j) Any of items (a) through (h) above excluding any expense for performance based cash or equity compensation, including without limitation, amounts payable under this Plan or the Preexisting Plans or any similar plan; and

With respect to per share items above, other terminology may be used for “income (loss) per common share” (such as “basic earnings per share,” “earnings per common share,” “diluted earnings per share,” or “earnings per common share-assuming dilution”) as contemplated by Statement of Financial Accounting Standards No. 128.

Notwithstanding the foregoing, with respect to Covered Employees, the business criteria described above must be approved by the shareholders of the Company prior to the payment of any Award. Applicable business criteria may be different for different Participants, as determined in the discretion of the Committee.

The targeted level or levels of performance with respect to such business criteria may be established at such levels and in such terms as the Committee may determine, in its discretion, including in absolute terms, as a goal relative to performance in prior periods, or as a goal compared to the performance of one or more comparable companies or an index covering multiple companies.

The Committee shall specify how any performance objectives shall be adjusted to the extent necessary to prevent dilution or enlargement of any award as a result of extraordinary events or circumstances, as determined by the Committee, including with respect to the positive or negative effects of extraordinary, unusual, infrequently occurring or non-recurring items; changes in applicable laws, regulations, or accounting principles; currency fluctuations; discontinued operations; non-cash items, such as amortization, depreciation, or reserves; asset impairment; any recapitalization, restructuring, reorganization, merger, acquisition, divestiture, consolidation, spin-off, split-up, combination, liquidation, dissolution, sale of assets, or other similar corporation transaction and any integration or transaction costs related to any such transactions; or any other adjustments as may be approved by the Committee in writing in the first ninety days of the performance period; provided, however, that no such adjustment will be made if the effect of such adjustment would cause an award to fail to qualify as performance-based compensation within the meaning of Code Section 162(m). The Committee may not use any discretion to modify award results except as permitted under Code Section 162(m).

- (iii) Performance Period; Timing for Establishing Performance Goals. Achievement of performance goals in respect of such Performance Awards shall be measured over a performance period of up to one year or more than one year, as specified by the Committee. A performance goal shall be established not later than the earlier of (A) 90 days after the beginning of any performance period applicable to such Performance Award or (B) the time 25% of such performance period has elapsed.
- (iv) Performance Award Pool. The Committee may establish a Performance Award pool, which shall be an unfunded pool, for purposes of measuring performance of the Company in connection with Performance Awards. The amount of such Performance Award pool shall be based upon the achievement of a performance goal or goals based on one or more of the business criteria set forth in Section 7(b)(ii) during the given performance period, as specified by the Committee in accordance with Section 7(b)(iii). The Committee may specify the amount of the Performance Award pool as a percentage of any of such business criteria, a percentage thereof in excess of a threshold amount, or as another amount which need not bear a strictly mathematical relationship to such business criteria. In all cases, however, the portion of the Performance Award pool potentially payable to each Covered Employee shall be pre-established by the Committee, subject to the limitation set forth in Section 5.
- (v) Settlement of Performance Awards; Other Terms. Settlement of Performance Awards shall be in cash, Stock, other Awards or other property, in the discretion of the Committee. The Committee may, in its discretion, increase or reduce the amount of a settlement otherwise to be made in connection with such Performance Awards, but may not exercise discretion to increase any such amount payable to a Covered Employee in respect of a Performance Award subject to this Section 7(b). Any settlement which changes the form of payment from that originally specified shall be implemented in a manner such that the Performance Award and other related Awards do not, solely for that reason, fail to qualify as “performance-based compensation” for purposes of Code Section 162(m). The Committee shall specify the circumstances in which such Performance Awards shall be paid or forfeited in the event of termination of employment by the Participant or other event (including a Change in Control) prior to the end of a performance period or settlement of such Performance Awards.

(c) **Annual Incentive Awards Granted to Designated Covered Employees** . The Committee may grant an Annual Incentive Award to an Eligible Person who is designated by the Committee as likely to be a Covered Employee. Such Annual Incentive Award will be intended to qualify as “performance-based compensation” for purposes of Code 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 this Section 7(c).

- (i) Grant of Annual Incentive Awards. Not later than the earlier of 90 days after the beginning of any performance period applicable to such Annual Incentive Award or the time 25% of such performance period has elapsed, the Committee shall determine the Covered Employees who will potentially receive Annual Incentive Awards, and the amount(s) potentially payable thereunder, for that performance period. The amount(s) potentially payable shall be based upon the achievement of a performance goal or goals based on one or more of the business criteria set forth in Section 7(b)(ii) in the given performance period, as specified by the Committee. The Committee may designate an annual incentive award pool as the means by which Annual Incentive Awards will be measured, which pool shall conform to the provisions of Section 7(b)(iv). In such case, the portion of the Annual Incentive Award pool potentially payable to each Covered Employee shall be pre-established by the Committee. In all cases, the maximum Annual Incentive Award of any Participant shall be subject to the limitation set forth in Section 5.
 - (ii) Payout of Annual Incentive Awards. After the end of each performance period, the Committee shall determine the amount, if any, of the Annual Incentive Award for that performance period payable to each Participant. The Committee may, in its discretion, determine that the amount payable to any Participant as a final Annual Incentive Award shall be reduced from the amount of his or her potential Annual Incentive Award, including a determination to make no final Award whatsoever, but may not exercise discretion to increase any such amount. The Committee shall specify the circumstances in which an Annual Incentive Award shall be paid or forfeited in the event of termination of employment by the Participant or other event prior to the end of a performance period or settlement of such Annual Incentive Award.
- (d) **Written Determinations** . Determinations by the Committee as to the establishment of performance goals, the amount potentially payable in respect of Performance Awards and Annual Incentive Awards, the level of actual achievement of the specified performance goals relating to Performance Awards and Annual Incentive Awards, and the amount of any final Performance Award and Annual Incentive Award shall be recorded in writing in the case of Performance Awards intended to qualify under Section 162(m). Specifically, the Committee shall certify in writing, in a manner conforming to applicable regulations under Section 162(m), prior to settlement of each such Award granted to a Covered Employee, that the performance objective relating to the Performance Award and other material terms of the Award upon which settlement of the Award was conditioned have been satisfied.

8. Certain Provisions Applicable To Awards .

(a) **Stand-Alone, Additional, Tandem, and Substitute Awards** . Awards granted under the Plan may, in the discretion of the Committee, be granted either alone or in addition to, in tandem with, or in substitution or exchange for, any other Award or any award granted under another plan of the Company, any subsidiary or affiliate of the Company, or any business entity to be acquired by the Company or a subsidiary or affiliate of the Company or with which the Company or a subsidiary or affiliate of the Company combines, or any other right of a Participant to receive payment from the Company or any subsidiary or affiliate of the Company; provided, however, that (i) a 409A Award may not be granted in tandem with a Non-409A Award and (ii) such Awards are subject to the prohibitions in the second and third sentences of Section 11(e) with respect to Options and SARs. Awards granted in addition to or in tandem with other Awards or awards may be granted either as of the same time as or a different time from the grant of such other Awards or awards.

(b) **Term of Awards** . The term of each Award shall be for such period as may be determined by the Committee, subject to the express limitations set forth in Sections 6(b)(ii), 6(c)(ii) and 8 or elsewhere in the Plan.

(c) **Form and Timing of Payment under Awards; Deferrals** . Subject to the terms of the Plan (including Sections 11(k) and (l)) and any applicable Award document, payments to be made by the Company or a subsidiary or affiliate of the Company upon the exercise of an Option or other Award or settlement of an Award may be made in such forms as the Committee shall determine, including, without limitation, cash, Stock, other Awards or other property, and may be made in a single payment or transfer, in installments, or on a deferred basis. The settlement of any Award may be accelerated, and cash paid in lieu of Stock in connection with such settlement, in the discretion of the Committee or upon occurrence of one or more specified events, subject to Sections 11(k) and (l) and so long as such an acceleration does not cause a Non-409A Award to become subject to Code Section 409A. Subject to Section 11(k), installment or deferred payments may be required by the Committee (subject to Section 11(e)) or permitted at the election of the Participant on terms and conditions established by the Committee and consistent with the requirements of Code Section 409A. Payments may include, without limitation, provisions for the payment or crediting of reasonable interest on installment or deferred payments or the grant or crediting of Dividend Equivalents or other amounts in respect of installment or deferred payments denominated in Stock. In the case of any 409A Award that is vested and no longer subject to a risk of forfeiture (within the meaning of Code Section 83), such Award will be distributed to the Participant, upon application of the Participant, if the Participant has had an unforeseeable emergency within the meaning of Code Sections 409A(a)(2)(A)(vi) and 409A(a)(2)(B)(ii), in accordance with Section 409A(a)(2)(B)(ii).

(d) **Limitation on Vesting of Certain Awards** . Subject to Section 10, Restricted Stock and RSUs will vest over a minimum period of three years except in the event of a Participant's death, disability, or Retirement, or in the event of a Change in Control or

other special circumstances as determined by the Committee, or Awards made in the event of a new hire or promotion, to a non-employee director, made in assumption or substitution for Awards of an acquired company, or made in payment of earned incentive compensation. The foregoing notwithstanding, Restricted Stock and RSUs as to which either the grant or vesting is based on, among other things, the achievement of one or more performance conditions generally will vest over a minimum period of one year except in the event of a Participant's death, disability, or Retirement, or in the event of a Change in Control or other special circumstances as determined by the Committee, or Awards made in the event of a new hire or promotion, made to a non-employee director, made in assumption or substitution for Awards of an acquired company, or made in payment of earned incentive compensation. For purposes of this Section 8(d), (i) a performance period that precedes the grant of the Restricted Stock or RSUs will be treated as part of the vesting period if the participant has been notified promptly after the commencement of the performance period that he or she has the opportunity to earn the Award based on performance and continued Service, and (ii) vesting over a three-year period or one-year period will include periodic vesting over such period if the rate of such vesting is proportional (or less rapid) throughout such period.

(e) **Treatment of Dividends and Dividend Equivalents on Unvested Awards** . Notwithstanding any other provision of the Plan to the contrary, with respect to any Award that provides for or includes a right to dividends or dividend equivalents, if dividends are declared during the period that an equity Award is outstanding, such dividends (or dividend equivalents) shall either (i) not be paid or credited with respect to such Award or (ii) be accumulated but remain subject to vesting requirement(s) to the same extent as the applicable Award and shall only be paid at the time or times such vesting requirement(s) are satisfied. In no event shall dividends or dividend equivalents be paid with respect to Options or Stock Appreciation Rights.

9. Change in Control .

(a) **Effect of "Change in Control"** . In the event that there occurs a Change in Control of the Company, if the Company and any successor entity assumes outstanding Awards or issues substitute awards as provided in Section 6(b)(i) and if the Participant's employment with the Company and its subsidiaries and affiliates terminates in an event constituting a "Qualifying Termination" (as defined in Section 9(e)) during the eighteen-month period (or such longer or shorter period as may be determined by the Committee) following the Change in Control, the following provisions shall apply to the Participant's Awards upon such Qualifying Termination, unless otherwise provided by the Committee in the Award document or in another written agreement, plan or policy with respect to a Participant (in language specifically negating the effect of this Section 9(a)):

- (i) In the case of an Award other than a performance based Award (i.e., a Performance Award or Restricted Stock, RSUs, or Other Stock-Based Awards that vest based on the achievement of performance conditions), all forfeiture conditions and other restrictions applicable to such Award shall lapse and such Award shall be fully payable as of the time of the Participant's Qualifying Termination without regard to vesting or other conditions, and any such Award carrying a right to exercise that was not previously vested and exercisable shall become fully vested and exercisable as of the time of the Participant's Qualifying Termination, and all deferral of settlement and similar restrictions applicable to such Award shall lapse and such Award shall be fully payable as of the time of such Qualifying Termination without regard to deferral or restrictive conditions, subject to Section 11(k) (including any applicable six-month delay in distribution) and subject to applicable restrictions set forth in Section 11(a).
- (ii) In the case of a performance based Award, (i) if 50% or more of the performance period has been completed as of the date of the Change in Control, then the value of such Award will be converted into Restricted Stock based on performance to the Change in Control date (if reasonably determinable) and will vest at the end of the Performance Period, subject to the provisions set forth in Section 9(a)(i) in the event of a Qualifying Termination; or (ii) if (x) less than 50% of the performance period has been completed as of the date of the Change in Control or (y) performance is not reasonably determinable as of the date of the Change in Control, then the value of such Award will be converted into Restricted Stock based on the Performance Award's target level value and will vest at the end of the Performance Period, subject to the provisions set forth in Section 9(a)(i) in the event of a Qualifying Termination.
- (iii) Awards subject to accelerated vesting and/or settlement under this Section 9(a) may be settled in cash, if and to the extent authorized by the Committee.

The Company and any successor that has assumed an Award in connection with a Change in Control must acknowledge and agree to be bound by the provisions hereof following the Change in Control in a legally binding agreement with the Participant.

(b) **Non-Performance Based Awards – Not Assumed** . In the event of a Change in Control, if the Company and any successor entity do not assume outstanding Awards or issue substitute awards as provided in Section 8(a), then the following provisions shall apply to non-performance based Awards, including Awards as to which performance conditions previously have been satisfied or are deemed satisfied under Section 9(a), unless otherwise provided by the Committee in the Award document or in another written agreement, plan or policy with respect to a Participant (in language specifically negating the effect of this Section 9(b)):

- (i) In the case of Non-409A Awards, to the extent permitted without causing the Award to become subject to Code Section 409A:
 - (A) all forfeiture conditions and other restrictions applicable to Awards granted under the Plan shall lapse and such Awards shall be fully payable as of the time of the Change in Control without regard to vesting or other conditions, except to the extent of any waiver by the Participant and subject to applicable restrictions set forth in Section 11(a); and
 - (B) any Award carrying a right to exercise that was not previously exercisable and/or vested shall become fully exercisable and/or vested as of the time of the Change in Control and shall remain exercisable and/or vested for the balance of the stated term of such Award without regard to any termination of Service by the Participant other than a termination for Cause, subject only to applicable restrictions set forth in Section 11(a); provided however, that any Option or SAR whose exercise price is greater than the current fair market value of the underlying Shares may be cancelled without payment of any consideration; and
 - (C) the Committee may, in its discretion, determine to extend to any Participant who holds an Option the right to elect, during the 60-day period immediately following the Change in Control, in lieu of acquiring the shares of Stock covered by such Option, to receive in cash the excess of the Change in Control Price over the exercise price of such Option, multiplied by the number of shares of Stock covered by such Option, and to extend to any Participant who holds other types of Awards denominated in shares the right to elect, during the 60-day period immediately following the Change in Control, in lieu of receiving the shares of Stock covered by such Award, to receive in cash the Change in Control Price multiplied by the number of shares of Stock covered by such Award.
- (ii) In the case of 409A Awards, if and to the extent permitted under Code Section 409A (for this purpose, if Code Section 409A would permit any of the following events to occur following 409A Ownership/Control Change but not otherwise, such event shall occur only if a Change in Control also constitutes a 409A Ownership/Control Change):
 - (A) all deferral of settlement, forfeiture conditions and other restrictions applicable to an unvested Award granted under the Plan shall lapse and such Awards shall be fully payable as of the time of the Change in Control without regard to deferral and vesting conditions, except to the extent of any waiver by the Participant (if permitted under Section 409A) and subject to applicable restrictions set forth in Section 11(a); and
 - (B) any Award carrying a right to exercise that was not previously exercisable and/or vested shall become fully exercisable and/or vested as of the time of the Change in Control and shall remain exercisable and/or vested for the balance of the stated term of such Award without regard to any termination of Service by the Participant other than a termination for Cause, subject only to applicable restrictions set forth in Section 11(a); provided however, that any Option or SAR whose exercise price is greater than the current fair market value of the underlying Shares may be cancelled without payment of any consideration; and
 - (C) the Committee may, in its discretion, determine to extend to any Participant who holds an Option the right to elect, during the 60-day period immediately following the Change in Control, in lieu of acquiring the shares of Stock covered by such Option, to receive in cash the excess of the Change in Control Price over the exercise price of such Option, multiplied by the number of shares of Stock covered by such Option, and to extend to any Participant who holds other types of Awards denominated in shares the right to elect, during the 60-day period immediately following the Change in Control, in lieu of receiving the shares of Stock covered by such Award, to receive in cash the Change in Control Price multiplied by the number of shares of Stock covered by such Award.

If Code Section 409A would not permit any of the events described above, then such 409A Awards shall become fully vested upon the Change in Control.

(c) **Performance Based Awards – Not Assumed** . In the event of a Change in Control, if the Company and any successor entity do not assume outstanding Awards or issue substitute awards as provided in Section 9(a)(ii), then the following provisions shall apply to performance based Awards unless otherwise provided by the Committee in the Award document or in another written agreement, plan or policy with respect to a Participant (in language specifically negating the effect of this Section 9(c)) and except to the extent not permitted under Section 409A in the case of 409A Awards, (i) if 50% or more of the performance period has been completed as of the date of the Change in Control, then the value of the Award will be converted, based on performance to the Change in Control date (if reasonably determinable), to (x) fully vested Stock if a non-cash Award or (y) cash if a cash Award; or (ii) if (A) less than 50% of the performance period has been completed as of the date of the Change in Control or (B) performance is not reasonably determinable as of the date of the Change in Control, then the value of the Award will be converted, based on the Award's target level value, to (x) fully vested Stock if a non-cash Award or (y) cash if a cash Award and be fully payable as of the time of the Change in Control without regard to vesting or other conditions, except to the extent of any waiver by the Participant and subject to applicable restrictions set forth in Section 11(a).

(d) **Definition of "Change in Control"** . "A "Change in Control" shall be deemed to have occurred if, after the Effective Date, there shall have occurred any of the following:

- (i) The acquisition by any individual, entity, or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act, or successor provisions (a "person")) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act, or successor provisions ("beneficial ownership")) of more than 50% or more of either (1) the then-outstanding shares (the "Outstanding Shares") or (2) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Voting Shares"); provided, however, that for purposes of this definition, the following acquisitions will not constitute a Change in Control: (A) any acquisition directly from the Company; (B) any acquisition by the Company; (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any affiliate of the Company or a successor; or (D) any acquisition by any entity pursuant to a transaction that complies with subsections (v)(A), (B), and (C) below;
- (ii) During the twelve (12) month period ending on the date of the most recent acquisition, the acquisition by a Person of beneficial ownership of 30% or more of the Outstanding Voting Shares; provided, however, that for purposes of this definition, the following acquisitions shall not constitute a Change in Control: (A) any acquisition directly from the Company, (B) any acquisition by the Company, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any affiliate of the Company or a successor, or (D) any acquisition by any entity pursuant to a transaction that complies with subsections (v)(A), (B), and (C) below;
- (iii) During the twelve (12) month period ending on the date of the most recent acquisition, the acquisition by a person of assets of the Company having a total gross fair market value equal to or more than 40% of the total gross fair market value of the Company's assets immediately before such acquisition; provided, however, that for purposes of this definition, the following acquisitions shall not constitute a Change in Control: (A) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any affiliate of the Company or a successor, or (B) any acquisition by any entity pursuant to a transaction that complies with subsections (v)(A), (B), and (C) below;
- (iv) A majority of individuals who serve on the Board as of the date hereof (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director after the date hereof whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least two-thirds of the directors then comprising the Incumbent Board (including for these purposes, the new members whose election or nomination was so approved, without counting the member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of Person other than the Board;
- (v) Consummation of a reorganization, merger, recapitalization, reverse stock split, statutory share exchange or consolidation or similar corporate transaction involving the Company or any of its subsidiaries (each, a "Business Combination"), in each case unless, following such Business Combination, (A) all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding Shares and the Outstanding Voting Shares immediately before such Business Combination beneficially own, directly or indirectly, more than 50% of the then-outstanding shares and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity that, as a result of such transaction, owns the Company or all or substantially all of the Company's assets directly or through one or more subsidiaries (a "Parent")) in substantially the same proportions as their ownership immediately before such Business Combination of the Outstanding Shares and the Outstanding Voting Shares, as the case may be, (B) no person (excluding any entity resulting from such Business Combination or a Parent or any employee benefit plan (or related trust) of the Company or such entity resulting from such Business Combination or Parent) beneficially owns, directly or indirectly, more than 50% of, respectively, the then-outstanding shares of common stock of the ultimate parent entity resulting from such Business Combination or the combined voting power of the then-outstanding voting securities of such entity, except to the extent that the ownership in excess of more than 50% existed before the Business Combination, and (C) at least a majority of the members of the board of directors or trustees of the entity resulting from such Business Combination or a Parent were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of the board providing for such Business Combination; or
- (vi) Approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

(e) **Definition of "Qualifying Termination"** . "A "Qualifying Termination" shall be deemed to have occurred if, except as otherwise provided in an Award document or any employment agreement or severance agreement, plan or policy with respect to the Participant and the Company or a subsidiary or affiliate of the Company then in effect, there shall have occurred:

a Company-initiated termination for reason other than for Cause, or disability, provided that the Participant executes a general release and, where applicable, a non-solicitation and/or non-compete agreement with the Company.

(f) **Definition of "409A Ownership/Control Change . "** A "409A Ownership/Control Change" shall be deemed to have occurred if a Change in Control occurs which constitutes a change in the ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of Code Section 409A(a)(2)(A)(v).

(g) **Definition of "Change in Control Price . "** The "Change in Control Price" means an amount in cash equal to the amount of cash and fair market value of property that is the price per share paid (including extraordinary dividends) in any transaction triggering the Change in Control or any liquidation of shares following a sale of substantially all assets of the Company.

10. Additional Award Forfeiture Provisions .

(a) **Forfeiture of Options and Other Awards and Gains Realized Upon Prior Option Exercises or Award Settlements .** Unless otherwise determined by the Committee, each Award granted hereunder, other than Awards granted to non-employee directors, shall be subject to the following additional forfeiture conditions, to which the Participant, by accepting an Award hereunder, agrees. If any of the events specified in Section 10(b)(i), (ii), or (iii) occurs (a "Forfeiture Event"), all of the following forfeitures will result:

- (i) The unexercised portion of the Option, whether or not vested, and any other Award not then settled (except for an Award that has not been settled solely due to an elective deferral by the Participant and otherwise is not forfeitable in the event of any termination of Service of the Participant) will be immediately forfeited and canceled upon the occurrence of the Forfeiture Event; and
- (ii) The Participant will be obligated to repay to the Company, in cash, within five business days after demand is made therefor by the Company, the total amount of Award Gain (as defined herein) realized by the Participant upon each exercise of an Option or settlement of an Award (regardless of any elective deferral) that occurred on or after (A) the date that is one-year prior to the occurrence of the Forfeiture Event, if the Forfeiture Event occurred while the Participant was employed by the Company or a subsidiary or affiliate of the Company, or (B) the date that is one-year prior to the date the Participant's employment by the Company or a subsidiary or affiliate of the Company terminated, if the Forfeiture Event occurred after the Participant ceased to be so employed. For purposes of this Section, the term "Award Gain" shall mean (i), in respect of a given Option exercise, the product of (X) the Fair Market Value per share of Stock at the date of such exercise (without regard to any subsequent change in the market price of shares) minus the exercise price times (Y) the number of shares as to which the Option was exercised at that date, and (ii), in respect of any other settlement of an Award granted to the Participant, the Fair Market Value of the cash or Stock paid or payable to Participant (regardless of any elective deferral) less any cash or the Fair Market Value of any Stock or property (other than an Award or award which would have itself then been forfeitable hereunder and excluding any payment of tax withholding) paid by the Participant to the Company as a condition of or in connection with such settlement.

(b) **Events Triggering Forfeiture .** The forfeitures specified in Section 10(a) will be triggered upon the occurrence of any one of the following Forfeiture Events at any time during the Participant's employment by the Company or a subsidiary or affiliate of the Company and resulting in his or her termination of employment, or during the one-year period following termination of such employment:

- (i) The Participant, acting alone or with others, directly or indirectly, prior to a Change in Control, (A) engages, either as employee, employer, consultant, advisor, or director, or as an owner, investor, partner, or stockholder unless the Participant's interest is insubstantial, in any business in an area or region in which the Company conducts business at the date the event occurs, which is directly in competition with a business then conducted by the Company or a subsidiary or affiliate of the Company; (B) induces any customer or supplier of the Company or a subsidiary or affiliate of the Company with which the Company or a subsidiary or affiliate of the Company has a business relationship, to curtail, cancel, not renew, or not continue his or her or its business with the Company or any subsidiary or affiliate of the Company; or (C) induces, or attempts to influence, any employee of or service provider to the Company or a subsidiary or affiliate of the Company to terminate such Service. The Committee shall, in its discretion, determine which lines of business the Company conducts on any particular date and which third parties may reasonably be deemed to be in competition with the Company. For purposes of this Section 10(b)(i), a Participant's interest as a stockholder is insubstantial if it represents beneficial ownership of less than five percent of the outstanding class of stock, and a Participant's interest as an owner, investor, or partner is insubstantial if it represents ownership, as determined by the Committee in its discretion, of less than five percent of the outstanding equity of the entity;
- (ii) The Participant discloses, uses, sells, or otherwise transfers, except in the course of employment with or other Service to the Company or any subsidiary or affiliate of the Company, any confidential or proprietary information of the Company or any subsidiary or affiliate of the Company, including but not limited to information regarding the Company's current and potential customers, organization, employees, finances, and methods of operations and investments, so long as such information has not otherwise been disclosed to the public or is not otherwise in the public domain, except as required by law or pursuant to legal process, or the Participant makes statements or representations, or otherwise communicates, directly or indirectly, in writing, orally, or otherwise, or takes any other action which may, directly or indirectly, disparage or be damaging to the Company or any of its subsidiaries or affiliates or their respective officers, directors, employees, advisors, businesses or reputations, except as required by law or pursuant to legal process; or

- (iii) The Participant fails to cooperate with the Company or any subsidiary or affiliate of the Company in any way, including, without limitation, by making himself or herself available to testify on behalf of the Company or such subsidiary or affiliate of the Company in any action, suit, or proceeding, whether civil, criminal, administrative, or investigative, or otherwise fails to assist the Company or any subsidiary or affiliate of the Company in any way, including, without limitation, in connection with any such action, suit, or proceeding by providing information and meeting and consulting with members of management of, other representatives of, or counsel to, the Company or such subsidiary or affiliate of the Company, as reasonably requested.

(c) **Forfeitures of Awards and Realized Gains Related to Financial Restatements** . In the event that the Participant engages in misconduct that causes or partially causes the need for restatement of financial statements that would have resulted in a lower Award where the payment was predicated upon the achievement of certain financial results that were the subject of the restatement, to the extent of the reduction in amount of such Award as determined by the Committee (i) the Award will be cancelled and (ii) the Participant will forfeit (A) the shares of Stock received or payable on the vesting or exercise of the Award and (B) the amount of the proceeds of the sale or gain realized on the vesting or exercise of the Award (and the Participant may be required to return or pay such shares of Stock or amount to the Company. The determination of the lower Award must be made by the Committee no later than the end of the third fiscal year following the year for which the inaccurate financial results were measured; provided, that if steps have been taken within such period to restate the Company's financial or operating results, the time period shall be extended until such restatement is completed. The provisions of this Section 10(c) shall be amended to the extent necessary to comply with final rules issued under the Dodd-Frank Wall Street Reform and Consumer Protection Act by the Securities and Exchange Commission and the principal stock exchange or market on which Stock is traded.

(d) **Agreement Does Not Prohibit Competition or Other Participant Activities** . Although the conditions set forth in this Section 10 shall be deemed to be incorporated into an Award, a Participant is not thereby prohibited from engaging in any activity, including but not limited to competition with the Company and its subsidiaries and affiliates. Rather, the non-occurrence of the Forfeiture Events set forth in Section 10(b) is a condition to the Participant's right to realize and retain value from his or her compensatory Options and Awards, and the consequence under the Plan if the Participant engages in an activity giving rise to any such Forfeiture Event are the forfeitures specified herein. The Company and the Participant shall not be precluded by this provision or otherwise from entering into other agreements concerning the subject matter of Sections 10(a) and 10(b) and those other provisions shall not be affected by this Agreement.

(e) **Committee Discretion** . The Committee may, in its discretion, waive in whole or in part the Company's right to forfeiture under this Section. In addition, the Committee may impose additional conditions on Awards, by inclusion of appropriate provisions in the document evidencing or governing any such Award.

11. General Provisions .

(a) **Compliance with Legal and Other Requirements** . The Company may, to the extent deemed necessary or advisable by the Committee and subject to Section 11(k), postpone the issuance or delivery of Stock or payment of other benefits under any Award until completion of such registration or qualification of such Stock or other required action under any federal or state law, rule or regulation, listing or other required action with respect to any stock exchange or automated quotation system upon which the Stock or other securities of the Company are listed or quoted, or compliance with any other obligation of the Company, as the Committee may consider appropriate, and may require any Participant to make such representations, furnish such information and comply with or be subject to such other conditions as it may consider appropriate in connection with the issuance or delivery of Stock or payment of other benefits in compliance with applicable laws, rules, and regulations, listing requirements, or other obligations. The foregoing notwithstanding, in connection with a Change in Control, the Company shall take or cause to be taken no action, and shall undertake or permit to arise no legal or contractual obligation, that results or would result in any postponement of the issuance or delivery of Stock or payment of benefits under any Award or the imposition of any other conditions on such issuance, delivery or payment, to the extent that such postponement or other condition would represent a greater burden on a Participant than existed on the 90th day preceding the Change in Control.

(b) **Limits on Transferability; Beneficiaries** . No Award or other right or interest of a Participant under the Plan shall be pledged, hypothecated or otherwise encumbered or subject to any lien, obligation or liability of such Participant to any party (other than the Company or a subsidiary or affiliate thereof), or assigned or transferred by such Participant otherwise than by will or the laws of descent and distribution or to a Beneficiary upon the death of a Participant, and such Awards or rights that may be

exercisable shall be exercised during the lifetime of the Participant only by the Participant or his or her guardian or legal representative, except that Awards and other rights (other than ISOs and SARs in tandem therewith) may be transferred to one or more transferees during the lifetime of the Participant, and may be exercised by such transferees in accordance with the terms of such Award, but only if and to the extent such transfers are permitted by the Committee, subject to any terms and conditions which the Committee may impose thereon (which may include limitations the Committee may deem appropriate in order that offers and sales under the Plan will meet applicable requirements of registration forms under the Securities Act of 1933 specified by the Securities and Exchange Commission), and provided further, that no transfer for value or consideration will be permitted. A Beneficiary, transferee, or other person claiming any rights under the Plan from or through any Participant shall be subject to all terms and conditions of the Plan and any Award document applicable to such Participant, except as otherwise determined by the Committee, and to any additional terms and conditions deemed necessary or appropriate by the Committee.

(c) **Adjustments**. In the event that any large, special and non-recurring dividend or other distribution (whether in the form of cash or property other than Stock), recapitalization, forward or reverse split, Stock dividend, reorganization, merger, consolidation, spin-off, combination, repurchase, share exchange, liquidation, dissolution or other similar corporate transaction or event affects the Stock such that an adjustment is determined by the Committee to be appropriate and, in the case of any outstanding Award, necessary in order to prevent dilution or enlargement of the rights of the Participant, then the Committee shall, in an equitable manner as determined by the Committee, adjust any or all of (i) the number and kind of shares of Stock which (i) are authorized for grant under Section 4(a), (ii) the number and kind of shares of Stock by which annual per-person Award limitations are measured under Section 5, (iii) the number and kind of shares of Stock subject to or deliverable in respect of outstanding Awards and (iv) the exercise price, grant price or purchase price relating to any Award or, if deemed appropriate, the Committee may make provision for a payment of cash or property to the holder of an outstanding Option. In addition, the Committee is authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards (including Performance Awards and performance goals and any hypothetical funding pool relating thereto) in recognition of unusual or nonrecurring events (including, without limitation, events described in the preceding sentence, as well as acquisitions and dispositions of businesses and assets) affecting the Company, any subsidiary or affiliate of the Company or other business unit of the Company, or the financial statements of the Company or any subsidiary or affiliate, or in response to changes in applicable laws, regulations, accounting principles, tax rates and regulations or business conditions or in view of the Committee's assessment of the business strategy of the Company, any subsidiary or affiliate or business unit thereof, performance of comparable organizations, economic and business conditions, personal performance of a Participant, and any other circumstances deemed relevant; provided that no such adjustment shall be authorized or made if and to the extent that the existence of such authority (i) would cause Performance Awards granted under the Plan to Participants designated by the Committee as Covered Employees and intended to qualify as "performance-based compensation" under Code Section 162(m) and regulations thereunder to otherwise fail to qualify as "performance-based compensation" under Code Section 162(m) and regulations thereunder, or (ii) would cause the Committee to be deemed to have authority to change the targets, within the meaning of Treasury Regulation 1.162-27(e)(4)(vi), under the performance goals relating to Options or SARs granted to Covered Employees and intended to qualify as "performance-based compensation" under Code Section 162(m) and regulations thereunder.

(d) **Tax Provisions**.

- (i) Withholding. The Company and any subsidiary or affiliate of the Company is authorized to withhold from any Award granted, any payment relating to an Award under the Plan, including from a distribution of Stock, or any payroll or other payment to a Participant, amounts of withholding and other taxes due or potentially payable in connection with any transaction involving an Award, and to take such other action as the Committee may deem advisable to enable the Company and Participants to satisfy obligations for the payment of withholding taxes and other tax obligations relating to any Award. This authority shall include authority to withhold or receive Stock or other property and to make cash payments in respect thereof in satisfaction of a Participant's withholding obligations, either on a mandatory or elective basis in the discretion of the Committee, or in satisfaction of other tax obligations. Other provisions of the Plan notwithstanding, only the minimum amount of Stock deliverable in connection with an Award necessary to satisfy statutory withholding requirements will be withheld, unless (x) withholding of any additional amount of Stock will not result in additional accounting expense to, or adverse tax compliance implications for, the Company and (y) is otherwise permitted by the Company.
- (ii) Required Consent to and Notification of Code Section 83(b) Election. No election under Section 83(b) of the Code (to include in gross income in the year of transfer the amounts specified in Code Section 83(b)) or under a similar provision of the laws of a jurisdiction outside the United States may be made unless expressly permitted by the terms of the Award document or by action of the Committee in writing prior to the making of such election. In any case in which a Participant is permitted to make such an election in connection with an Award, the Participant shall notify the Company of such election within ten days of filing notice of the election with the Internal Revenue Service or other governmental authority, in addition to any filing and notification required pursuant to regulations issued under Code Section 83(b) or other applicable provision.

(iii) Requirement of Notification Upon Disqualifying Disposition Under Code Section 421(b). If any Participant shall make any disposition of shares of Stock delivered pursuant to the exercise of an ISO under the circumstances described in Code Section 421(b) (i.e., a disqualifying disposition), such Participant shall notify the Company of such disposition within ten days thereof.

(e) **Changes to the Plan** . The Board may amend, suspend or terminate the Plan or the Committee's authority to grant Awards under the Plan without the consent of stockholders or Participants; provided, however, that any amendment to the Plan shall be submitted to the Company's stockholders for approval not later than the earliest annual meeting for which the record date is at or after the date of such Board action if such stockholder approval is required by any federal or state law or regulation or the rules of the New York Stock Exchange or any other stock exchange or automated quotation system on which the Stock may then be listed or quoted, or if such amendment would materially increase the number of shares reserved for issuance and delivery under the Plan (other than in connection with an equitable adjustment pursuant to Section 11(c) above) or increase individual award limits under Section 5(b) or amend any other provision of the Plan that expressly requires stockholder approval, and the Board may otherwise, in its discretion, determine to submit other amendments to the Plan to stockholders for approval; and provided further, that, without the consent of an affected Participant, no such Board action may materially and adversely affect the rights of such Participant under any outstanding Award unless the Committee determines that such amendment, alteration, suspension, discontinuance or termination either is required or advisable in order for the Company, the Plan or the Award to satisfy any applicable law or regulation (for this purpose, actions that alter the timing of federal income taxation of a Participant will not be deemed material unless such action results in an income tax penalty on the Participant). Notwithstanding any provision in this Plan to the contrary except in connection with an equitable adjustment under Section 11(c) or a Change in Control, without the prior approval of the Company's stockholders, no option or stock appreciation right may be amended to reduce the price per share of the shares subject to such option or the exercise price of such stock appreciation right, as applicable, below the option price or exercise price as of the date the option or stock appreciation right is granted. In addition, and except in connection with an equitable adjustment under Section 11(c) or a Change in Control, without the prior approval of the Company's stockholders, no option or stock appreciation rights may be cancelled or surrendered in exchange for another Award or cash when the exercise or grant price per share of Stock exceeds the Fair Market Value of one share of Stock and no option or stock appreciation rights may be granted in exchange for, or in connection with, the cancellation or surrender of an option, stock appreciation right or other award having a higher option or exercise price.

(f) **Right of Setoff** . The Company or any subsidiary or affiliate of the Company may, to the extent permitted by applicable law, deduct from and set off against any amounts the Company or a subsidiary or affiliate of the Company may owe to the Participant from time to time, including amounts payable in connection with any Award, owed as wages, fringe benefits, or other compensation owed to the Participant, such amounts as may be owed by the Participant to the Company, including but not limited to amounts owed under Section 10(a), although the Participant shall remain liable for any part of the Participant's payment obligation not satisfied through such deduction and setoff. By accepting any Award granted hereunder, the Participant agrees to any deduction or setoff under this Section 11(f).

(g) **Unfunded Status of Awards; Creation of Trusts** . The Plan is intended to constitute an "unfunded" plan for incentive and deferred compensation. With respect to any payments not yet made to a Participant or obligation to deliver Stock pursuant to an Award, nothing contained in the Plan or any Award shall give any such Participant any rights that are greater than those of a general creditor of the Company; provided that the Committee may authorize the creation of trusts and deposit therein cash, Stock, other Awards or other property, or make other arrangements to meet the Company's obligations under the Plan. Such trusts or other arrangements shall be consistent with the "unfunded" status of the Plan unless the Committee otherwise determines with the consent of each affected Participant.

(h) **Non-exclusivity of the Plan** . Neither the adoption of the Plan by the Board nor its submission to the stockholders of the Company for approval shall be construed as creating any limitations on the power of the Board or a committee thereof to adopt such other incentive arrangements, apart from the Plan, as it may deem desirable, including incentive arrangements and awards which do not qualify for the performance-based compensation exception under Code Section 162(m) prior to its repeal, and such other arrangements may be either applicable generally or only in specific cases.

(i) **Payments in the Event of Forfeitures; Fractional Shares** . Unless otherwise determined by the Committee, in the event of a forfeiture of an Award with respect to which a Participant paid cash consideration, the Participant shall be repaid the amount of such cash consideration. No fractional shares of Stock shall be issued or delivered pursuant to the Plan or any Award. The Committee shall determine whether cash, other Awards or other property shall be issued or paid in lieu of such fractional shares or whether such fractional shares or any rights thereto shall be forfeited or otherwise eliminated.

(j) **Compliance with Code Section 162(m)** . It is the intent of the Company that Options and SARs granted to Covered Employees prior to 2018 and other Awards designated as Awards to Covered Employees subject to Section 7 prior to 2018 shall constitute qualified "performance-based compensation" within the meaning of Code Section 162(m) and regulations thereunder, unless otherwise determined by the Committee at the time of allocation of an Award. Accordingly, the terms of Sections 7(b), (c), and (d), including the definitions of Covered Employee and other terms used therein, shall be interpreted in a manner consistent with Code

Section 162(m) and regulations thereunder. The foregoing notwithstanding, because the Committee cannot determine with certainty whether a given Participant will be a Covered Employee with respect to a performance period that has not yet been completed, the term Covered Employee as used herein shall mean only a person designated by the Committee as likely to be a Covered Employee with respect to a specified performance period. If any provision of the Plan or any Award document relating to a Performance Award that is designated as intended to comply with the performance-based compensation exception under Code Section 162(m) prior to its repeal does not comply or is inconsistent with the requirements of Code Section 162(m) or regulations thereunder, such provision shall be construed or deemed amended to the extent necessary to conform to such requirements, and no provision shall be deemed to confer upon the Committee or any other person discretion to increase the amount of compensation otherwise payable in connection with any such Award upon attainment of the applicable performance objectives.

(k) **Certain Limitations on Awards to Ensure Compliance with Section 409A** . For purposes of this Plan, references to an Award term or event (including any authority or right of the Company or a Participant) being "permitted" under Section 409A mean, for a 409A Award, that the term or event will not cause the Participant to be liable for payment of interest or a tax penalty under Section 409A and, for a Non-409A Award, that the term or event will not cause the Award to be treated as subject to Section 409A. Other provisions of the Plan notwithstanding, the terms of any 409A Award and any Non-409A Award, including any authority of the Company and rights of the Participant with respect to the Award, shall be limited to those terms permitted under Section 409A or an applicable exception, and any terms not permitted under Section 409A shall be automatically modified and limited to the extent necessary to conform with Section 409A. For this purpose, other provisions of the Plan notwithstanding, the Company shall have no authority to accelerate distributions relating to 409A Awards in excess of the authority permitted under Section 409A, any distribution subject to Section 409A(a)(2)(A)(i) (separation from Service) to a "key employee" as defined under Section 409A(a)(2)(B)(i), shall not occur earlier than the earliest time permitted under Section 409A(a)(2)(B)(i), and any authorization of payment of cash to settle a Non-409A Award shall apply only to the extent permitted under Section 409A for such Award.

(l) **Governing Law** . The validity, construction, and effect of the Plan, any rules and regulations relating to the Plan and any Award document shall be determined in accordance with the laws of the State of Delaware, without giving effect to principles of conflicts of laws, and applicable provisions of federal law.

(m) **Awards to Participants Outside the United States** . The Committee may modify the terms of any Award under the Plan made to or held by a Participant who is then resident or primarily employed outside of the United States in any manner deemed by the Committee to be necessary or appropriate in order that such Award shall conform to laws, regulations, and customs of the country in which the Participant is then resident or primarily employed, or so that the value and other benefits of the Award to the Participant, as affected by foreign tax laws and other restrictions applicable as a result of the Participant's residence or employment abroad shall be comparable to the value of such an Award to a Participant who is resident or primarily employed in the United States. An Award may be modified under this Section 11(m) in a manner that is inconsistent with the express terms of the Plan, so long as such modifications will not contravene any applicable law or regulation or result in actual liability under Section 16(b) for the Participant whose Award is modified.

(n) **Limitation on Rights Conferred under Plan** . Neither the Plan nor any action taken hereunder shall be construed as (i) giving any Eligible Person or Participant the right to continue as an Eligible Person or Participant or in the employ or Service of the Company or a subsidiary or affiliate of the Company, (ii) interfering in any way with the right of the Company or a subsidiary or affiliate of the Company to terminate any Eligible Person's or Participant's Service at any time (subject to the terms and provisions of any separate written agreements), (iii) giving an Eligible Person or Participant any claim to be granted any Award under the Plan or to be treated uniformly with other Participants and Employees, or (iv) conferring on a Participant any of the rights of a stockholder of the Company unless and until the Participant is duly issued or transferred shares of Stock in accordance with the terms of an Award or an Option is duly exercised. Except as expressly provided in the Plan and an Award document, neither the Plan nor any Award document shall confer on any person other than the Company and the Participant any rights or remedies thereunder.

(o) **Severability; Entire Agreement** . If any of the provisions of this Plan or any Award document is finally held to be invalid, illegal or unenforceable (whether in whole or in part), such provision shall be deemed modified to the extent, but only to the extent, of such invalidity, illegality or unenforceability, and the remaining provisions shall not be affected thereby; provided, that, if any of such provisions is finally held to be invalid, illegal, or unenforceable because it exceeds the maximum scope determined to be acceptable to permit such provision to be enforceable, such provision shall be deemed to be modified to the minimum extent necessary to modify such scope in order to make such provision enforceable hereunder. The Plan and any Award documents contain the entire agreement of the parties with respect to the subject matter thereof and supersede all prior agreements, promises, covenants, arrangements, communications, representations and warranties between them, whether written or oral with respect to the subject matter thereof.

(p) **Plan Effective Date and Termination** . The Plan, as amended and restated, shall be effective as of March 14, 2018. Notwithstanding the foregoing or anything else contained herein to the contrary, for any Award under Sections 7(b) or 7(c), with respect to any compensation to be paid under a written binding contract that was in effect on November 2, 2017, all terms and conditions of the payment of any such compensation shall be governed by the terms and conditions of this Plan and any underlying documents that combined to constitute the applicable written binding contract relating to such compensation that was in effect on November 2, 2017. Upon approval of the Plan by the stockholders of the Company on May 23, 2017, no further awards shall be granted under the Preexisting Plans, but any outstanding awards under the Preexisting Plans shall continue in accordance with their terms. Unless earlier terminated by action of the Board of Directors, the authority of the Committee to make grants under the Plan shall terminate on May 23, 2027 (unless the Plan is re-approved by the Company's stockholders prior to such date), and the Plan will remain in effect until such time as no Stock remains available for delivery under the Plan and the Company has no further rights or obligations under the Plan with respect to outstanding Awards under the Plan.

(q) **Retirement, Death or Disability** . In the event of a termination of employment due to death, Disability or Retirement, then:

(1) *Effect on Non-Performance Based Awards* . The following provisions shall apply to non-performance based Awards, including Awards as to which performance conditions previously have been satisfied or are deemed satisfied under Section 11(q)(ii), unless otherwise provided by the Committee in the Award document:

- (i) In the case of Non-409A Awards, to the extent permitted without causing the Award to become subject to Code Section 409A:
 - (A) all forfeiture conditions and other restrictions applicable to Awards granted under the Plan shall lapse on a pro rata basis based on the number of days the Participant was employed during the vesting period under such Award, and such Awards shall be fully payable as of the time originally scheduled for payment in the Award document without regard to vesting or other conditions, except to the extent of any waiver by the Participant and subject to applicable restrictions set forth in Section 11(a); and
 - (B) any Award carrying a right to exercise that was not previously exercisable and/or vested shall, in the discretion of the Committee as set forth in the Award document, either (1) continue to vest in accordance with the original vesting schedule without the requirement for continued employment, or (2) become fully exercisable and/or vested as of the time of the termination of employment; and, in each case, shall remain exercisable and/or vested for the earlier of (x) the balance of the stated term of such Award without regard to any termination of employment or (y) one year from the termination of employment or vesting.
- (ii) In the case of 409A Awards, if and to the extent permitted under Code Section 409A:
 - (A) all deferral of settlement, forfeiture conditions and other restrictions applicable to an unvested Award granted under the Plan shall lapse on a pro rata basis based on the number of days the Participant was employed during the vesting period under such Award and such Awards shall be fully payable as of the time originally scheduled for payment in the Award document without regard to deferral and vesting conditions, except to the extent of any waiver by the Participant (if permitted under Section 409A) and subject to applicable restrictions set forth in Section 11(a); and
 - (B) any Award carrying a right to exercise that was not previously exercisable and/or vested shall, in the discretion of the Committee as set forth in the Award document, either (1) continue to vest in accordance with the original vesting schedule without the requirement for continued employment, or (2) become fully exercisable and/or vested as of the time of termination of employment and, in each case, shall remain exercisable and/or vested for the earlier of (x) the balance of the stated term of such Award without regard to any termination of employment or (y) one year from the termination of employment or vesting.

(2) *Effect on Performance-Based Awards* . With respect to an outstanding Award subject to achievement of performance goals and conditions, such performance goals and conditions shall be deemed to be met or exceeded if and to the extent that such performance goals are actually met or exceeded subsequent to the termination of employment or as otherwise provided by the Committee in the Award document governing such Award or other agreement with the Participant, to the maximum extent permitted under Section 409A in the case of 409A Awards.

Notice of Grant of Restricted Stock Units and Restricted Stock Units Award Agreement

American Eagle Outfitters, Inc .
 77 Hot Metal Street
 Pittsburgh, PA 15203

Employee ID	Plan:	2017
Participant Name	Product ID:	

Effective [] (the "Grant Date"), you have been granted an Award of [] units of restricted stock (the "RSUs") under the American Eagle Outfitters, Inc. 2017 Stock Award and Incentive Plan (the "Plan"). Each RSU represents the right to receive one share of American Eagle Outfitters, Inc. (the "Company") common stock, \$0.01 par value per share, at a future point in time. This Award is subject to the terms and conditions contained in this Notice and Agreement, as well as the terms and conditions of the Plan. All capitalized words not defined in this Notice and Agreement have the meanings assigned to them in the Plan.

Unless your employment is terminated or due to a Change in Control, in each case, as provided in Section 3 of the attached Terms and Conditions, the RSUs shall vest over three years in equal annual increments with the first third vesting on the first anniversary of the grant date and with the second two thirds vesting on the second and third anniversary of the grant date (the "Period of Restriction").

As provided in the Plan and this Notice and Agreement, this Award may terminate before the restrictions lapse. For example, if your employment with the Company ends before the date the restrictions lapse, this Award will terminate and the RSUs awarded shall revert to the Company. You should refer to paragraph 3 of this Notice and Agreement for further information concerning how changes in your employment or a Change in Control may affect termination of this Award.

By signing below (or by electronically accepting this Award), you agree that this Award is governed by this Notice and Agreement, and by the terms and conditions contained in the Plan, as amended from time to time, and incorporated into this Notice and Agreement by reference.

American Eagle Outfitters, Inc.

By: 
 Jay Schottenstein
 Executive Chairman of the Board and Chief Executive Officer

VIA ELECTRONIC ACCEPTANCE
 Employee

TERMS AND CONDITIONS OF RESTRICTED STOCK UNIT AWARD

1. Grant of Award. American Eagle Outfitters, Inc. (the “Company”) hereby grants to the employee named on page 1 of this Notice and Agreement (“Employee”) as a separate incentive in connection with Employee’s employment and not in lieu of any salary or other compensation for Employee’s services, an Award of the number of restricted stock units (“RSUs”) of Stock of the Company set forth on page 1 of this Notice and Agreement, which RSUs are granted on the Grant Date, subject to all the terms and conditions in this Notice and Agreement and in the Company’s 2017 Stock Award and Incentive Plan (the “Plan”). Each RSU represents the right to receive one share of Stock at a future point in time.

2. Rights of the Employee with Respect to the Restricted Stock Units.

a) No Stockholder Rights. The RSUs granted pursuant to this Award do not and shall not entitle Employee to any rights of a stockholder of Stock, including voting rights with respect to shares of Stock underlying RSUs prior to the Company’s issuance of such shares pursuant to Section 2(c). The rights of Employee with respect to the RSUs shall remain forfeitable at all times prior to the date on which such rights become vested and the restrictions with respect to the RSUs lapse.

b) Additional Restricted Stock Units. As long as Employee holds RSUs granted pursuant to this Award, the Company shall credit to Employee, on each date that the Company pays a cash dividend to holders of Stock generally, an additional number of RSUs (“Additional RSUs”) equal to the total number of whole RSUs and Additional RSUs previously credited to Employee under this Award multiplied by the dollar amount of the cash dividend paid per share of Stock by the Company on such pay date, divided by the Fair Market Value of a share of Stock on such pay date. Any fractional RSU resulting from such calculation shall be included in the Additional RSUs. A report showing the number of Additional RSUs so credited shall be sent to Employee periodically, as determined by the Company. The Additional RSUs so credited shall be subject to the same terms and conditions as the RSUs to which such Additional RSUs relate and the Additional RSUs shall be forfeited in the event that the RSUs with respect to which such Additional RSUs were credited are forfeited.

c) Conversion of Restricted Stock Units; Issuance of Stock. No shares of Stock shall be issued to Employee prior to the date on which the RSUs vest and the restrictions with respect to the RSUs lapse, as set forth on page 1 of this Notice and Agreement. Neither this Section 2(c) nor any action taken pursuant to or in accordance with this Section 2(c) shall be construed to create a trust of any kind. After any RSUs vest as set forth on page 1 of this Notice and Agreement, the Company shall as soon as administratively practicable (but no later than 30 days thereafter) cause to be issued one share of Stock for each RSU in book-entry form, registered in Employee’s name or in the name of Employee’s legal representatives, beneficiaries or heirs, as the case may be, in payment of such vested whole RSUs and any Additional RSUs. The value of any fractional RSU shall be rounded up to the nearest whole share at the time shares are delivered to Employee in payment of the RSUs and any Additional RSUs.

3. Termination of Service/Change in Control. The RSUs as to which restrictions have not lapsed upon the date and time of Employee’s termination of Service, for a reason other than Employee’s death, Disability or Retirement or following a Change in Control as specified in Section 9 of the Plan, shall terminate and thereupon revert to the Company automatically and without charge to the Company. Such RSUs shall thereafter be available for grant under the Plan. In the event of a termination of Service as a result of Employee’s death, Disability, Retirement, or following a Change in Control as specified in Section 9 of the Plan, the Shares shall be vested in full as scheduled subject to proration based on the number of days of Employee’s full time employment during the three year vesting period. For purposes of clarity and notwithstanding the foregoing, in the event of a Change in Control, the provisions of Section 9 of the Plan shall control the vesting of the Award.

4. Continuous Employment Required. Subject to the provisions of paragraph 3 above, restrictions on RSUs shall not lapse and the RSUs shall not vest in accordance with any of the provisions of this Notice and Agreement unless Employee shall have been continuously employed by the Company or by one of its affiliates from the date of the Award until the date such restrictions are deemed to have lapsed.

5. Forfeiture of Award. Notwithstanding anything in this Notice and Agreement to the contrary, the RSUs represented by this Award may be forfeited in accordance with the provisions of Sections 3, 8 or 18 of this Notice and Agreement or Section 10 of the Plan.

6. Withholding Taxes. Notwithstanding anything in this Notice and Agreement to the contrary, no certificate representing Stock may be issued unless and until Employee shall have delivered to the Company or its designated affiliate, the full amount of any federal, state or local income and other withholding taxes. The Company will automatically withhold from the total number of shares of Stock deliverable to Employee upon the applicable vesting date, the number of shares having a value equal to the minimum statutory tax withholding requirements as determined in accordance with the Plan. In the event of any remaining tax balance, Employee will be required to deliver a check for that amount payable to American Eagle Outfitters, Inc. before the shares of Stock are deposited into Employee's account. Notwithstanding any other provision of this Notice and Agreement to the contrary, the Company shall not be obligated to guarantee any particular tax result for Employee with respect to any payment provided to Employee hereunder, and Employee shall be responsible for any taxes imposed on Employee with respect to any such payment.

7. Beneficiary Designation. If permitted by the Committee, Employee may name a beneficiary or beneficiaries to whom any vested but unpaid Award amount shall be paid in the event of Employee's death. In order to be effective, a beneficiary designation must be made by the Employee in a form and manner acceptable to the Company. If Employee fails to make an effective beneficiary designation, or if no such beneficiary survives Employee, then the vested but unpaid benefits remaining at the Employee's death shall be paid to the Employee's estate.

8. Non-competition and Non-solicitation.

8.1 In consideration of the RSUs, Employee agrees and covenants not to:

(a) contribute his or her knowledge, directly or indirectly, in whole or in part, as an employee, officer, owner, manager, advisor, consultant, agent, partner, director, stockholder, volunteer, intern or in any other similar capacity to an entity engaged in the same or similar business as the Company and its affiliates, including those engaged in the retail sale of apparel, swimwear, lingerie, accessories or footwear, during Employee's tenure with the Company and its affiliates and for a period of 12 months following Employee's termination of Service or such longer period of time as may be set forth in any offer letter or other agreement between the parties; or,

(b) directly or indirectly, solicit, hire, recruit, attempt to hire or recruit, or induce the termination of employment of any employee of the Company or its affiliates during Employee's tenure with the Company and its affiliates and for 12 months following the Participant's termination of Service.

8.2 In the event of a breach or threatened breach of any of the covenants contained in Section 8.1:

(a) any unvested portion of this Award shall be forfeited effective as of the date of such breach, unless sooner terminated by operation of another term or condition of this Notice and Agreement or the Plan; and

(b) Employee hereby consents and agrees that the Company shall be entitled to seek, in addition to other available remedies, a temporary or permanent injunction or other equitable relief against such breach or threatened breach from any court of competent jurisdiction, without the necessity of showing any actual damages or that money damages would not afford an adequate remedy, and without the necessity of posting any bond or other security. The aforementioned equitable relief shall be in addition to, not in lieu of, legal remedies, monetary damages or other available forms of relief.

9. Non-transferability of Award. Until the end of the Period of Restriction set forth on page 1 of this Notice and Agreement, the RSUs granted herein and the rights and privileges conferred hereby and the Plan may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated (by operation of law or otherwise) other than: (a) by will; (b) by the laws of descent and distribution; or (c) as provided in Section 11(b) of the Plan.

10. Conditions to Issuance of Shares. The shares of Stock deliverable to Employee may be either previously authorized but unissued shares or issued shares which have been reacquired by the Company. The Company shall not be required to issue any shares of Stock hereunder prior to fulfillment of all of the following conditions: (a) The admission of such shares to listing on all stock exchanges on which such class of Stock is then listed; (b) The completion of any registration or other qualification of such shares under any state or federal law or under the rulings or regulations of the Securities and Exchange Commission or any other governmental regulatory body, which the Committee shall, in its absolute discretion, deem necessary or advisable; (c) The obtaining of any approval or other clearance from any state or federal governmental agency, which the Committee shall, in its absolute discretion, determine to be necessary or advisable; and (d) The lapse of such reasonable period of time

following the date of grant of the RSUs as the Committee may establish from time to time for reasons of administrative convenience.

11. Plan Governs. This Notice and Agreement is subject to all the terms and provisions of the Plan. In the event of a conflict between one or more provisions of this Notice and Agreement and one or more provisions of the Plan, the provisions of the Plan shall govern.

12. No Right to Continued Employment or Future Awards. Employee understands and agrees that this Notice and Agreement does not impact in any way the right of the Company, or any affiliate of the Company employing Employee, to terminate the employment or change the terms of the employment of Employee at any time for any reason whatsoever, with or without cause. Employee understands and agrees that Employee's employment with the Company or an affiliate is on an "at-will" basis only. The Award is a voluntary, discretionary Award being made on a one-time basis and it does not constitute a commitment to make any future Awards. The Award and any related payments made to you will not be considered salary or other compensation for purposes of any severance pay or similar allowance, except as otherwise required by law.

13. Notices. Any notice to be given to the Company under the terms of this Notice and Agreement shall be addressed to the Company, in care of General Counsel, at American Eagle Outfitters, Inc., 77 Hot Metal Street, Pittsburgh, PA 15203, or at such other address as the Company may hereafter designate in writing. Any notice to be given to Employee shall be addressed to the Employee at the address for Employee maintained on the books and records of the Company. All such notices shall be deemed effective upon personal delivery (or electronic delivery to the extent authorized hereunder) or upon deposit in the U.S. mail, postage prepaid and properly addressed to the party to be notified.

14. Captions. Captions provided herein are for convenience only and are not to serve as a basis for interpretation or construction of this Notice and Agreement.

15. Agreement Severable. In the event that any provision in this Notice and Agreement shall be held invalid, illegal or unenforceable, such provision shall be severable from, and such invalidity, illegality or unenforceability shall not be construed to have any effect on, the remaining provisions of this Notice and Agreement, and the provisions so held to be invalid, unenforceable or otherwise illegal shall be reformed to the extent (and only to the extent) necessary to make it enforceable, valid and legal.

16. Unfunded Obligation. The obligations of the Company hereunder will be merely that of an unfunded and unsecured promise of the Company to deliver shares of Stock in the future, and the rights of Employee will be no greater than that of an unsecured general creditor. No assets of the Company will be held or set aside as security for the obligations of the Company hereunder.

17. Nature of Grant. Employee acknowledges that (a) the future value of the underlying shares of Stock is unknown and cannot be predicted with certainty and (b) in consideration of the grant of the RSUs, no claim or entitlement to compensation or damages shall arise from termination of the RSUs or diminution in value of the shares received upon settlement including (without limitation) any claim or entitlement resulting from termination of Employee's active employment by the Company or an affiliate (for any reason whatsoever and whether or not in breach of local labor laws), and Employee hereby releases the Company and its affiliates from any such claim that may arise if, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen, then, by accepting the RSUs and this Notice and Agreement, Employee shall be deemed irrevocably to have waived Employee's entitlement to pursue such claim.

18. Clawback. Notwithstanding any provisions of this Notice and Agreement to the contrary, any RSUs granted hereunder will be subject to mandatory repayment by Employee to the Company to the extent Employee is, or in the future becomes, subject to (a) any Company clawback or recoupment policy that is adopted to comply with the requirements of any applicable laws, rules or regulations, or otherwise, or (b) any applicable laws which impose mandatory recoupment, under circumstances set forth in such applicable laws, including as required by the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act, or other applicable law, regulation or stock exchange listing requirement, as may be in effect from time to time, and which may operate to create additional rights for the Company with respect to Awards and recovery of amounts relating thereto. By accepting this grant of RSUs, Employee agrees and acknowledges that Employee is obligated to cooperate with, and provide any and all assistance necessary to, the Company to recover or recoup this Award or amounts paid under this Award subject to clawback pursuant to such law, government regulation, stock exchange listing requirement or

Company policy or the Plan. Such cooperation and assistance shall include, but is not limited to, executing, completing and submitting any documentation necessary to recover or recoup this Award or amounts paid hereunder from Employee's accounts, or pending or future compensation awards that may be made to Employee.

19. Electronic Delivery. The Company may, in its sole discretion, deliver any documents related to the RSUs and Employee's participation in the Plan, or future Awards that may be granted under the Plan, by electronic means or request Employee's consent to participate in the Plan by electronic means. Employee hereby consents to receive such documents by electronic delivery and, if requested, agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third-party designated by the Company.

20. Compliance with Laws and Regulations. The issuance of shares of Stock pursuant to this Notice and Agreement shall be subject to compliance by Employee with all applicable requirements of law relating thereto and with all applicable regulations of any stock exchange on which the Stock may be listed for trading at the time of such issuance.

21. Binding Effect; No Third Party Beneficiaries. This Notice and Agreement shall be binding upon and inure to the benefit of the Company and Employee and their respective heirs, representatives, successors and permitted assigns. This Notice and Agreement shall not confer any rights or remedies upon any person other than the Company and Employee and their respective heirs, representatives, successors and permitted assigns.

22. Compliance with Section 409A of the Code. This Award covered by this Notice and Agreement is intended to be excepted from coverage under, or compliant with, the provisions of Section 409A of the Code, and the regulations and other guidance promulgated thereunder ("409A"). Notwithstanding the foregoing or any other provision of this Notice and Agreement or the Plan to the contrary, if the Award is subject to the provisions of 409A (and not exempted therefrom), the provisions of this Notice and Agreement and the Plan shall be administered, interpreted and construed in a manner necessary to comply with 409A (or disregarded to the extent such provision cannot be so administered, interpreted or construed). If any payments or benefits hereunder may be deemed to constitute nonconforming deferred compensation subject to taxation under the provisions of 409A, Employee agrees that the Company may, without the consent of Employee, modify this Notice and Agreement to the extent and in the manner the Company deems necessary or advisable or take such other action or actions, including an amendment or action with retroactive effect, that the Company deems appropriate in order either to preclude any such payment or benefit from being deemed "deferred compensation" within the meaning of 409A or to provide such payments or benefits in a manner that complies with the provisions of 409A such that they will not be subject to the imposition of taxes and/or interest thereunder. If, at the time of Employee's separation from service (within the meaning of 409A), (a) Employee shall be a specified employee (within the meaning of 409A and using the identification methodology selected by the Company from time to time) and (b) the Company shall make a good faith determination that an amount payable hereunder constitutes deferred compensation (within the meaning of 409A) the settlement of which is required to be delayed pursuant to the six-month delay rule set forth in 409A in order to avoid taxes or penalties under 409A, then the Company shall not settle such amount on the otherwise scheduled settlement date but shall instead settle it, without interest, on the first business day of the month after such six-month period. Notwithstanding the foregoing, the Company makes no representations and/or warranties with respect to compliance with 409A, and Employee recognizes and acknowledges that 409A could potentially impose upon Employee certain taxes and/or interest charges for which Employee is and shall remain solely responsible.

**Notice of Long Term Incentive
Grant of Restricted
Stock Units and Long Term Incentive
Restricted Stock Units Award Agreement**

American Eagle Outfitters, Inc .
77 Hot Metal Street
Pittsburgh, PA 15203

**Employee ID
Participant Name**

**Plan: 2017
Product ID:**

Effective [] (the "Grant Date"), you have been granted a target Award of [] units of restricted stock (the "RSUs") under the American Eagle Outfitters, Inc. 2017 Stock Award and Incentive Plan (the "Plan"). Each RSU represents the right to receive one share of American Eagle Outfitters, Inc. (the "Company") common stock, \$0.01 par value per share, at a future point in time. This Award is subject to the terms and conditions contained in this Notice and Agreement, as well as the terms and conditions of the Plan. All capitalized words not defined in this Notice and Agreement have the meanings assigned to them in the Plan.

The RSUs shall remain restricted subject to the risk of being forfeited unless your employment is terminated or due to a Change in Control, in each case, as provided in Section 3 of the attached Terms and Conditions and unless a percentage determined based on the performance goals for the Performance Period of Service is earned (the "RSU Vesting Percentage"). For purposes of determining the vesting of the RSUs, the "Performance Period" is []. Performance goals for the Performance Period shall be based on [] to determine the RSU Vesting Percentage.

The number of RSUs determined by applying a percentage shall be rounded up to the nearest whole share.

The Compensation Committee (the "Committee") shall determine and certify in writing the achievement of the above performance goals after the end of the Performance Period based on []. On the date of certification, such restrictions will lapse as to the RSU Vesting Percentage of Shares (the "Period of Restriction") and the balance, if any, shall be forfeited.

As provided in the Plan and this Notice and Agreement, this Award may terminate before the restrictions lapse. For example, if your employment with the Company ends before the date the restrictions lapse, this Award will terminate and the RSUs awarded shall revert to the Company, except in certain cases as specified in paragraph 3 of this Notice and Agreement.

By signing below (which includes electronic acceptance), you agree that this Award is governed by this Notice and Agreement, and by the terms and conditions contained in the Plan, as amended from time to time, and incorporated into this Notice and Agreement by reference.

American Eagle Outfitters, Inc.

By: Jay L. Schottenstein
Jay Schottenstein

Date

Employee

Date

TERMS AND CONDITIONS OF RESTRICTED STOCK AWARD

1. Grant of Award. American Eagle Outfitters, Inc. (the “Company”) hereby grants to the employee named on page 1 of this Notice and Agreement (“Employee”) as a separate incentive in connection with Employee’s employment and not in lieu of any salary or other compensation for Employee’s services, an Award of the number of restricted stock units (“RSUs”) of Stock of the Company set forth on page 1 of this Notice and Agreement, which RSUs are granted on the Grant Date, subject to all the terms and conditions in this Notice and Agreement and in the Plan. Each RSU represents the right to receive one share of Stock at a future point in time.

2. Rights of the Employee with Respect to the Restricted Stock Units.

a) No Stockholder Rights. The RSUs granted pursuant to this Award do not and shall not entitle Employee to any rights of a stockholder of Stock, including voting rights with respect to shares of Stock underlying RSUs prior to the Company’s issuance of such shares pursuant to Section 2(c). The rights of Employee with respect to the RSUs shall remain forfeitable at all times prior to the date on which such rights become vested and the restrictions with respect to the RSUs lapse.

b) Additional Restricted Stock Units. As long as Employee holds RSUs granted pursuant to this Award, the Company shall credit to Employee, on each date that the Company pays a cash dividend to holders of Stock generally, an additional number of RSUs (“Additional RSUs”) equal to the total number of whole RSUs and Additional RSUs previously credited to Employee under this Award multiplied by the dollar amount of the cash dividend paid per share of Stock by the Company on such pay date, divided by the Fair Market Value of a share of Stock on such pay date. Any fractional RSU resulting from such calculation shall be included in the Additional RSUs. A report showing the number of Additional RSUs so credited shall be sent to Employee periodically, as determined by the Company. The Additional RSUs so credited shall be subject to the same terms and conditions as the RSUs to which such Additional RSUs relate and the Additional RSUs shall be forfeited in the event that the RSUs with respect to which such Additional RSUs were credited are forfeited.

c) Conversion of Restricted Stock Units; Issuance of Stock. No shares of Stock shall be issued to Employee prior to the date on which the RSUs vest, and the restrictions with respect to the RSUs lapse, as set forth on page 1 of this Notice and Agreement. Neither this Section 2(c) nor any action taken pursuant to or in accordance with this Section 2(c) shall be construed to create a trust of any kind. After any RSUs vest as set forth on page 1 of this Notice and Agreement, the Company shall as soon as administratively practicable (but no later than 30 days thereafter) cause to be issued one share of Stock for each RSU in book-entry form, registered in Employee’s name or in the name of Employee’s legal representatives, beneficiaries or heirs, as the case may be, in payment of such vested whole RSUs and any Additional RSUs. The value of any fractional RSU shall be rounded up to the nearest whole share at the time shares are delivered to Employee in payment of the RSUs and any Additional RSUs.

3. Termination of Service/Change in Control. The RSUs as to which restrictions have not lapsed upon the date and time of Employee’s termination of Service, for a reason other than Employee’s death, Disability or Retirement or following a Change in Control as specified in Section 9 of the Plan, shall terminate and thereupon revert to the Company automatically and without charge to the Company subject to the discretion of the Committee. Such RSUs shall thereafter be available for grant under the Plan. In the event of a termination of Service as a result of Employee’s death, Disability or Retirement or following a Change in Control as specified in Section 9 of the Plan, the RSUs shall be vested as scheduled, if and to the extent the performance goals for this Award are achieved. For purposes of clarity and notwithstanding the foregoing, in the event of a Change in Control, the provisions of Section 9 of the Plan shall control the vesting of the Award.

4. Continuous Employment Required. Subject to the provisions of paragraph 3 above, restrictions on RSUs shall not lapse and the RSUs shall not vest in accordance with any of the provisions of this Notice and Agreement unless Employee shall have been continuously employed by the Company or by one of its affiliates from the date of the Award until the date such restrictions are deemed to have lapsed.

5. Forfeiture of Award. Notwithstanding anything in this Notice and Agreement to the contrary, the RSUs represented by this Award may be forfeited in accordance with the provisions of Sections 3, 8 or 18 of this Notice and Agreement or Section 10 of the Plan .

6. Withholding Taxes. Notwithstanding anything in this Notice and Agreement to the contrary, no shares of Stock may be issued unless and until Employee shall have delivered to the Company or its designated affiliate, the

full amount of any federal, state or local income and other withholding taxes. The Company will automatically withhold from the total number of shares of Stock deliverable to Employee upon the applicable vesting date, the number of shares having a value equal to the minimum statutory tax withholding requirements as determined in accordance with the Plan. In the event of any remaining tax balance, Employee will be required to deliver a check for that amount payable to American Eagle Outfitters, Inc. before the shares of Stock are deposited into Employee's account. Notwithstanding any other provision of this Notice and Agreement to the contrary, the Company shall not be obligated to guarantee any particular tax result for Employee with respect to any payment provided to Employee hereunder, and Employee shall be responsible for any taxes imposed on Employee with respect to any such payment.

7. Beneficiary Designation. If permitted by the Committee, Employee may name a beneficiary or beneficiaries to whom any vested but unpaid Award amount shall be paid in the event of Employee's death. In order to be effective, a beneficiary designation must be made by the Employee in a form and manner acceptable to the Company. If Employee fails to make an effective beneficiary designation, or if no such beneficiary survives Employee, then the vested but unpaid benefits remaining at the Employee's death shall be paid to the Employee's estate.

8. Non-competition and Non-solicitation.

8.1 In consideration of the RSUs, Employee agrees and covenants not to:

(a) contribute his or her knowledge, directly or indirectly, in whole or in part, as an employee, officer, owner, manager, advisor, consultant, agent, partner, director, stockholder, volunteer, intern or in any other similar capacity to an entity engaged in the same or similar business as the Company and its affiliates, including those engaged in the retail sale of apparel, swimwear, lingerie, accessories or footwear, during Employee's tenure with the Company and its affiliates and for a period of 12 months following Employee's termination of Service or such longer period of time as may be set forth in any offer letter or other agreement between the parties; or,

(b) directly or indirectly, solicit, hire, recruit, attempt to hire or recruit, or induce the termination of employment of any employee of the Company or its affiliates during Employee's tenure with the Company and its affiliates and for 12 months following the Participant's termination of Service.

8.2 In the event of a breach or threatened breach of any of the covenants contained in Section 8.1:

(a) any unvested portion of this Award shall be forfeited effective as of the date of such breach, unless sooner terminated by operation of another term or condition of this Notice and Agreement or the Plan; and

(b) Employee hereby consents and agrees that the Company shall be entitled to seek, in addition to other available remedies, a temporary or permanent injunction or other equitable relief against such breach or threatened breach from any court of competent jurisdiction, without the necessity of showing any actual damages or that money damages would not afford an adequate remedy, and without the necessity of posting any bond or other security. The aforementioned equitable relief shall be in addition to, not in lieu of, legal remedies, monetary damages or other available forms of relief.

9. Non-transferability of Award. Until the end of the Period of Restriction set forth on page 1 of this Notice and Agreement, the RSUs granted herein and the rights and privileges conferred hereby and the Plan may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated (by operation of law or otherwise) other than: (a) by will; (b) by the laws of descent and distribution; or (c) as provided in Section 11(b) of the Plan.

10. Conditions to Issuance of Shares. The shares of Stock deliverable to Employee may be either previously authorized but unissued shares or issued shares which have been reacquired by the Company. The Company shall not be required to issue any shares of Stock hereunder prior to fulfillment of all of the following conditions: (a) The admission of such shares to listing on all stock exchanges on which such class of Stock is then listed; (b) The completion of any registration or other qualification of such shares under any state or federal law or under the rulings or regulations of the Securities and Exchange Commission or any other governmental regulatory body, which the Committee shall, in its absolute discretion, deem necessary or advisable; (c) The obtaining of any approval or other clearance from any state or federal governmental agency, which the Committee shall, in its absolute discretion, determine to be necessary or advisable; and (d) The lapse of such reasonable period of time following the date of grant of the RSUs as the Committee may establish from time to time for reasons of administrative convenience.

11. Plan Governs. This Notice and Agreement is subject to all the terms and provisions of the Plan. In the event of a conflict between one or more provisions of this Notice and Agreement and one or more provisions of the Plan, the provisions of the Plan shall govern.

12. No Right to Continued Employment or Future Awards. Employee understands and agrees that this Notice and Agreement does not impact in any way the right of the Company, or any affiliate of the Company employing Employee, to terminate the employment or change the terms of the employment of Employee at any time for any reason whatsoever, with or without cause. Employee understands and agrees that Employee's employment with the Company or an affiliate is on an "at-will" basis only. The Award is a voluntary, discretionary Award being made on a one-time basis and it does not constitute a commitment to make any future Awards. The Award and any related payments made to you will not be considered salary or other compensation for purposes of any severance pay or similar allowance, except as otherwise required by law.

13. Notices. Any notice to be given to the Company under the terms of this Notice and Agreement shall be addressed to the Company, in care of General Counsel, at American Eagle Outfitters, Inc., 77 Hot Metal Street, Pittsburgh, PA 15203, or at such other address as the Company may hereafter designate in writing. Any notice to be given to Employee shall be addressed to the Employee at the address for Employee maintained on the books and records of the Company. All such notices shall be deemed effective upon personal delivery (or electronic delivery to the extent authorized hereunder) or upon deposit in the U.S. mail, postage prepaid and properly addressed to the party to be notified.

14. Captions. Captions provided herein are for convenience only and are not to serve as a basis for interpretation or construction of this Notice and Agreement.

15. Agreement Severable. In the event that any provision in this Notice and Agreement shall be held invalid, illegal or unenforceable, such provision shall be severable from, and such invalidity, illegality or unenforceability shall not be construed to have any effect on, the remaining provisions of this Notice and Agreement, and the provisions so held to be invalid, unenforceable or otherwise illegal shall be reformed to the extent (and only to the extent) necessary to make it enforceable, valid and legal.

16. Unfunded Obligation. The obligations of the Company hereunder will be merely that of an unfunded and unsecured promise of the Company to deliver shares of Stock in the future, and the rights of Employee will be no greater than that of an unsecured general creditor. No assets of the Company will be held or set aside as security for the obligations of the Company hereunder.

17. Nature of Grant. Employee acknowledges that (a) the future value of the underlying shares of Stock is unknown and cannot be predicted with certainty and (b) in consideration of the grant of the RSUs, no claim or entitlement to compensation or damages shall arise from termination of the RSUs or diminution in value of the shares received upon settlement including (without limitation) any claim or entitlement resulting from termination of Employee's active employment by the Company or an affiliate (for any reason whatsoever and whether or not in breach of local labor laws), and Employee hereby releases the Company and its affiliates from any such claim that may arise if, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen, then, by accepting the RSUs and this Notice and Agreement, Employee shall be deemed irrevocably to have waived Employee's entitlement to pursue such claim.

18. Clawback. Notwithstanding any provisions of this Notice and Agreement to the contrary, any RSUs granted hereunder will be subject to mandatory repayment by Employee to the Company to the extent Employee is, or in the future becomes, subject to (a) any Company clawback or recoupment policy that is adopted to comply with the requirements of any applicable laws, rules or regulations, or otherwise, or (b) any applicable laws which impose mandatory recoupment, under circumstances set forth in such applicable laws, including as required by the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act, or other applicable law, regulation or stock exchange listing requirement, as may be in effect from time to time, and which may operate to create additional rights for the Company with respect to Awards and recovery of amounts relating thereto. By accepting this grant of RSUs, Employee agrees and acknowledges that Employee is obligated to cooperate with, and provide any and all assistance necessary to, the Company to recover or recoup this Award or amounts paid under this Award subject to clawback pursuant to such law, government regulation, stock exchange listing requirement or Company policy or the Plan. Such cooperation and assistance shall include, but is not limited to, executing,

completing and submitting any documentation necessary to recover or recoup this Award or amounts paid hereunder from Employee's accounts, or pending or future compensation awards that may be made to Employee.

19. Electronic Delivery. The Company may, in its sole discretion, deliver any documents related to the RSUs and Employee's participation in the Plan, or future Awards that may be granted under the Plan, by electronic means or request Employee's consent to participate in the Plan by electronic means. Employee hereby consents to receive such documents by electronic delivery and, if requested, agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third-party designated by the Company.

20. Compliance with Laws and Regulations. The issuance of shares of Stock pursuant to this Notice and Agreement shall be subject to compliance by Employee with all applicable requirements of law relating thereto and with all applicable regulations of any stock exchange on which the Stock may be listed for trading at the time of such issuance.

21. Binding Effect: No Third Party Beneficiaries. This Notice and Agreement shall be binding upon and inure to the benefit of the Company and Employee and their respective heirs, representatives, successors and permitted assigns. This Notice and Agreement shall not confer any rights or remedies upon any person other than the Company and Employee and their respective heirs, representatives, successors and permitted assigns.

22. Compliance with Section 409A of the Code. The Award covered by this Notice and Agreement is intended to be excepted from coverage under, or compliant with, the provisions of Section 409A of the Code, and the regulations and other guidance promulgated thereunder ("409A"). Notwithstanding the foregoing or any other provision of this Notice and Agreement or the Plan to the contrary, if the Award is subject to the provisions of 409A (and not exempted therefrom), the provisions of this Notice and Agreement and the Plan shall be administered, interpreted and construed in a manner necessary to comply with 409A (or disregarded to the extent such provision cannot be so administered, interpreted or construed). If any payments or benefits hereunder may be deemed to constitute nonconforming deferred compensation subject to taxation under the provisions of 409A, Employee agrees that the Company may, without the consent of Employee, modify this Notice and Agreement to the extent and in the manner the Company deems necessary or advisable or take such other action or actions, including an amendment or action with retroactive effect, that the Company deems appropriate in order either to preclude any such payment or benefit from being deemed "deferred compensation" within the meaning of 409A or to provide such payments or benefits in a manner that complies with the provisions of 409A such that they will not be subject to the imposition of taxes and/or interest thereunder. If, at the time of Employee's separation from service (within the meaning of 409A), (a) Employee shall be a specified employee (within the meaning of 409A and using the identification methodology selected by the Company from time to time) and (b) the Company shall make a good faith determination that an amount payable hereunder constitutes deferred compensation (within the meaning of 409A) the settlement of which is required to be delayed pursuant to the six-month delay rule set forth in 409A in order to avoid taxes or penalties under 409A, then the Company shall not settle such amount on the otherwise scheduled settlement date but shall instead settle it, without interest, on the first business day of the month after such six-month period. Notwithstanding the foregoing, the Company makes no representations and/or warranties with respect to compliance with 409A, and Employee recognizes and acknowledges that 409A could potentially impose upon Employee certain taxes and/or interest charges for which Employee is and shall remain solely responsible.

**Notice of
Grant of Non-Qualified
Stock Option and Option
Award Agreement**

American Eagle Outfitters, Inc .
77 Hot Metal Street
Pittsburgh, PA 15203

Employee ID	Plan:	2017
Participant Name	Product ID:	

Effective [] (the "Grant Date"), you have been granted a non-qualified stock option to buy [] shares of American Eagle Outfitters, Inc. stock at \$[] per share. This option is subject to all of the terms and conditions contained in this Notice and Agreement, the attached Terms and Conditions of Non-Qualified Stock Option, and the terms and conditions set forth in the American Eagle Outfitters, Inc. 2017 Stock Award and Incentive Plan (the "Plan"). All capitalized words not defined in this Notice and Agreement have the meanings assigned to them in the Plan.

Unless your employment is terminated or due to a Change in Control, in each case, as provided in Section 3 of the attached Terms and Conditions, options for shares will vest evenly as to one third of the shares over three years on the anniversary of the grant date and become fully exercisable on the third anniversary of the grant date (the "Period of Restriction") and shall remain exercisable for the period ending on the expiration date of [] (the "Expiration Date").

By signing below (which includes electronic acceptance), you agree that this Award is governed by this Notice and Agreement, and by the terms and conditions contained in the Plan, as amended from time to time, and incorporated into this Notice and Agreement by reference.

American Eagle Outfitters, Inc.

By: Jay L. Schottenstein _____ Date

Jay Schottenstein _____ Date

Employee _____ Date

TERMS AND CONDITIONS OF NON-QUALIFIED STOCK OPTION

1. Grant of Option. American Eagle Outfitters, Inc. (the “Company”) hereby grants to the employee named on page 1 of this Notice and Agreement (“Employee”) under the Company’s 2017 Stock Award and Incentive Plan, as a separate incentive in connection with Employee’s employment and not in lieu of any salary or other compensation for Employee’s services, a non-qualified stock option to purchase, on the terms and conditions of the Plan and of this Notice and Agreement, all or any part of the number of shares set forth on page 1 of this Notice and Agreement. The option granted hereby is **not** intended to be an Incentive Stock Option within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended.
2. Exercise Price. The purchase price per share upon the exercise of the option shall be payable: (a) in cash or its equivalent; or (b) at the discretion of the Committee, with previously acquired shares of Stock, or (c) by any other means the Committee shall permit.
3. Termination of Option/Change in Control. Each option granted under the Plan shall terminate upon the first to occur of the following events: (a) the date for expiration set forth on page 1 of this Notice and Agreement; (b) immediately upon the date and time of Employee’s termination of Service for a reason other than Employee’s Death, Disability or Retirement or following a Change in Control as specified in Section 9 of the Plan, unless the Committee in its sole discretion decides to extend the exercisability of the option to not more than three (3) months from the termination of Service; (c) the vesting of options shall accelerate on the date of Employee’s termination of Service by reason of death or Disability and shall remain exercisable for one year; (d) on the date of Employee’s termination of Service by reason of Retirement: (i) options that are exercisable upon the termination of Employee’s employment shall remain exercisable for one year after the termination of employment and (ii) options that are not exercisable upon the termination of Employee’s employment shall continue to vest and shall be exercisable for one year after the vesting date when such options first become exercisable; or (e) following a Change in Control, vesting and exercisability of options shall be as specified in Section 9 of the Plan (and, in the event the option is assumed in a Change in Control, the option will remain exercisable until the Expiration Date). (If the option is not assumed in a Change in Control, the vesting and exercisability of the option will be governed by Section 9(b) of the Plan.
4. Death of Employee. To the extent exercisable after Employee’s death, the option shall be exercised only by Employee’s designated beneficiary or beneficiaries. If Employee fails to make an effective beneficiary designation, or if no beneficiary survives Employee, then the option shall be exercised by the administrator or executor of the Employee’s estate.
5. Exercise of Option. The option may be exercised by the person then entitled to do so as to any shares which may then be purchased by giving written notice of exercise (in the form prescribed by the Company) to the Secretary of the Company, specifying the number of shares to be purchased and accompanied by full payment for the shares (including the amount of any income tax the Company determines is required to be withheld by reason of such exercise), or by such other administrative exercise and payment procedures as may be established by the Company from time to time. If the Company shall be required to withhold any federal, state, local or foreign tax in connection with exercise of the option, it shall be a condition to such exercise that you pay or make provision satisfactory to the Company for payment of all such taxes by such methods permitted by the Company. Notwithstanding any other provision of this Notice and Agreement or the Plan, the Company shall not be obligated to guarantee any particular tax result for Employee with respect to any Award and/or payment provided to Employee hereunder, and Employee shall be responsible for any taxes imposed on Employee with respect to such Award and/or payment.

6. Forfeiture of Award. Notwithstanding anything in this Notice and Agreement to the contrary, the Shares represented by this Award may be forfeited in accordance with the provisions of Sections 3, 8 or 14 of this Notice and Agreement or Section 10 of the Plan .

7. No Right to Continued Employment or Future Awards. Employee understands and agrees that this Notice and Agreement does not impact in any way the right of the Company, or any affiliate of the Company employing Employee, to terminate or change the terms of the employment of Employee at any time for any reason whatsoever, with or without cause. Employee understands and agrees that Employee's employment with the Company or an affiliate is on an "at-will" basis only. This Award is a voluntary, discretionary Award being made on a one-time basis and it does not constitute a commitment to make any future Awards. This Award and any related payments made to you will not be considered salary or other compensation for purposes of any severance pay or similar allowance, except as otherwise required by law.

8. Non-competition and Non-solicitation.

8.1 In consideration of the option, Employee agrees and covenants not to:

(a) contribute his or her knowledge, directly or indirectly, in whole or in part, as an employee, officer, owner, manager, advisor, consultant, agent, partner, director, stockholder, volunteer, intern or in any other similar capacity to an entity engaged in the same or similar business as the Company and its affiliates, including those engaged in the retail sale of apparel, swimwear, lingerie, accessories or footwear, during Employee's tenure with the Company and its affiliates and for a period of 12 months following Employee's termination of Service or such longer period of time as may be set forth in any offer letter or other agreement with the parties; or,

(b) directly or indirectly, solicit, hire, recruit, attempt to hire or recruit, or induce the termination of employment of any employee of the Company or its affiliates during Employee's tenure with the Company and its affiliates and for 12 months following Employee's termination of Service.

8.2 In the event of a breach or threatened breach of any of the covenants contained in Section 8.1:

(a) any unvested portion of the option shall be forfeited effective as of the date of such breach, unless sooner terminated by operation of another term or condition of this Notice and Agreement or the Plan; and

(b) Employee hereby consents and agrees that the Company shall be entitled to seek, in addition to other available remedies, a temporary or permanent injunction or other equitable relief against such breach or threatened breach from any court of competent jurisdiction, without the necessity of showing any actual damages or that money damages would not afford an adequate remedy, and without the necessity of posting any bond or other security. The aforementioned equitable relief shall be in addition to, not in lieu of, legal remedies, monetary damages or other available forms of relief.

9. Notices. Any notice to be given to the Company under the terms of this Notice and Agreement shall be addressed to the Company, Stock Option Administrator, c/o Human Resources, at American Eagle Outfitters, Inc., 77 Hot Metal Street, Pittsburgh, PA 15203, or at such other address as the Company may hereafter designate in writing. Any notice to be given to Employee shall be addressed to Employee at such address for Employee maintained on the books and records of the Company. All such notices shall be deemed effective upon personal delivery (or electronic delivery to the extent authorized hereunder) or upon deposit in the U.S. mail, postage prepaid and properly addressed to the party to be notified.

10. Non-Transferability of Option. Except as provided below, the option granted and the rights and privileges conferred by this Notice and Agreement and the Plan shall not be transferred, assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and shall not be subject to sale

under execution, attachment or similar process, other than: (a) by will; (b) by the laws of descent and distribution; or (c) as provided in Section 11(b) of the Plan.

11. Plan Governs. This Notice and Agreement is subject to all terms and provisions of the Plan. In the event of a conflict between one or more provisions of this Notice and Agreement and one or more provisions of the Plan, the provisions of the Plan shall govern.

12. Captions. Captions provided herein are for convenience only and are not to serve as a basis for interpretation or construction of this Notice and Agreement.

13. Agreement Severable. In the event that any provision in this Notice and Agreement shall be held invalid, illegal or unenforceable for any reason, such provision shall be severable from, and such invalidity, illegality or unenforceability shall not be construed to have any effect on, the remaining provisions of this Notice and Agreement, and the provisions so held to be invalid, unenforceable or otherwise illegal shall be reformed to the extent (and only to the extent) necessary to make it enforceable, valid and legal.

14. Clawback. Notwithstanding any provisions of this Notice and Agreement to the contrary, any option granted hereunder will be subject to mandatory repayment by Employee to the Company to the extent Employee is, or in the future becomes, subject to (a) any Company clawback or recoupment policy that is adopted to comply with the requirements of any applicable laws, rules or regulations, or otherwise, or (b) any applicable laws which impose mandatory recoupment, under circumstances set forth in such applicable laws, including as required by the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act, or other applicable law, regulation or stock exchange listing requirement, as may be in effect from time to time, and which may operate to create additional rights for the Company with respect to Awards and recovery of amounts relating thereto. By accepting this Award, Employee agrees and acknowledges that Employee is obligated to cooperate with, and provide any and all assistance necessary to, the Company to recover or recoup this Award or amounts paid under this Award subject to clawback pursuant to such law, government regulation, stock exchange listing requirement or Company policy. Such cooperation and assistance shall include, but is not limited to, executing, completing and submitting any documentation necessary to recover or recoup this Award or amounts paid hereunder from Employee's accounts, or pending or future compensation awards that may be made to Employee.

15. Electronic Delivery. The Company may, in its sole discretion, deliver any documents relating to Employee's options and Employee's participation in the Plan, or future Awards that may be granted under the Plan, by electronic means or request your consent to participate in the Plan by electronic means. Employee hereby consents to receive such documents by electronic delivery and, if requested, agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third-party designated by the Company.

16. Compliance with Laws and Regulations; No Stockholder Rights. The issuance of shares of Stock pursuant to Employee's exercise of the option shall be subject to compliance by Employee with all applicable requirements of law relating thereto and with all applicable regulations of any stock exchange on which the Stock may be listed for trading at the time of such issuance. Neither Employee, nor any person entitled to exercise Employee's rights in the event of Employee's death, shall have any of the rights and/or privileges of a stockholder with respect to shares of Stock subject to the option, until certificates for such shares have been issued upon the exercise of the option.

17. Binding Effect; No Third Party Beneficiaries. This Notice and Agreement shall be binding upon and inure to the benefit of the Company and Employee, and to each of our respective heirs, representatives, successors and permitted assigns. Neither the terms of this Notice and Agreement nor the

Plan shall confer any rights or remedies upon any person other than the Company and Employee and to each of our respective heirs, representatives, s uccessor and permitted assigns.

18. Section 409A. This option is intended to be excepted from coverage under Section 409A of the Code (“Section 409A”) and shall be administered, interpreted and construed accordingly. The Company may, in its sole discretion and without Employee’s consent, modify or amend this Notice and Agreement, impose conditions on the timing and effectiveness of the exercise of the option by Employee, or take any other action it deems necessary or advisable, to cause the option to be excepted from Section 409A (or to comply therewith to the extent the Company determines it is not excepted). Notwithstanding the foregoing, Employee recognizes and acknowledges that Section 409A may impose upon Employee certain taxes or interest charges for which Employee is and shall remain solely responsible.

CERTIFICATIONS

I, Jay L. Schottenstein, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of American Eagle Outfitters, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: June 1, 2018

/s/ Jay L. Schottenstein

Jay L. Schottenstein

Chief Executive Officer

(Principal Executive Officer)

CERTIFICATIONS

I, Robert L. Madore, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of American Eagle Outfitters, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: June 1, 2018

/s/ Robert L. Madore

Robert L. Madore
Executive Vice President, Chief Financial Officer
(Principal Financial Officer)

**Certification Pursuant to 18 U.S.C. Section 1350,
as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of American Eagle Outfitters, Inc. (the "Company") on Form 10-Q for the period ended May 5, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jay L. Schottenstein, Principal Executive Officer of the Company, certify to the best of my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: June 1, 2018

/s/ Jay L. Schottenstein

Jay L. Schottenstein

Chief Executive Officer

(Principal Executive Officer)

**Certification Pursuant to 18 U.S.C. Section 1350,
as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of American Eagle Outfitters, Inc. (the "Company") on Form 10-Q for the period ended May 5, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert L. Madore, Principal Financial Officer of the Company, certify to the best of my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: June 1, 2018

/s/ Robert L. Madore

Robert L. Madore

Executive Vice President, Chief Financial Officer

(Principal Financial Officer)