

URBAN OUTFITTERS INC
Form DEF 14A
April 02, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of

the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

URBAN OUTFITTERS, INC.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

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Dear Shareholder:

You are cordially invited to attend the 2013 Annual Meeting of Shareholders of Urban Outfitters, Inc. to be held at 10:30 a.m., on Tuesday, May 28, 2013, at our corporate headquarters, 5000 South Broad Street, Building 543, Philadelphia, Pennsylvania 19112.

The matters to be considered and voted upon are described in the 2013 Notice of Annual Meeting of Shareholders and the Proxy Statement that accompany this letter. It is important that your shares be represented and voted at the Annual Meeting. Kindly read the attached Proxy Statement and vote your shares over the Internet or, if you received one, by signing and dating the paper copy of the proxy card and returning it promptly.

I look forward to seeing you at the meeting where we will review the business and operations of Urban Outfitters.

Sincerely,

Richard A. Hayne

Chairman of the Board

DATE: April 1, 2013

URBAN OUTFITTERS, INC.

5000 South Broad Street

Philadelphia, Pennsylvania 19112-1495

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

May 28, 2013

TO OUR SHAREHOLDERS:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of Urban Outfitters, Inc. (the "Company") will be held at our corporate headquarters, 5000 South Broad Street, Building 543, Philadelphia, Pennsylvania 19112, on May 28, 2013 at 10:30 a.m., for the following purposes:

1. To elect three Directors to serve a term initially expiring at the Annual Meeting of Shareholders in 2014.
2. To re-approve the performance goals included in the Urban Outfitters 2008 Stock Incentive Plan.
3. To amend the Company's Amended and Restated Articles of Incorporation.
4. To ratify the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for Fiscal Year 2014.
5. To consider certain shareholder proposals, if properly presented at the Annual Meeting.
6. To transact such other business as may properly come before the Annual Meeting.

The Board of Directors unanimously recommends that you vote **FOR** Proposals 1, 2, 3 and 4 and **AGAINST** each of the proposals within Item 5.

The Board of Directors has fixed March 13, 2013 as the record date for determining which shareholders are entitled to notice of, and to vote at, the Annual Meeting of Shareholders or any adjournment or postponement thereof.

By Order of the Board of Directors,

Glen A. Bodzy
Secretary

DATE: April 1, 2013

URBAN OUTFITTERS, INC.

5000 South Broad Street

Philadelphia, Pennsylvania 19112-1495

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS

The accompanying proxy is solicited by the Board of Directors of Urban Outfitters, Inc. (the "Company") for use at the Annual Meeting of Shareholders (the "Annual Meeting") to be held on Tuesday, May 28, 2013 at 10:30 a.m., at the Company's corporate headquarters, 5000 South Broad Street, Building 543, Philadelphia, Pennsylvania 19112, and any adjournments or postponements thereof. The Company is making its proxy statement (this "Proxy Statement") and its annual report to shareholders available electronically via the Internet. On or before April 17, 2013, we will mail to our shareholders a Notice of Internet Availability of Proxy Materials (the "Notice") containing instructions on how to access this Proxy Statement and our annual report and how to vote online. Shareholders who receive the Notice will not receive a printed copy of the proxy materials in the mail, although a proxy card will be mailed separately to each shareholder that beneficially owns more than 1,000 of the Company's common shares, par value \$.0001 per share (the "Common Shares"). If you would like to receive a printed copy of our proxy materials, please follow the instructions included in the Notice.

Only shareholders of record, as shown on the transfer books of the Company at the close of business on March 13, 2013 (the "Record Date"), are entitled to notice of, and to vote at, the Annual Meeting. On the Record Date, there were 146,015,767 Common Shares outstanding. Shareholders of record on the Record Date may vote by either: (i) Internet on the website specified in the Notice or (ii) if a proxy card was received or requested, marking, executing and returning the proxy card, in accordance with the specifications made on the proxy card. Shareholders who wish to cumulate their vote with respect to Proposal 1, the election of directors, must vote by proxy card. Shareholders who hold their shares through a broker (in "street name") must vote their shares in the manner prescribed by their broker.

When voting is properly authorized over the Internet or proxy cards are properly dated, executed and returned, the Company's Common Shares will be voted in accordance with the instructions of the shareholder. Any properly authorized proxy received on a timely basis on which no specification has been made by the shareholder will be voted FOR the election of the nominees to the Board of Directors listed in this Proxy Statement in Proposal 1, FOR the re-approval of the performance goals included in the Urban Outfitters 2008 Stock Incentive Plan in Proposal 2, FOR the approval of an amendment to the Company's Amended and Restated Articles of Incorporation in Proposal 3, FOR the ratification of the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for Fiscal Year 2014 in Proposal 4, AGAINST the adoption of each of the shareholder proposals, to the extent permitted by the rules and regulations of the Securities and Exchange Commission (the "SEC"), and in accordance with the judgment of the persons voting the proxies upon such other matters

as may come before the Annual Meeting and any adjournments or postponements thereof. Any shareholder giving a proxy has the power to revoke it prior to its exercise either by giving written notice to the Secretary of the Company, by voting in person at the Annual Meeting, by executing a subsequent proxy or by granting a subsequent proxy over the Internet.

Presence at the Annual Meeting in person or by proxy of the holders of a majority of the Common Shares entitled to vote is necessary to constitute a quorum. Each Common Share entitles the holder to one vote on each matter presented at the Annual Meeting. Proposal 1, regarding the election of directors, will be determined by a plurality vote, that is, the three nominees for director receiving the most "FOR" votes will be elected. Proposal 2, regarding the re-approval of the performance goals included in the Urban Outfitters 2008 Stock Incentive Plan, Proposal 3, regarding the approval of an amendment to the Company's Amended and Restated Articles of Incorporation, Proposal 4, regarding the ratification of the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for Fiscal Year 2014, Proposals 5 and 6, the properly presented shareholder proposals, and any other matters that may come before the Annual Meeting, will require the affirmative vote of a majority of the votes cast on the proposal. In all matters, an abstention or broker nonvote will not be counted as a vote cast.

PROPOSAL 1. ELECTION OF DIRECTORS

The Company's Second Amended and Restated By-Laws (the "Bylaws") provide for the Board of Directors to be composed of as many directors as are designated from time to time by the Board of Directors. Currently there are six directors, however the Board of Directors has specified that, as of the date of our Annual Meeting, the number of directors will be seven. On November 27, 2012, the Board of Directors approved an amendment to the Bylaws eliminating the classification of the Board of Directors and providing for the annual election of directors. With regard to directors elected prior to the amendment to the Bylaws, the previous Class II directors, Edward N. Antoian and Joel S. Lawson III, will continue in office until the annual meeting of shareholders in 2014. The previous Class III directors, Richard A. Hayne and Harry S. Cherken, Jr., will continue in office until the annual meeting of shareholders in 2015. All directors other than the previous Class III directors will be elected for one-year terms beginning at the 2014 annual meeting. All directors elected at the 2015 and subsequent annual meetings will be elected for one-year terms.

Unless otherwise directed, the persons named on the proxy intend to vote all valid proxies received by them **FOR** the election of the listed nominees. In the event any of the nominees shall be unable or unwilling to serve as a director, the persons named on the proxy intend to vote **FOR** the election of any person as may be nominated by the Board of Directors in substitution. The Company has no reason to believe that any of the nominees named below will be unable to serve as a director if elected.

Shareholders of the Company, as reflected in the Company's stock records at the close of business on March 13, 2013, may vote at the Annual Meeting. Each Common Share entitles the shareholder to one vote, and shareholders have cumulative voting rights in the election of directors. Cumulative voting entitles the shareholder to that number of votes in the election of directors equal to the number of Common Shares the shareholder owns, multiplied by the total number of directors to be elected. Under cumulative voting, the shareholder may cast the total number of his or her votes for one nominee or distribute them among any three or more nominees as the shareholder chooses. Shares represented by proxies, unless otherwise indicated on the proxy card, will be voted cumulatively in the discretion of the designated proxy. The three nominees receiving the highest number of affirmative votes cast at the Annual Meeting by the shareholders voting in person or by proxy, a quorum being present, will be elected as directors with a term scheduled to end at the annual meeting of shareholders in 2014.

The nominees for re-election to the Board of Directors to serve as directors are Scott A. Belair and Robert H. Strouse. In addition, the Board of Directors has nominated Margaret A. Hayne to serve as director. The Board of Directors has determined that two of the nominees, Messrs. Scott A. Belair and Robert H. Strouse, and the continuing directors Edward N. Antoian, Joel S. Lawson III and Harry S. Cherken, Jr., are independent under the listing standards of the NASDAQ Global Select Market ("NASDAQ"). The Board of Directors believes that all of its current directors, including the three nominees for election, possess personal and professional integrity, good judgment, a high level of ability and business acumen, and further, in the case of Messrs. Belair and Strouse, have performed exceptionally well in their respective time served as directors.

Nominees:

SCOTT A. BELAIR

Director Since 1976

Mr. Belair, 65, co-founded Urban Outfitters in 1970. He has served as Principal of The ZAC Group, a financial advisory firm, since 1989. Previously, he was a managing director of Drexel Burnham Lambert Incorporated. Mr. Belair is also a director of Hudson City Bancorp, Inc. (HCBK), and Hudson City Savings Bank. He holds an MBA degree and has financial and investment expertise, including financial reporting expertise, as a result of his significant experience as a CPA, financial advisor, and former chief financial officer in the financial services industry. As a co-founder of the Company, Mr. Belair has been involved with the Company from its inception, and accordingly has a comprehensive understanding of and perspective on its overall business and strategic direction.

ROBERT H. STROUSE

Director Since 2002

Mr. Strouse, 64, serves as President of Wind River Holdings, L.P., which oversees a diversified group of privately owned industrial and service businesses. Through his experience with this private investment company, Mr. Strouse brings to the Board of Directors experience in strategic planning, budgeting, talent recruitment and development, risk management, and corporate development activities. Mr. Strouse is a former corporate lawyer whose practice, prior to 1998 when he joined Wind River, focused on mergers and acquisitions, corporate governance and SEC reporting. Mr. Strouse also serves as a board member of a not-for-profit entity.

MARGARET A. HAYNE

Ms. Hayne, 54, joined the Company in August 1982. She is a 37 year veteran of the retail and wholesale industry and has served as President of Free People since March 2007. Richard A. Hayne, the Company's current Chairman, Chief Executive Officer and President, is Ms. Hayne's spouse. As an employee of the Company for over 30 years, Ms. Hayne brings a wealth of both Company-specific and industry-wide knowledge and experience to the Board.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR
THE ELECTION OF EACH OF THE NOMINEES FOR DIRECTOR.**

The following directors listed below are continuing directors who are not standing for election at the Annual Meeting:

RICHARD A. HAYNE

President and Director Since 1976

Mr. Hayne, 65, co-founded Urban Outfitters in 1970 and has been Chairman of the Board of Directors and President since the Company's incorporation in 1976. Mr. Hayne served as the Company's principal executive officer until 2007 and again, beginning in January 2012. Margaret A. Hayne, President of Free People and a nominee for election as a director, is Mr. Hayne's spouse. Mr. Hayne's long tenure leading the Company as Chairman of the Board

and President, his tenure as principal executive officer, and his exceptional leadership skills, make him uniquely qualified to serve as a director.

EDWARD N. ANTOIAN

Director Since 2011

Mr. Antoian, 57, is a Managing Partner and Senior Portfolio Manager at Chartwell Investment Partners, an investment advisory firm, where he has worked since its inception in 1997. He is also a partner and Chief Investment Officer for Zeke Capital Advisors, a financial advisory firm. In addition, Mr. Antoian is the General Partner of Zeke, L.P., a privately offered long-short equity hedge fund. From 1984 until 1997, Mr. Antoian was the Senior Portfolio Manager of Delaware Management Co. Prior to that, Mr. Antoian worked at E.F. Hutton in Institutional Sales, and as a certified public accountant for Price Waterhouse. Mr. Antoian holds an MBA in Finance and has financial and investment experience as a result of his experience as a CPA, financial advisor and portfolio manager. Mr. Antoian also serves as a director of a not-for-profit entity.

HARRY S. CHERKEN, JR.

Director Since 1989

Mr. Cherken, 63, has been a partner in the law firm of Drinker Biddle & Reath LLP in Philadelphia, Pennsylvania since 1984, is a former managing partner of that firm, and has served as Co-Chair of its Real Estate Group. As a real estate lawyer with over 35 years experience representing public and private companies in the acquisition, construction, development, financing, leasing, management, consolidation, and disposition of commercial real estate, he has extensive experience with real estate transactions, including negotiating real estate transactions and leases on behalf of the Company. Mr. Cherken also holds a Masters in Liberal Arts degree and serves as a trustee of various not-for-profit institutions.

JOEL S. LAWSON III

Director Since 1985

Mr. Lawson, 65, is an independent consultant and private investor. From November 2001 until November 2003, he also served as Executive Director of M&A International Inc., a global organization of merger and acquisition advisory firms. From 1980 until November 2001, Mr. Lawson was Chief Executive Officer of Howard, Lawson & Co., an investment banking and corporate finance firm. Howard, Lawson & Co. became an indirect, wholly-owned subsidiary of FleetBoston Financial Corporation in March 2001. As the former Chief Executive Officer of an investment banking and corporate finance firm, Mr. Lawson has extensive experience in financial and investment matters, including financial reporting expertise. In addition, as the former Executive Director of a global organization of merger and acquisition advisory firms, he has specialized knowledge regarding mergers and acquisitions. He also holds an MBA degree and serves as a director of a not-for-profit entity.

CORPORATE GOVERNANCE AT URBAN OUTFITTERS

Our business is managed under the direction of our Board of Directors, in accordance with the Pennsylvania Business Corporation Law and our Bylaws. Members of the Board are kept informed of our business through discussions with the Chairman of the Board, the Chief Financial Officer and other officers, by reviewing materials provided to them and by participating in regular and special meetings of the Board and its committees. In addition, to promote open discussion among our non-employee directors, those directors meet in regularly scheduled executive sessions without the participation of management or employee directors.

Board of Directors

Our Board of Directors has a long-standing commitment to sound and effective corporate governance practices. The foundation for our corporate governance is the Board's policy that a majority of the members of the Board should be independent. We have reviewed internally and with our Board of Directors the provisions of the Sarbanes-Oxley Act of 2002, the related rules of the SEC and current NASDAQ Marketplace Rules regarding corporate governance policies and procedures. Our corporate governance documents comply with all applicable requirements.

In accordance with our Bylaws, our Board of Directors has specified that, as of the date of our Annual Meeting, the number of directors will be seven. Five of our current directors are non-employee directors and the Board of Directors has determined that each of the five current non-employee directors has no relationship which, in the opinion of the Board of Directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director, and that each meets the objective requirement of independence under the NASDAQ Marketplace Rules. Therefore, the Board of Directors has determined that each of these five directors is an independent director under the standards currently set forth in the NASDAQ Marketplace Rules. Neither Richard A. Hayne nor Margaret A. Hayne, nominee for election to the Board of Directors, is independent. See also Committees of the Board of Directors Audit Committee below.

The Board of Directors currently combines the role of Chairman of the Board of Directors (Chairman) and the role of Chief Executive Officer. Richard A. Hayne, the current Chairman, is also an executive officer of the Company, serving as Chief Executive Officer and President. The Board of Directors believes this is the most efficient and effective leadership structure for the Company at this time. Mr. Hayne is the co-founder of the Company and has been its Chairman since the Company's incorporation in 1976, and as such the Board of Directors believes that he is uniquely qualified through his experience and expertise to set the agenda for, and lead discussions of, strategic issues for the Company at the board level. Mr. Hayne has been instrumental in the Company's historical success, and is in large part responsible for the Company's substantial growth since its inception.

The Board of Directors believes that the Company's corporate governance structure provides the appropriate balance between the need for consistent strategic direction and the need for objectivity and independence of the non-management directors, and includes several

effective oversight mechanisms, including: (i) the Board of Directors is comprised of a majority of independent directors, and the Chairman, who serves as Chief Executive Officer and President, was the only management director in Fiscal 2013; (ii) following most board meetings, the independent directors meet in executive session without the Chairman present to review, among other things, his performance as Chief Executive Officer and President; and (iii) various committees of the Board perform oversight functions independent of management, such as overseeing the integrity of the Company's financial statements, senior executive compensation (including the compensation of the Chairman) and the selection and evaluation of directors, and these committees are comprised of only independent directors. Accordingly, the Board of Directors believes that requiring that the Chairman be a non-management director would weaken the Company's leadership structure without providing any added benefit beyond that already achieved by its existing governance structure. The Board of Directors retains authority to modify this structure as it deems appropriate.

The Board of Directors has not designated a lead independent director as it is satisfied with the current structure having Mr. Hayne serve as Chairman and believes that structural changes at this time are not warranted or desirable. The Company currently has a relatively small Board of Directors, which includes five independent directors, with three of the five having served together successfully since 1989. The Audit Committee, Compensation Committee, and Nominating Committee are each comprised solely of independent directors and are each chaired by a different director, thus providing different directors with leadership opportunities and promoting the potential for differing perspectives and styles in these three key areas of governance. Based on the relatively small size of the Board, the longstanding history of our independent directors serving on the Board together, and the corporate governance and committee structure currently in place, the Board of Directors has determined that each independent director plays an equally important role and that designating one as the lead independent director would serve no additional benefit beyond that already achieved by our existing governance structure. Further, the Board of Directors believes designating a lead independent director could inhibit the free flow of ideas among the independent directors; currently no one person is expected to dominate or carry additional responsibility or authority aside from the roles of committee chairs, and the Board believes that this has been and continues to be the best approach for the Company.

During Fiscal 2013, the Board of Directors held four meetings. Each member of the Board attended at least 75% of the total number of meetings of the Board and all committees on which he sits. All references in this Proxy Statement to our fiscal years refer to the fiscal years ended on January 31 in those years. For example, Fiscal 2013 refers to the Company's fiscal year ending on January 31, 2013.

Committees of the Board of Directors

Our Board of Directors has an Audit Committee, Compensation Committee and Nominating Committee. The charters of these committees have been approved by our Board of Directors and are available on the Company's corporate website (www.urbanoutfittersinc.com).

The following table presents information regarding the membership of our Board Committees as of the date of this Proxy Statement.

Current Board Committee Membership

	AUDIT COMMITTEE	COMPENSATION COMMITTEE	NOMINATING COMMITTEE
Edward N. Antoian	+		
Scott A. Belair	+	+X	
Harry S. Cherken, Jr.			+
Joel S. Lawson III	+X	+	
Robert H. Strouse		+	+X
Number of Meetings in Fiscal 2013*	8	5	7

+ Current Member

X Chairperson

* In addition, the Board Committees from time to time acted by unanimous written consent.

Audit Committee

The Audit Committee operates under a written charter that has been approved by the Board of Directors. The Charter is reviewed annually by the Audit Committee with any recommended changes approved by the Board of Directors. The Audit Committee's primary responsibility is to assist the Board of Directors in fulfilling its oversight responsibilities to our shareholders and other constituencies. In furtherance of those oversight responsibilities, the Audit Committee's primary duties are to: (1) appoint (and terminate), compensate, and oversee the work of the independent accountants, including the audit plan, scope and procedures; (2) pre-approve, in accordance with its pre-approval policies, all audit services and permissible non-audit services provided by the independent accountants to the Company; (3) confirm and assure the independence of the independent accountants by reviewing and discussing the formal written statement and other periodic written reports received from the independent accountants regarding their objectivity and independence, including statements concerning other relationships and services that may affect their independence; (4) set clear hiring policies for employees and former employees of the independent accountants; (5) consider and review with the independent accountants, the Company's internal audit department, and management, the adequacy and effectiveness of the Company's internal controls, including processes for identifying significant risks or exposures (as further discussed in Risk Management below), and elicit recommendations for the improvement of such internal control procedures where desirable; (6) review with the independent accountants and management (i) the Company's financial reporting (including financial statements and related footnotes), (ii) any significant changes required in the independent accountants' audit plan, (iii) any material difficulties or disputes with management encountered during the course of the audit, (iv) other matters related to the conduct of the audit, (v) any material written communications provided by the independent accountants to management, and (vi) any legal and regulatory matters that may have a material impact on the financial statements; (7) review the appointment, replacement,

reassignment or dismissal of management of the Company's internal audit function; (8) review and approve all related party transactions; (9) establish procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding these issues; (10) report committee actions to the Board with such recommendations as the committee may deem appropriate; (11) prepare the audit committee report required to be filed with the SEC; (12) review and reassess the adequacy of the Audit Committee's Charter annually and submit recommended amendments to the Board for approval; (13) investigate any matter brought to its attention within the scope of the Audit Committee's duties, with the power to retain and determine the appropriate compensation for independent legal, accounting, financial and other advisors as the committee may deem necessary or appropriate to carry out its duties, at the expense of the Company; and (14) enforce the Company's Code of Conduct and Ethics. The Audit Committee has been established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended.

The Board of Directors has determined that each member of the Audit Committee is independent, under the independence standards discussed above, and that each member meets the additional standards of independence applicable under the Sarbanes-Oxley Act of 2002 and related rules of the SEC and the listing standards of the NASDAQ Marketplace Rules. In addition, the Board of Directors has determined that each of the current directors serving on the Audit Committee, Joel S. Lawson III, Edward N. Antoian, and Scott A. Belair, qualifies as an audit committee financial expert in accordance with the definition of audit committee financial expert set forth in Item 407(d)(5)(ii) of Regulation S-K, as adopted by the SEC.

Compensation Committee

The Compensation Committee operates under a written charter that has been approved by the Board of Directors. The Charter is reviewed annually by the Compensation Committee with any recommended changes approved by the Board of Directors. The Compensation Committee is responsible for overseeing our compensation strategy and for the oversight and administration of our compensation programs including our stock incentive plans. The Compensation Committee reviews and approves performance targets, eligibility, participation and award levels for incentive compensation plans; approves and reports to the Board on the administration of compensation plans and the compensation of executives at specified salary levels; formulates, evaluates and approves the compensation of the Chief Executive Officer; selects participants and determines when options and other equity-based awards should be granted, the number of shares to be subject to each option or award, and other terms of the option or award; provided, however, that the Chairman has discretionary authority to grant awards that cover 40,000 or fewer Common Shares under the Company's 2008 and 2004 Stock Incentive Plans to individuals not subject to Section 16 of the Securities Exchange Act of 1934, as amended. In addition, the Compensation Committee monitors aggregate share usage under our stock incentive plans and potential dilution resulting from the granting of options or awards. It also makes all other determinations involved in the administration of these stock incentive plans. The Board of Directors has determined that each member of the Compensation Committee is independent

under the independence standards currently set forth in the NASDAQ Marketplace Rules. For a discussion of the role of executive officers and compensation consultants in determining executive and director compensation, see Compensation of Executive Officers Compensation Discussion and Analysis Design of Compensation Program and Role of Executive Officers in Establishing Compensation.

Nominating Committee

The Nominating Committee operates under a written charter that has been approved by the Board of Directors. The Charter is reviewed annually by the Nominating Committee with any recommended changes approved by the Board of Directors. The Nominating Committee, in consultation with our Chairman: (1) recommends to the Board for its selection (i) potential nominees for director to stand for election at the Company's annual meeting of shareholders, including without limitation, those proposed by shareholders, and (ii) individuals to be considered by the Board of Directors to fill vacancies; (2) establishes criteria for selecting new directors; (3) conducts, or causes to be conducted, background and qualifications checks of new director candidates; and (4) evaluates directors before nomination for reelection. The Board of Directors has determined that each member of the Nominating Committee is independent under the independence standards currently set forth in the NASDAQ Marketplace Rules.

Director Nominations

The Nominating Committee recommends director nominees to the Board of Directors. The Nominating Committee seeks individuals who are qualified to be directors based on the committee's judgment of the potential candidate's experience, skills and knowledge of business and management practices. If needed, the Nominating Committee will use a third party search firm to assist in finding director candidates. No third parties were engaged to evaluate or assist in identifying potential director nominees in Fiscal 2013.

The Nominating Committee considers the diversity of directors as part of the overall mix of factors when identifying and evaluating candidates for the Board of Directors. The Company considers diversity broadly to include differences of viewpoint, professional experience, individual characteristics, qualities and skills, resulting in naturally varying perspectives among the directors and individual skills that complement the full Board. Therefore, the Board, as a unit, possesses the appropriate skills and experience to oversee the Company's business.

As currently constituted, the Board of Directors consists of directors with several different areas of expertise and different perspectives; for example, it includes a director who is a co-founder of the Company with financial advisory expertise, the head of a private investment company, a private investor with a background in international mergers and acquisitions and investment banking, a lawyer specializing in real estate, and the Company's current Chairman, Chief Executive Officer and President, who is also a co-founder of the Company with broad experience in the Company's business segments.

The Nominating Committee will give appropriate consideration to qualified persons recommended by shareholders for nomination as directors and will evaluate such qualified persons in the same manner as other identified candidates, when submitted prior to the shareholder proposal date referred to in the Proposals for 2014 Annual Meeting section of this Proxy Statement (the Proposals Section), provided such recommendations comply with the advance notice procedures in the Company's Bylaws, which are summarized in the Proposals Section. Shareholders may submit director recommendations in writing to the Nominating Committee, at Urban Outfitters, Inc., 5000 South Broad Street, Building 543, Philadelphia, PA 19112. Such recommendations must also include: (i) sufficient biographical information about the proposed nominee to permit the Nominating Committee to evaluate his or her qualifications and experience, and (ii) the nominee's consent to being named in the Proxy Statement and to serving as a director if elected.

Risk Management

The Board of Directors is actively involved in the oversight of risks that could affect the Company. This oversight is conducted primarily through the Audit Committee, but the full Board has retained responsibility for general oversight of risks. The Audit Committee, pursuant to its Charter, considers and reviews with the Company's internal audit department, independent registered public accounting firm, and management, the adequacy of the Company's internal controls, including the processes for identifying significant risks or exposures, and elicits recommendations for the improvements of such procedures where desirable. In addition to the Audit Committee's role, the full Board of Directors is involved in oversight and administration of risk and risk management practices by overseeing members of senior management in their risk management capacities, regularly reviewing and analyzing the Company's investment portfolio and accompanying risk levels, and reviewing and analyzing inventory risk each quarter as part of the review of quarterly financial statements. Members of the Company's senior management have day-to-day responsibility for risk management and establishing risk management practices, and members of management are expected to report matters relating specifically to the Audit Committee directly thereto, and to report all other matters directly to the Board of Directors as a whole. Members of the Company's senior management have an open line of communication to the Board of Directors and have the discretion to raise issues from time-to-time in any manner they deem appropriate, and management's reporting on issues relating to risk management typically occurs through direct communication with directors or committee members as matters requiring attention typically arise.

In addition to the Audit Committee, the Compensation Committee considers the risks that may be implicated with executive compensation, as discussed in Executive Compensation Compensation Discussion and Analysis Performance Bonuses Setting Performance Criteria and Targets.

Communications with Directors

Shareholders may communicate with members of the Company's Board of Directors by writing, as applicable, to the full Board of Directors, a particular committee or a specific director

at Urban Outfitters, Inc., 5000 South Broad Street, Philadelphia, PA 19112. The Company's telephone number is (215) 454-5500 and its fax number is (215) 454-4660.

Annual Meeting

Pursuant to the Company's policy, the directors are expected to attend the Company's annual meetings of shareholders. All of the Company's current directors attended last year's annual meeting of shareholders.

Code of Conduct and Ethics

The Company has had a written code of conduct for a number of years. Our Code of Conduct and Ethics applies to the Company's directors and employees, including our Chief Executive Officer, Chief Financial Officer and Principal Accounting Officer. The Code includes guidelines relating to compliance with laws, the ethical handling of actual or potential conflicts of interest, the use of corporate opportunities, protection and use of the Company's confidential information, accepting gifts and business courtesies, compliance with anti-bribery and illegal payment laws, accurate financial reporting, and procedures for promoting compliance with, and reporting violations of, the Code. The Code of Conduct and Ethics is available on the Company's corporate website at www.urbanoutfittersinc.com. The Company intends to post any amendments to its Code of Conduct and Ethics and also to disclose any waivers (to the extent applicable to the Company's Chief Executive Officer, Chief Financial Officer or Principal Accounting Officer) on its website.

PROPOSAL 2. RE-APPROVAL OF THE PERFORMANCE GOALS INCLUDED IN THE URBAN OUTFITTERS 2008 STOCK INCENTIVE PLAN

The 2008 Stock Incentive Plan is intended to comply with Section 162(m) of the Internal Revenue Code. Section 162(m) places a limit of \$1,000,000 on the amount that the Company may deduct in any one taxable year for compensation paid to each of its covered employees. The Company's covered employees include its Chief Executive Officer and each of its other three most highly-paid executive officers, other than the Chief Financial Officer. There is, however, an exception to this limit for compensation earned pursuant to certain performance-based awards. A performance-based award made under the 2008 Stock Incentive Plan is eligible for this exception provided certain Section 162(m) requirements are met. One of these requirements relates to shareholder approval (and, in certain cases, re-approval) of the material terms of the performance goals underlying the performance-based award. The performance goals in the 2008 Stock Incentive Plan were approved by shareholders in 2008 with 53.0% of the vote. Section 162(m) requires re-approval of those performance goals after five years if the compensation committee has retained discretion to vary the targets under the performance goals from year to year. The Compensation Committee has retained discretion to vary the targets under the performance goals from year to year. Accordingly, the Company is seeking re-approval of the performance goals included in the 2008 Stock Incentive Plan in order to preserve the Company's ability to deduct compensation earned by certain executives pursuant to any performance-based award that may be made in the future under the plan.

The following discussion summarizes the material terms of the performance goals under the 2008 Stock Incentive Plan, including a description of (i) the individuals eligible for performance awards under the 2008 Stock Incentive Plan, (ii) the business criteria on which the underlying performance goals are based, and (iii) the applicable award limits. A description of the 2008 Stock Incentive Plan, which is intended merely as a summary of its principal features and is qualified in its entirety by reference to the provisions of the 2008 Stock Incentive Plan, is attached to this Proxy Statement as Appendix A. The full text of the 2008 Stock Incentive Plan is attached to this Proxy Statement as Appendix B.

Eligibility. Employees and consultants of the Company and its subsidiaries and non-employee directors of the Company are eligible to receive awards under the 2008 Stock Incentive Plan. There are approximately 19,700 employees and five non-employee directors currently eligible to receive awards under the 2008 Stock Incentive Plan. The limited number of consultants potentially eligible to participate in the 2008 Stock Incentive Plan is not currently determinable. Awards under the 2008 Stock Incentive Plan may include grants of options, stock appreciation rights, restricted stock, restricted stock units and Common Shares. Eligibility for any particular award is determined by the Administrator (as defined in the 2008 Stock Incentive Plan) and, in the case of certain awards such as incentive stock options, may be limited by the Internal Revenue Code.

Business Criteria Underlying Performance Goals. In order to be considered performance-based compensation, an award must be subject to the accomplishment of one or more

performance goals. These performance goals may be based on one or more of the following business criteria established by the Compensation Committee: sales, profit, return on sales, net operating profit after taxes, investment turnover, customer service indices, funds from operations, income from operations, return on assets, return on net assets, asset turnover, return on equity, return on capital, market price appreciation of Common Shares, economic value added, total shareholder return, net income, pre-tax income, earnings per share, operating profit margin, net income margin, sales margin, cash flow, market share, inventory turnover, sales growth, net revenue growth, capacity utilization, new stores opened, customer penetration, increase in customer base, net income growth, expense control and hiring of personnel. The business criteria may apply to the individual, a division, a component of the Company's business, or to the Company and/or one or more of its affiliates and may be weighted and expressed in absolute terms or relative to the performance of other individuals or companies or an index.

Award Limits. Awards under the 2008 Stock Incentive Plan are subject to the following limits:

Plan Limits. The Company has reserved 10,000,000 Common Shares for issuance under the 2008 Stock Incentive Plan, of which 6,155,524 Common Shares remain available for grant as of February 28, 2013.

Award Limits. Options and stock appreciation rights may be granted up to the remaining number of Common Shares available under the 2008 Stock Incentive Plan. Restricted stock and restricted stock units may be granted for no more than 4,000,000 Common Shares in the aggregate, of which 1,324,390 Common Shares remain available for grant as of February 28, 2013. Stock grants may be made for no more than 1,000,000 Common Shares, all of which remain available for grant as of February 28, 2013.

Individual Limits. During any fiscal year, no employee may be granted options covering more than 2,000,000 Common Shares, stock appreciation rights covering more than 2,000,000 Common Shares, or restricted stock and restricted stock units covering, in the aggregate, more than 2,000,000 Common Shares. Except as set forth above, there is no individual limit on stock grants.

Each of the above limits is subject to adjustment for certain changes in the Company's capitalization such as stock dividends, stock splits, combinations or similar events. If an award expires, terminates, is forfeited or is settled in cash rather than in Common Shares, the Common Shares not issued under that award will again become available for grant under the 2008 Stock Incentive Plan. If Common Shares are surrendered to the Company or withheld to pay any exercise price or tax withholding requirements, only the number of Common Shares issued net of the shares withheld or surrendered will be counted against the number of Common Shares available under the 2008 Stock Incentive Plan. The exercise price for a stock option or stock appreciation right may not be less than 100% of the fair market value of the shares on the date of grant.

It is not possible to determine the actual amount of compensation that will be earned under the 2008 Stock Incentive Plan in Fiscal Year 2014 or in future years because the awards earned will depend on future performance as measured against the applicable performance goals established by the Compensation Committee. The Company expects that future awards under the 2008 Stock Incentive Plan will be granted in a manner substantially consistent with the historical grant of awards under the plan. For information regarding past grants and outstanding equity awards, see the disclosure in this Proxy Statement in Grants of Plan-Based Awards and Outstanding Equity Awards at 2013 Fiscal Year-End.

Vote Required

The affirmative vote of a majority of votes cast by the Company's shareholders at the Annual Meeting is required for approval of this Proposal 2.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE RE-APPROVAL OF THE PERFORMANCE GOALS INCLUDED IN THE 2008

STOCK INCENTIVE PLAN.

PROPOSAL 3. APPROVAL OF AN AMENDMENT TO THE COMPANY S AMENDED AND RESTATED ARTICLES OF INCORPORATION

On November 27, 2012, the Board of Directors voted unanimously to submit for shareholder approval a proposed amendment to the Company s Amended and Restated Articles of Incorporation (the Amendment) intended to enhance the Company s corporate governance and further its one-share one-vote policy. The Amendment, if approved, will implement a majority voting standard and eliminate cumulative voting in the election of directors. The Board of Directors has declared the Amendment to be advisable and in the best interests of the Company and its shareholders and recommends that the shareholders approve the Amendment.

Upon implementation of a majority voting standard, a nominee must receive a majority of the votes cast. A majority of the votes cast means that the number of votes cast for a nominee must exceed the number of votes cast against that nominee. Each shareholder would be entitled to only one vote per share in the election of directors and each director nominee would be voted upon separately. Under the Amendment, if an incumbent director who is a candidate for re-election is not elected, the director will be deemed to have tendered his or her resignation to the Board of Directors. The Nominating Committee will make a recommendation to the Board of Directors on whether to accept or reject the resignation, or whether other action should be taken, and the Board of Directors will be required to act on the Nominating Committee s recommendation and disclose its decision and the rationale for the decision. Currently, the Company s Amended and Restated Articles of Incorporation provide that when electing directors, shareholders may exercise cumulative voting. Under Article 4(a)(iv), each holder of the Company s Common Shares is entitled to one vote for each Common Share held. A shareholder may give one candidate all of such shareholder s votes or may distribute such votes among as many candidates as the shareholder chooses. This proposal would eliminate cumulative voting and replace it with a majority vote standard for the election of directors.

The adoption of a majority voting standard, together with the elimination of cumulative voting by the shareholders, is consistent with the Company s desire to more closely align the interests of the shareholders with the accountability of the Board of Directors. The Board of Directors believes the Amendment is in the shareholders long-term best interests and would help ensure that each director represents the interests of all shareholders, rather than a minority shareholder or special constituency.

This summary of the Amendment is qualified in its entirety by the complete text of the Amendment, which is attached as Appendix C to this Proxy Statement. The current Amended and Restated Articles of Incorporation and Amendment No. 1 thereto can be found as Exhibits 3.1 and 3.2 of the Company s Quarterly Report on Form 10-Q filed on September 9, 2004.

If the Amendment is approved, it will become effective upon the filing of Articles of Amendment to the Company's Amended and Restated Articles of Incorporation with the Secretary of the Commonwealth of Pennsylvania. The affirmative vote of a majority of votes cast by the Company's shareholders at the Annual Meeting is required for approval of this Proposal 3. Abstentions or broker nonvotes will not be counted as votes cast.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE APPROVAL OF THE AMENDMENT TO THE COMPANY'S AMENDED AND RESTATED ARTICLES OF INCORPORATION.

PROPOSAL 4. RATIFICATION OF THE APPOINTMENT OF DELOITTE & TOUCHE LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL YEAR 2014

The Audit Committee has appointed Deloitte & Touche LLP as the Company's independent registered public accounting firm to audit the consolidated financial statements of the Company and the effectiveness of internal control over financial reporting for Fiscal 2014, and to perform such other appropriate accounting services as may be approved by the Audit Committee. The Board of Directors proposes and recommends that shareholders ratify the appointment of Deloitte & Touche LLP as the independent registered public accounting firm for Fiscal 2014.

More information concerning the relationship of the Company with its independent registered public accounting firm appears above under the heading "Corporate Governance at Urban Outfitters - Audit Committee" and below under the headings "Relationships with Auditors" and "Audit Committee Report."

If the shareholders do not ratify the appointment, the Audit Committee will take such vote into account in considering the retention of Deloitte & Touche LLP.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE RATIFICATION OF THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL YEAR 2014.

PROPOSAL 5. SHAREHOLDER PROPOSAL REGARDING INDEPENDENT BOARD CHAIR

The Comptroller of the City of New York, John C. Liu, as the custodian and a trustee of the New York City Employees Retirement System, the New York City Fire Department Pension Fund, the New York City Teachers Retirement System, and the New York City Police Pension Fund, and as custodian of the New York City Board of Education Retirement System (collectively, the Systems) has given notice that the Systems intend to present the proposal set forth below for action at the Annual Meeting. The Company will promptly provide the shareholders names, addresses and number of Common Shares held to any shareholder upon receiving an oral or written request. See Corporate Governance at Urban Outfitters Communications with Directors for the Company s telephone number and address.

Shareholder Proposal and Shareholders Supporting Statement

RESOLVED: Shareholders of Urban Outfitters, Inc. request that the Board of Directors adopt a policy that the Chair of the Board of Directors shall be an independent director who is not a current or former employee of the company, and whose only nontrivial professional, familial or financial connection to the corporation or its CEO is the directorship. The policy should be implemented so as not to violate existing agreements and should allow for departure under extraordinary circumstances such as the unexpected resignation of the chair.

Supporting Statement

The role of the CEO is to run the company. The role of the board of directors is to provide independent oversight of management and the CEO.

At present, the Company s CEO also serves as chairman of the board, a conflict of interest that we believe can result in excessive management influence on the board and weaken the board s independent oversight of management. The consequences can include higher executive compensation, lower shareholder returns, more aggressive risk-taking, and ultimately less sustainable companies for the long-term.

According to a June 2012 study of 180 North American companies with market capitalization over \$20 billion (The Costs of a Combined Chair/CEO, GMI Ratings), shareholders payout more when there is a non-independent chair at the helm. The median total compensation paid to a combined chair/CEO was \$16.1 million, 73% more than the \$9.3 million paid in total to the positions of CEO and an independent chair.

Companies with a separate chair (independent or non-independent) and CEO also appear to perform better and to be more sustainable over the longer term, according to the GMI study. The 5-year total shareholder return was found to be 28% higher, and the GMI risk ratings lower, at these companies.

Board leadership structure in the U.S. is trending towards an independent chair. Twenty-one percent of S&P 500 companies now have an independent chair compared to 9% in 2003 (Spencer Stuart Board Index). Approximately 73% of directors on boards with an independent chair believe that their companies benefited from the split (Survey, 2008 Public US National Association of Corporate Directors) and more than 88% of senior financial executives believe the positions should be separated (Grant Thornton, 2009 Survey).

Despite these strides, the U.S. lags the rest of the world in adopting this best practice. Companies with independent board chairs comprise 76% of FTSE 100 index in the United Kingdom, 55% of the Toronto Stock Exchange 60, and 50% for German DAX 30 index, according to findings by Deloitte (Board Leadership: A Global Perspective, 2011).

We urge shareholders to support this proposal for an independent board chairman.

Board of Directors Response

The Board of Directors has carefully considered the shareholder proposal and, for the reasons described below, believes that the proposal to adopt a policy that the Chairman of the Board of Directors be an independent member is not in the best interests of the Company or its shareholders.

The Board of Directors is very pleased that Mr. Hayne agreed to assume the additional role of Chief Executive Officer in January 2012 upon the unexpected resignation of his predecessor. Mr. Hayne has been instrumental in the Company's historical success, and is in large part responsible for the Company's substantial growth since its inception. Mr. Hayne has served as Chairman of the Board of Directors and President since the Company's incorporation in 1976, as well as Chief Executive Officer until 2007, and again, beginning in January 2012. The Board of Directors believes that the Company's shareholders have been well served by having Mr. Hayne act as both Chairman and Chief Executive Officer.

It is instructive that the majority of U.S. companies have not implemented the structure recommended by the proposal. According to the Spencer Stuart U.S. Board Index 2012, 57% of S&P 500 companies have a leadership structure combining the positions of Chairman and Chief Executive Officer (the index is available at <http://www.spencerstuart.com>).

The proposal as presented would restrict the Board of Directors' discretion in selecting the Chairman, as well as its ability to combine the positions of Chairman and Chief Executive Officer. Adopting this policy would deprive the Board of Directors of the ability to select the most qualified and suitable individual to lead the Board of Directors as Chairman. The Board of Directors has given careful consideration to separating the roles of Chairman and Chief Executive Officer and has determined that the Company and its shareholders are best served by having Richard A. Hayne serve as both Chairman of the Board of Directors and Chief Executive Officer. The Board of Directors believes that this leadership structure is appropriate given Mr. Hayne's role in co-founding the Company and his significant ownership stake. Mr. Hayne's

combined role as Chairman and Chief Executive Officer promotes unified leadership and direction for the Board of Directors and executive management and it allows for a single, clear focus for the chain of command to execute the Company's strategic initiatives and business plans.

In addition, requiring that the Chairman of the Board of Directors be an independent member is not necessary to ensure that the Board of Directors provides independent and effective oversight of the Company's business and affairs. Such oversight is maintained at the Company through the composition of the Board of Directors and its committees, the strong leadership and engagement of the independent directors, and the Company's highly effective corporate governance structures already in place.

The Board of Directors is composed of independent, active and effective directors. Five of the Company's directors meet the independence requirements of the NASDAQ Marketplace and the Securities and Exchange Commission, as well as the Board of Directors' standards for determining director independence. The Board of Directors and its committees vigorously oversee the effectiveness of management policies and decisions, including the execution of key strategic initiatives. Each of the Board's Audit, Compensation, and Nominating Committees is composed entirely of independent directors. Consequently, independent directors directly oversee such critical matters as the integrity of the Company's financial statements, the compensation of executive management, including Mr. Hayne's compensation, and the selection and evaluation of directors. Following Board of Directors meetings, the independent directors generally meet in executive session without the Chairman present to review, among other things, Mr. Hayne's performance as Chief Executive Officer and President. In addition, for Fiscal 2013 Mr. Hayne, in his role as Chairman, Chief Executive Officer and President, received compensation at a lower level than his predecessor, who served only as Chief Executive Officer.

Furthermore, there is no established consensus that separating the roles of Chairman and Chief Executive Officer is a corporate governance best practice or that such a separation enhances returns for shareholders. The authors of a 2004 Wharton School of Business article entitled *Splitting Up the Roles of CEO and Chairman: Reform or Red Herring* and of a 2012 Wharton School of Business article entitled *Re-Examining the Role of Chairman of the Board* observed that research has shown that the performance of U.S. companies in which the Chairman and Chief Executive Officer positions are held by different individuals is no better than that of firms in which those positions are held by the same individual (both articles are available at <http://knowledge.wharton.upenn.edu>).

For the foregoing reasons, the Board of Directors unanimously believes that this proposal is not in the best interests of the Company or our shareholders, and recommends that you vote AGAINST Proposal 5. Proxies solicited by the Board of Directors will be voted AGAINST this proposal unless a shareholder has otherwise indicated in voting the proxy.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE AGAINST PROPOSAL 5.

PROPOSAL 6. SHAREHOLDER PROPOSAL REGARDING BOARD NOMINEE REQUIREMENTS

Calvert Investment Management, Inc. (Calvert), with the Comptroller of the State of New York, Thomas P. DiNapoli, as the trustee of the New York State Common Retirement Fund, the Connecticut Retirement Plans and Trust Funds (CRPTF), Portico Benefit Services and Mercy Investment Services, as co-sponsors, have given notice that they intend to present the proposal set forth below for action at the Annual Meeting. The Company will promptly provide the shareholders names, addresses and number of Common Shares held to any shareholder upon receiving an oral or written request. See Corporate Governance at Urban Outfitters Communications with Directors for the Company s telephone number and address.

Shareholder Proposal and Shareholders Supporting Statement

WHEREAS:

Urban Outfitters does not have any women or minorities on its Board of Directors;

Our company s primary competitors The Gap Inc., Nordstrom, Inc., and Abercrombie & Fitch, all have at least one woman and/or racially diverse member on their board of directors;

Over 80% of companies in the Russell 1000 Index have at least one woman on its board of directors, as do 90% of companies in the S&P 500 Index, and 98% of companies in the S&P 100 Index;

We believe that diversity, inclusive of gender and race, is an essential measure of sound governance and a critical attribute to a well-functioning board;

A growing body of academic research shows that there is a significant positive relationship between firm value and the percentage of women and minorities on boards;

Boardrooms need to respond to the strong demographic shifts we are seeing in the United States;

As both employees and consumers, women and minorities increasingly account for a larger portion of profits and revenues for many companies;

Therefore, we believe it is critical for Urban Outfitters to have a board of directors that reflects the diversity that exists within its target markets.

BE IT RESOLVED:

That the Board of Directors consistent with their fiduciary duties:

1. Take every reasonable step to ensure that women and minority candidates are in the pool from which Board nominees are chosen;

2. Publicly commit itself to a policy of board inclusiveness to ensure that:

Women and minority candidates are routinely sought as part of every Board search the company undertakes;

The Board strives to obtain diverse candidates by expanding director searches to include nominees from both corporate positions beyond the executive suite and non-traditional environments such [as] government, academia, and non-profit organizations; and

Board composition is reviewed periodically to ensure that the Board reflects the knowledge, experience, skills, and diversity required for the Board to fulfill its duties.

3. To report to shareholders, at reasonable expense and omitting proprietary information, its efforts to encourage diversified representation on the Board.

Supporting Statement

We believe that in an increasingly complex global marketplace, the ability to draw on a wide range of viewpoints, backgrounds, skills, and experience is critical to a company's success. Further, director and nominee diversity helps to ensure that different perspectives are brought to bear on issues, while enhancing the likelihood that proposed solutions will be nuanced and comprehensive.

We believe our company's current board diversity policies and disclosures limit the company's definition and understanding of diversity and do not sufficiently address the growing investor demand and interest in this critical corporate governance matter.

In our view, companies combining competitive financial performance with high standards of corporate governance, including board diversity, are better positioned to generate long-term value for their shareholders. As such, we urge the Board to broaden its pool of candidates and publicly commit to taking steps to establish an inclusive Board.

Board of Directors Response

The Board of Directors urges a vote against this shareholder proposal. A review of the nominees for election to the Board of Directors earlier in this proxy, including the nominee for election to the Board for the first time, coupled with the following concerns supports our conclusion that this shareholder proposal is both unnecessary and not in the best interest of our Company. Similar proposals were submitted by Calvert and CRPTF, and were defeated by the shareholders, at both the 2011 and 2012 annual meetings of shareholders.

The Board of Directors acknowledges the benefits of broad diversity throughout the Company, but believes the proposal could impede its ability to select the most suitable and qualified candidates for membership on the Board of Directors and would impose unnecessary administrative burdens and costs. The Board of Directors believes that the Company's existing

nominating process considers the needs of the Company in light of the current mix of director skills and attributes, and is designed to identify the best possible nominees for director based on merit, without reference to gender, racial background, religion or ethnicity. When assessing individual nominees, the Board of Directors considers a variety of issues and factors, including career achievements, breadth of experience, soundness of judgment, ability to make independent analytical inquiries, and ability to represent the total corporate interests of the Company and its shareholders.

The Company's employment policies and practices, including recruitment, promotion and compensation, are guided by the fundamental principle that decisions are made on the basis of whether the individual's capabilities and qualifications fit the Company's needs and meet the requirements of the position, without regard to gender, race, religion, ethnicity or other classification. The Company also applies these policies and practices to its selection of directors.

When identifying and evaluating candidates for director, diversity is a part of the overall mix of factors that the Board of Directors and the Nominating Committee have historically considered, and continue to consider. As described under Corporate Governance at Urban Outfitters Director Nominations, in evaluating prospective nominees for the Board of Directors, the Nominating Committee seeks individuals who are qualified to be directors based on the candidate's experience, skills and knowledge of business and management practices. The Board of Directors and the Nominating Committee consider diversity broadly to include viewpoint, professional experience, individual characteristics, qualities and skills resulting in the inclusion of naturally varying perspectives among the directors. The Board of Directors and the Nominating Committee also consider whether these capabilities and characteristics will enhance and complement the full Board of Directors so that, as a unit, the Board of Directors possesses the appropriate skills and experience to oversee the Company's business and serve the long-term interests of our shareholders. Finally, the Board of Directors and Nominating Committee believe that no single criterion, category or trait, such as gender or minority status, is determinative in obtaining diversity on the Board of Directors.

The Company's approach is consistent with amendments the SEC adopted to its rules governing proxy statement disclosure. The amendments, which were adopted in December 2009, require companies to disclose whether, and if so how, their nominating committees consider diversity in identifying nominees for director. In its adopting release, the SEC explicitly acknowledged that companies may define diversity in different ways. The SEC states:

We recognize that companies may define diversity in various ways, reflecting different perspectives. For instance, some companies may conceptualize diversity expansively to include differences of viewpoint, professional experience, education, skill and other individual qualities and attributes that contribute to board heterogeneity, while others may focus on diversity concepts such as race, gender and national origin. We believe that for purposes of this disclosure requirement, companies should be allowed to define diversity in ways that they consider appropriate. As a result we have not defined diversity in the amendments.

The Board of Directors and the Nominating Committee seek qualified candidates for director, and consider diversity as a factor, but believe that Proposal 6 is unnecessarily restrictive and would not maintain the necessary flexibility in the nominating process to ensure that the most qualified candidates are selected as directors in light of the Company's evolving needs and circumstances. In addition, the reporting obligations contemplated by Proposal 6 would be expensive and time consuming, without any corresponding benefit to our shareholders. The Board of Directors believes that the Company's existing nominating process, including the factors considered by the Nominating Committee in evaluating director candidates, is the best approach. The imposition on the nominating process of gender and minority requirements and affirmative search obligations would undermine the Company's holistic evaluation of candidates, unduly restrict the Nominating Committee in the performance of its duties and add administrative burdens and costs, without necessarily resulting in the selection