

URBAN OUTFITTERS INC
Form DEF 14A
April 26, 2004

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

(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

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URBAN OUTFITTERS, INC.

(Name of Registrant as Specified In Its Charter)

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

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(4) Date Filed:

1809 Walnut Street

Philadelphia, Pennsylvania 19103

Dear Shareholder:

You are cordially invited to attend the 2004 Annual Meeting of Shareholders of Urban Outfitters, Inc. to be held at 10:30 a.m., on Tuesday, June 1, 2004, at the National Society of the Colonial Dames of America, 1630 Latimer Street, Philadelphia, Pennsylvania.

The matters to be considered and voted upon are described in the 2004 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, date and sign the enclosed proxy card and return the proxy card in the accompanying envelope.

I look forward to seeing you at the meeting and having the opportunity to review the business operations of Urban Outfitters with you.

Sincerely,

Richard A. Hayne

Chairman of the Board

April 26, 2004

1809 Walnut Street
Philadelphia, Pennsylvania 19103

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

June 1, 2004

TO OUR SHAREHOLDERS:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of Urban Outfitters, Inc. (the Company) will be held at the National Society of the Colonial Dames of America, 1630 Latimer Street, Philadelphia, Pennsylvania, on June 1, 2004 at 10:30 a.m., for the following purposes:

1. To elect six Directors to serve for a term of one year.
2. To approve an increase in the number of authorized common shares of the Company to 200,000,000 common shares.
3. To approve the Urban Outfitters 2004 Stock Incentive Plan.
4. To transact such other business as may properly come before the meeting.

Only shareholders of record at the close of business on April 19, 2004 are entitled to notice of, and to vote at, the Annual Meeting or any adjournment or postponement thereof.

By Order of the Board of Directors,

Glen A. Bodzy

Secretary

April 26, 2004

URBAN OUTFITTERS, INC.

1809 Walnut Street

Philadelphia, Pennsylvania 19103

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 "Meeting") to be held on Tuesday, June 1, 2004 at 10:30 a.m., at the National Society of the Colonial Dames of America, 1630 Latimer Street, Philadelphia, Pennsylvania, and any adjournments or postponements thereof. This Proxy Statement and accompanying proxy card are being mailed to shareholders on or about April 26, 2004.

Only shareholders of record, as shown on the transfer books of the Company at the close of business on April 19, 2004 ("Record Date"), are entitled to notice of, and to vote at, the Meeting. On the Record Date, there were 40,182,171 of the Company's Common Shares, par value \$.0001 per share (the "Common Shares") outstanding.

The Company's Common Shares represented by an unrevoked proxy in the enclosed form, which has been properly executed and received prior to the Meeting, will be voted in accordance with the specifications made on such proxy. Any properly executed 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, FOR the approval of an amendment to the Company's Amended and Restated Articles of Incorporation to increase the number of authorized Common Shares to 200,000,000, FOR the approval of the Urban Outfitters 2004 Stock Incentive Plan (the "2004 Plan") and, to the extent permitted by the rules and regulations of the Securities and Exchange Commission, in accordance with the judgment of the persons voting the proxies upon such other matters as may come before the 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 Meeting or by execution of a subsequent proxy.

Presence at the 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. Proposal 1 regarding the election of directors will be determined by a plurality vote and the six nominees receiving the most FOR votes will be elected. Approval of Proposals 2 and 3 regarding the amendment to the Amended and Restated Articles of Incorporation and the adoption of the 2004 Plan, respectively, as well as of any other matters that may come before the 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.

1. ELECTION OF DIRECTORS

The Company's By-laws 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 five directors. The Board of Directors has designated six persons to serve as directors as of the Meeting. Proxies cannot be voted for a greater number of persons than the number of nominees set forth below. Each director shall be elected for a term of one year and shall serve until his successor is elected and qualified.

At the Meeting, six directors will be elected. The Board of Directors has nominated the five persons currently serving as directors, as well as Glen T. Senk, President of Anthropologie, Inc. and Executive Vice President of the Company, for election to the Board at the Meeting. 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.

The nominees for election to the Board of Directors are Richard A. Hayne, Scott A. Belair, Harry S. Cherken, Jr., Joel S. Lawson III, Glen T. Senk and Robert H. Strouse. The Board of Directors has determined that Messrs. Belair, Cherken, Lawson and Strouse are independent under the listing standards of the NASDAQ National Market, Inc. (NASDAQ).

Biographical Information

The following information is submitted concerning each nominee for election as a director:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Richard A. Hayne	56	Chairman of the Board of Directors President, Urban Outfitters, Inc.
Scott A. Belair (1)	56	Director
Harry S. Cherken, Jr.	54	Director
Joel S. Lawson III (2)	56	Director
Glen T. Senk	47	President, Anthropologie; Executive Vice President, Urban Outfitters, Inc.
Robert H. Strouse (3)	55	Director

(1) Chairman of the Compensation Committee; member of the Audit Committee; member of the Nominating Committee

(2) Chairman of the Audit Committee; member of the Compensation Committee; member of the Nominating Committee

(3) Chairman of the Nominating Committee; member of the Audit Committee

Mr. Hayne 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. Belair co-founded Urban Outfitters in 1970 and has been a director since its incorporation in 1976. He has served as Principal of The ZAC Group, a financial advisory firm, during the last fourteen years. Previously, he was a managing director of Drexel Burnham Lambert Incorporated. Mr. Belair is also a director of Hudson City Bancorp, Inc.

Mr. Cherken, a director since 1989, has been a partner in the law firm of Drinker Biddle & Reath LLP in Philadelphia, Pennsylvania since 1984 and served as a Managing Partner of that firm from February 1996 to January 2000.

Mr. Lawson, a director since 1985, has, since November 2001, been an independent consultant. 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.

Mr. Senk has served as President of Anthropologie, Inc. since April 1994. Mr. Senk was named Executive Vice President of Urban Outfitters, Inc. in May 2002, and assumed responsibility for the Company's Free People division in May 2003. Prior to joining the Company, Mr. Senk was Senior Vice President and General Merchandise Manager of Williams-Sonoma, Inc. and Chief Executive of the Habitat International Merchandise and Marketing Group in London, England. Mr. Senk began his retail career at Bloomingdale's, where he served in a variety of roles including Managing Director of Bloomingdale's By Mail.

Mr. Strouse, a director since 2002, has, since 1998, been Chief Operating Officer of The AMC Group, L.P., a company that oversees a diversified group of industrial, service and real estate businesses.

In respect of this Proposal 1, the nominees for director will be elected by a plurality of the votes cast, and the six nominees receiving the most FOR votes will be elected. Abstentions or broker nonvotes will not be counted as votes cast.

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

Board Committees and Attendance at Meetings

The Board of Directors currently has an Audit Committee, a Compensation Committee and a Nominating Committee. The Audit Committee oversees the Company's financial reporting process and system of internal controls on behalf of the Board of Directors and is governed by a written charter approved by the Board of Directors, which is attached as Appendix A to this

Proxy Statement. The Audit Committee is comprised of independent directors under NASDAQ's listing standards and the rules and regulations of the Securities and Exchange Commission. In addition, the Board of Directors has determined that Messrs. Belair and Lawson qualify as audit committee financial experts, as defined by the regulation of the Securities and Exchange Commission. In accordance with the written charter approved by the Board of Directors in February 2004, the Compensation Committee is responsible for determining the salary, incentive and other forms of compensation for the Company's President and for recommending the same to the Board of Directors for its determination with respect to the Company's other executive officers. The Compensation Committee also administers the Company's stock option plans. The Compensation Committee is comprised of independent directors under NASDAQ's listing standards and its charter can be found on the Company's web site at www.urbanoutfittersinc.com. The Nominating Committee makes recommendations to the Board with regard to the size and composition of the Board, as well as qualified nominees for election as directors. The Nominating Committee is comprised of independent directors under NASDAQ's listing standards and is governed by a written charter approved by the Board of Directors, which can be found on the Company's web site at www.urbanoutfittersinc.com.

The Company's Board of Directors held five meetings in the fiscal year ended January 31, 2004 (Fiscal 2004). The independent directors also met in executive sessions during Fiscal 2004. The Compensation Committee and the Audit Committee held three and four meetings, respectively, during Fiscal 2004. The Board's Nominating Committee was constituted in February 2004, and consequently, held no meetings during Fiscal 2004. Each director attended 75% or more of the meetings of the Board and committees of which they were members during Fiscal 2004.

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

Shareholder Communications

Shareholders may communicate with members of the Company's Board of Directors by writing, as applicable, to the full Board, a particular committee or a specific director at Urban Outfitters, Inc., 1809 Walnut Street, Philadelphia, PA 19103, (Tel: 215-564-2313); (Fax: 215-568-1549).

Director Nominations

The Nominating Committee recommends director nominees to the Board of Directors. The Nominating Committee seeks individuals who are qualified to be directors, and if needed, 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 2004. The Nominating Committee's charter, which can be found on the Company's web site at www.urbanoutfittersinc.com, sets forth the Nominating Committee's process for identifying and evaluating director nominees.

The Nominating Committee gives appropriate consideration to qualified persons recommended by shareholders for nomination as directors, when submitted prior to the shareholder proposal date referred to in the Shareholder Proposals section in this Proxy Statement, provided such recommendations are accompanied by sufficient biographical information about the proposed nominee to permit the Nominating Committee to evaluate his or her qualifications and experience, as well as such person's consent to being named in the Proxy Statement and to serving as a director if elected. Shareholders may submit director recommendations in writing to the Nominating Committee, at Urban Outfitters, Inc., 1809 Walnut Street, Philadelphia, Pennsylvania 19103.

REPORT OF THE AUDIT COMMITTEE

OF THE BOARD OF DIRECTORS

During Fiscal 2004, the Audit Committee was comprised of three independent directors of the Company (as independence is defined under NASDAQ's listing standards and the rules and regulations of the Securities and Exchange Commission). The Committee oversees the Company's financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process, including the system of internal controls. In fulfilling its oversight responsibilities, the Committee reviewed the audited financial statements in the Annual Report on Form 10-K for Fiscal 2004 with management, including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the financial statements.

The Committee reviewed with the Company's independent accountants, KPMG LLP, who are responsible for expressing an opinion on the conformity of the Company's audited financial statements with generally accepted accounting principles, their judgments as to the quality, not just the acceptability, of the Company's accounting principles and discussed with the independent accountants such other matters as are required under Statement of Auditing Standards No. 61 and other generally accepted auditing standards. In addition, the Committee has discussed with the independent accountants the accountants' independence from management and the Company, including the matters in the written disclosures and the letter required by the Independence Standards Board Standard No. 1 and considered the compatibility of nonaudit services with the accountants' independence.

The Committee discussed with the Company's independent accountants the overall scope and plans for the audit. The Committee met with the independent accountants, with and without management present, to discuss the results of their examination, their evaluation of the Company's internal controls and the overall quality of the Company's financial reporting.

In reliance on the reviews and discussions referred to above, the Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for Fiscal 2004 for filing with the Securities and Exchange Commission.

Joel S. Lawson III, *Chairman of the Audit Committee*

Scott A. Belair

Robert H. Strouse

Compensation of Directors

The Company currently pays each director who is not also an employee of the Company (Outside Directors) \$1,000 for each Board of Directors meeting they attend, excluding committee meetings. The Company also reimburses the directors for their expenses incurred in connection with their activities as directors. The Company's 1997 Stock Option Plan (the 1997 Plan) provides for the grant of nonqualified stock options to each Outside Director, and the Company's 2000 Stock Incentive Plan (the 2000 Plan) provides for, and upon its approval, the 2004 Plan will provide for, a continuation of these grants.

Under the 2000 Plan, upon appointment to the Board of Directors, an Outside Director receives an initial grant of an option to purchase 20,000 Common Shares on the date he or she becomes a director. Thereafter, on the first business day immediately following each of the dates on which an incumbent Outside Director is elected or reelected, he or she receives an additional grant of an option to purchase 20,000 Common Shares, provided that he or she did not receive an initial grant within the preceding six-month period. Options generally become exercisable in full 12 months after the date of their grant. Each Outside Director may exercise options upon the termination of his or her membership on the Board for a reason other than death or disability for up to one year following termination, except where the option, by its terms, expires on an earlier date. During Fiscal 2004, each Outside Director received the grant of an option to purchase 20,000 Common Shares. The exercise price of options granted under the Plans is the fair market value of the Common Shares at the date of grant.

Compensation Committee Interlocks and Insider Participation

The Compensation Committee consists of Mr. Belair and Mr. Lawson. No member of the Compensation Committee is or was during Fiscal 2004 an employee, or is or ever has been an officer, of the Company or its subsidiaries. No executive officer of the Company served as a director or a member of the compensation committee of another company, one of whose executive officers serves as a member of the Company's Board or Compensation Committee. Please see Certain Business Relationships below with respect to Mr. Belair.

Certain Business Relationships

Harry S. Cherken, Jr., a director of the Company, is a partner in the law firm of Drinker Biddle & Reath LLP, which provided legal services to the Company in Fiscal 2004 and is expected to continue to do so in the future. Drinker Biddle & Reath LLP has received customary compensation for these services.

The McDevitt Company, a real estate company, acted as a broker in substantially all of the Company's new real estate transactions during Fiscal 2004. The Company has not paid any compensation to The McDevitt Company, but the Company has been advised that The McDevitt Company has received commissions from other parties to such transactions. Wade L. McDevitt is the brother-in-law of Scott Belair, one of the Company's directors, and is president and the sole shareholder of The McDevitt Company.

**2. AMENDMENT TO THE COMPANY S AMENDED AND
RESTATED ARTICLES OF INCORPORATION**

On February 24, 2004, the Board of Directors voted unanimously to submit for shareholder approval a proposed amendment to the Company s Amended and Restated Articles of Incorporation to increase the number of authorized Common Shares from 50,000,000 Common Shares to 200,000,000 Common Shares. The Board of Directors has declared the proposed amendment to be advisable and in the best interests of the Company and its shareholders and recommends that the shareholders approve the amendment. The amendment will consist of a revision of Article 4 of the Company s Amended and Restated Articles of Incorporation to read in its entirety as follows:

4. The aggregate number of shares which the corporation shall have authority to issue is 200,000,000 Common Shares, par value \$.0001 per share (the Common Shares), and 10,000,000 Preferred Shares, par value \$.0001 per share (the Preferred Shares).

Currently, the Company s Amended and Restated Articles of Incorporation authorize the issuance of up to 50,000,000 Common Shares. As of March 18, 2004, there were 40,162,671 Common Shares issued and outstanding, approximately 2,450,400 Common Shares reserved for issuance upon exercise of currently issued and outstanding stock options and approximately 92,300 Common Shares reserved for issuance in connection with future grants under the Company s equity compensation plans.

At this time, the Company has no present agreements for the issuance or use of the proposed additional Common Shares. The Board of Directors believes that the amendment is desirable so that the Company will have more financial flexibility and be able to issue Common Shares, without the expense and delay of a special shareholders meeting, in connection with any stock splits or stock dividends, employee and director compensation benefit plans and for other general corporate purposes.

Authorized but unissued Common Shares of the Company may be issued at such times, for such purposes, and for such consideration as the Board of Directors may determine to be appropriate without further authority from the Company s shareholders, except as otherwise required by applicable corporate law or the listing standards of NASDAQ.

Each Common Share authorized for issuance has the same rights and is identical in all respects with each other Common Share. The authorization of additional Common Shares called for by this proposal will not affect the rights, such as voting and liquidation rights, of the Common Shares currently outstanding. Under the Amended and Restated Articles of Incorporation, shareholders do not have pre-emptive rights. Therefore, should the Board of Directors elect to issue additional Common Shares, existing shareholders would not have any preferential rights to purchase those shares and the issuance could have a dilutive effect on earnings per share, book value per share and the voting power and shareholdings of current shareholders, depending on the particular circumstances in which the additional Common Shares are issued. The Board of Directors does not intend to issue any additional Common Shares except on terms that it deems to be in the best interests of the Company and its shareholders.

The issuance of additional Common Shares by the Company also may potentially have an anti-takeover effect by making it more difficult to obtain shareholder approval of various transactions. The proposed increase in the number of authorized Common Shares could enable the Board of Directors to issue Common Shares to render more difficult an attempt by another person or entity to obtain control of the Company, although the Board of Directors has no present intention of issuing additional Common Shares for such purposes and has no present knowledge of any takeover efforts.

If the proposed amendment is adopted, 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. However, if shareholders approve the proposed amendment, the Board of Directors retains discretion under Pennsylvania law not to implement the proposed amendment. If the Board of Directors were to exercise such discretion, the number of authorized shares would remain at current levels.

The affirmative vote of a majority of votes cast by the Company's shareholders at the Meeting is required for approval of this Proposal 2. Abstentions or broker nonvotes will not be counted as votes cast.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR APPROVAL OF THE AMENDMENT TO THE COMPANY'S AMENDED AND RESTATED ARTICLES OF INCORPORATION TO INCREASE THE TOTAL NUMBER OF AUTHORIZED COMMON SHARES FROM 50,000,000 COMMON SHARES TO 200,000,000 COMMON SHARES.

3. URBAN OUTFITTERS 2004 STOCK INCENTIVE PLAN

The Board of Directors approved the 2004 Plan on February 24, 2004, subject to shareholder approval. The Board of Directors believes that the 2004 Plan is necessary for the Company to attract, retain and motivate employees, non-employee directors and consultants. The Company has been using the 2000 Plan to achieve these goals. However, as of March 18, 2004, only 92,300 Common Shares were available for the granting of future awards under the 2000 Plan. Therefore, the Board of Directors recommends approval of the 2004 Plan so that the Company may continue to attract, retain and motivate employees, non-employee directors and consultants through the grant of options, stock appreciation rights, restricted stock and restricted stock units.

The 2004 Plan is attached as Appendix B to this Proxy Statement. The following description of the 2004 Plan is intended merely as a summary of its principal features and is qualified in its entirety by reference to the provisions of the 2004 Plan.

General

Common Shares Available. The Company has reserved 2,500,000 Common Shares for issuance under the 2004 Plan. During any calendar year, no employee may be granted options and stock appreciation rights covering more than 600,000 Common Shares. No more than 1,000,000 Common Shares are available for restricted stock grants and awards of restricted stock units under the 2004 Plan. 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 2004 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 2004 Plan.

No awards have been granted under the 2004 Plan, and as a result, no benefits or amounts that would have been received or allocated under the 2004 Plan are determinable at this time. The closing price of the Common Shares on March 18, 2004 was \$43.85.

Administration. Two committees have authority to administer the 2004 Plan. The first committee, of which the Chairman of the Board is the sole member, administers the 2004 Plan for awards that cover 20,000 or fewer Common Shares made to individuals not subject to Section 16 of the Securities Exchange Act of 1934, as amended. The Compensation Committee administers the 2004 Plan for all other awards. These committees are referred to collectively as the administrator. The administrator has considerable discretion in setting the terms of awards granted to employees, consultants and certain awards to non-employee directors. The administrator has no discretion in setting the terms of formula options granted to non-employee directors; those grants are made pursuant to the formula discussed below.

Types of Awards. Under the 2004 Plan, the administrator may award incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock and restricted stock units.

Eligibility. Employees and consultants of the Company and its subsidiaries and non-employee directors of the Company are eligible to receive awards under the 2004 Plan. Employees and consultants are not eligible to receive formula options, and non-employee directors and consultants are not eligible to receive incentive stock options. The administrator selects the employees, non-employee directors and consultants who will receive discretionary options, stock appreciation rights, restricted stock awards and restricted stock units under the 2004 Plan. There are approximately 4,600 employees and four non-employee directors currently eligible to receive awards under the 2004 Plan. The limited number of consultants potentially eligible to participate in the 2004 Plan is not currently determinable.

Discretionary Stock Options

The administrator may award incentive stock options and non-qualified stock options. Incentive stock options offer employees certain tax advantages that are not available for non-qualified stock options. The administrator determines the terms of the options, including the number of Common Shares subject to the option and the exercise price. However, the option term of incentive stock options may not exceed ten years, and the per share exercise price of incentive stock options may not be less than the fair market value of a Common Share on the date the option is granted.

When an employee, non-employee director or consultant terminates service with the Company, his or her option may expire before the end of the otherwise applicable option term. For example, if an employee, non-employee director or consultant terminates his or her service with the Company for a reason other than death or disability, his or her options generally remain exercisable for up to thirty days after termination of service, unless the administrator provides for a longer period. If the employee, non-employee director or consultant terminates his or her service with the Company due to death or disability, his or her options generally remain exercisable for up to six months after termination of service, unless the administrator provides for a longer period.

An employee, non-employee director or consultant may pay the exercise price of an option in cash or its equivalent. The administrator may also permit an optionee to pay the exercise price by surrendering previously acquired Common Shares, through a so-called broker-financed transaction or in any combination of such methods. The administrator may permit an employee to pay any tax withholding obligation with Common Shares issuable upon the exercise of the non-qualified stock option or previously acquired shares.

Formula Stock Options

The 2004 Plan carries forward the formula grants for non-employee directors that are in place under the 2000 Plan. All formula grants to non-employee directors prior to the Meeting will be made under the 2000 Plan. Formula grants on and after the Meeting will be made under the 2004 Plan.

Non-employee directors may receive two types of formula grants under the 2004 Plan. A non-employee director will receive an initial option to purchase 20,000 Common Shares on the date he or she first becomes a non-employee director. In addition, on the first business day immediately following each of the dates on which an incumbent non-employee director is elected or re-elected, he or she will receive an additional option to purchase 20,000 Common Shares, but only if he or she did not receive an initial option grant within the preceding six months. The number of Common Shares subject to options granted in each formula award may be adjusted for certain changes in the Company's capitalization such as stock dividends, stock splits, combinations or similar events.

Each 20,000-share option becomes fully vested on the business day before the first annual meeting of shareholders after the date the option is granted. The exercise price of each 20,000-share option is 100% of the fair market value of the Common Shares on the date of grant. The exercise price may be paid in cash, by surrendering previously acquired Common Shares to the Company, through a so-called "broker-financed transaction" or in any combination of such methods. Generally, each 20,000-share option expires on the earlier of (1) ten years from the date of grant, or (2) one year from the date the non-employee director ceases to be a director for any reason.

A non-employee director may transfer his or her options for no consideration to certain family members (as defined in the 2004 Plan) or to certain trusts, foundations or other entities that family members control or have an interest in.

Stock Appreciation Rights

The administrator may award stock appreciation rights to employees, non-employee directors and consultants either along with, or independent of, options. A stock appreciation right entitles the grantee to receive an amount equal to the excess of the fair market value of the Common Shares on the date of exercise over the fair market value on the date of grant. The administrator determines whether this amount will be paid in cash, Common Shares, or a combination of cash and Common Shares.

When an employee, non-employee director or consultant terminates service, his or her stock appreciation rights may expire before the end of the otherwise applicable stock appreciation right term. The period during which the stock appreciation right may be exercised is the same as the period for discretionary options, discussed above.

Restricted Stock

The administrator may make restricted stock awards to employees, non-employee directors and consultants. A restricted stock award is an award of Common Shares that is subject to certain restrictions during a specified period, such as an employee's continued employment with the Company or the Company achieving certain financial goals. The Company holds the Common Shares during the restriction period, and the grantee cannot transfer the shares before termination of that period. The grantee is, however, generally entitled to vote the Common Shares and receive any dividends declared and paid on the Company's Common Shares during the restriction period.

Restricted Stock Units

The administrator may award restricted stock units to employees, non-employee directors and consultants. Each restricted stock unit represents the right to receive one Common Share when the restricted stock unit vests. Restricted stock units vest at such time, and upon satisfaction of any conditions, as determined by the administrator. A bookkeeping account is established for each recipient of a restricted stock unit award that shows the number of restricted stock units granted, as well as full and fractional restricted stock units representing any cash dividends prior to the date the restricted stock unit vests.

Miscellaneous

Transferability. Awards, except for formula options, generally are not transferable, except by will or under the laws of descent and distribution. The administrator has the authority, however, to permit an employee, non-employee director or consultant to transfer discretionary non-qualified stock options and stock appreciation rights to certain permitted transferees.

Acceleration of Vesting. The administrator may, in its discretion, accelerate the date on which options or stock appreciation rights may be exercised, and may accelerate the date of termination of the restrictions applicable to restricted stock and restricted stock units, if it determines that to do so would be in the best interests of the Company and the participants in the 2004 Plan. Upon a change in control of the Company (as defined in the 2004 Plan), all outstanding options and stock appreciation rights become exercisable, and all outstanding restricted stock and restricted stock units become vested.

Change in Capitalization/Certain Corporate Transactions. If there is a change in the Company's capitalization that affects its outstanding Common Shares, the aggregate number of Common Shares subject to awards, together with the option exercise price, will be adjusted by the administrator, as described in the 2004 Plan. The 2004 Plan also provides that, in the event of a merger, consolidation or other specified corporate transaction, outstanding awards will be assumed by the surviving or successor corporation, if any. The 2004 Plan also authorizes the administrator to terminate the discretionary awards granted to employees, non-employee directors and consultants in the event of such a corporate transaction, after giving advance

notice. In the event of a corporate transaction where shareholders are to receive cash, stock or other property, and formula options granted to non-employee directors are not assumed by the surviving or successor corporation, all outstanding non-employee director formula options will be terminated, and each non-employee director will receive cash equal to the difference between (1) the exercise price of the stock not yet exercised under the formula option, and (2) the per share value to be received by shareholders in connection with such transaction.

Effective Date. The 2004 Plan became effective on February 24, 2004, subject to shareholder approval. If the requisite shareholder approval is not obtained by February 23, 2005, the 2004 Plan and all awards granted under the 2004 Plan will be null and void.

Amendment/Termination. The administrator may amend outstanding awards, including an amendment to decrease the exercise price of an outstanding option. The Board of Directors may amend or suspend the 2004 Plan. Shareholder approval, however, is required for any material amendment to the 2004 Plan (as defined under applicable NASDAQ listing standards), as well as for certain amendments of which the 2004 Plan requires shareholder approval, such as an increase in the number of Common Shares authorized for issuance of incentive stock options and a change in the class of employees who may receive incentive stock options under the 2004 Plan. Requisite shareholder approval is also required for any amendment that would require shareholder approval under Section 162(m) of the Internal Revenue Code, or under the rules of the market on which the Common Shares are listed.

The Board of Directors may terminate the 2004 Plan at any time and for any reason. No incentive stock options will be granted under the 2004 Plan after February 23, 2014.

Federal Income Tax Consequences Options

The Company has been advised that the federal income tax consequences of granting and exercising options under the 2004 Plan are as follows (based on federal tax laws and regulations, as of January 1, 2004). The grant of an option does not result in federal income tax consequences for the optionee or a deduction for the Company.

When an option is exercised, the federal income tax consequences depend on whether the option is an incentive stock option or a non-qualified stock option. An optionee exercising a non-qualified stock option will recognize ordinary income equal to the difference between the fair market value of the stock exercised (on the date of exercise) and the option price. An employee will not recognize taxable income as a result of acquiring stock by exercising an incentive stock option. The difference between the fair market value of the exercised stock on the date of exercise and the exercise price will, however, generally be treated as an item of adjustment for purposes of alternative minimum taxable income. If the employee holds the stock he receives on exercise of an incentive stock option for a required period of time, the employee will have capital gain (or loss) when the stock is later disposed of. If the employee does not hold the stock for the required period of time, the employee will generally have ordinary income when the stock is disposed of.

When an optionee recognizes ordinary income on the exercise of a non-qualified stock option or the sale of stock acquired on exercise of an incentive stock option, the Company is generally entitled to a deduction in the same amount. Certain requirements, such as reporting the income to the IRS, must be met for the deduction to be allowable. Also, for the CEO and the four other highest compensated officers, the Company's deduction may be contingent on certain factors such as (1) the grant being made by a committee of outside directors, and (2) the exercise price being at least equal to 100% of the fair market value of the Common Shares on the date of grant.

The affirmative vote of a majority of votes cast by the Company's shareholders at the 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 APPROVAL THE ADOPTION OF

THE URBAN OUTFITTERS 2004 STOCK INCENTIVE PLAN.

4. OTHER MATTERS

The Board of Directors knows of no matters to be presented for action at the Meeting, other than those set forth in the attached notice and customary procedural matters. If any other matters should properly come before the Meeting or any adjournments or postponements thereof, the proxies solicited hereby will be voted on such matters, to the extent permitted by the rules and regulations of the Securities and Exchange Commission, in accordance with the judgment of the persons voting such proxies.

EXECUTIVE COMPENSATION

Summary Executive Compensation

The following Summary Compensation Table sets forth certain information concerning the compensation paid or accrued by the Company for services rendered during Fiscal 2004 and the Company's fiscal years ended January 31, 2003 (Fiscal 2003) and January 31, 2002 (Fiscal 2002) by the Company's President and the Company's four most highly compensated other executive officers whose total annual salary and bonus exceeded \$100,000, as well as for David C. Frankel, the former President of Free People, whose employment with the Company ceased as of October 24, 2003 (collectively, the Named Officers).

Annual compensation does not include medical, group life insurance or other benefits received by the Named Officers that are generally available to all salaried employees of the Company, and certain perquisites and other personal benefits, securities or property received by the Named Officers that do not exceed the lesser of \$50,000 or 10% of any such officer's salary and bonus disclosed in this table.

Summary Compensation Table

Name and Principal Position	Year(1)	Annual Compensation		Long-Term	All Other Compensation(2)
		Salary	Bonus	Compensation Securities Underlying Options	
Richard A. Hayne <i>Chairman and President</i>	2004	\$ 278,509	\$ 105,000		\$ 28,678(3)
	2003	235,000	105,000		24,615
	2002	235,000	55,000		13,695
Glen T. Senk President, <i>Anthropologie, Inc.</i>	2004	\$ 483,468	\$ 655,000		\$ 8,101(4)
	2003	435,577	401,000		8,395
	2002	370,214	275,000		7,058
Tedford A. Marlow <i>President, Urban Outfitters Retail</i>	2004	\$ 373,432	\$ 405,000		\$
	2003	350,000	119,500		
	2002	173,660	89,500	500,000	
Glen A. Bodzy <i>Secretary and General Counsel</i>	2004	\$ 238,385	\$ 80,000	40,000(5)	\$ 2,905(6)
	2003	216,346	65,000		3,091
	2002	221,654	54,000	40,000	2,272
Robert Ross <i>Controller</i>	2004	\$ 167,693	\$ 23,500	10,000(7)	\$ 1,243
	2003	137,839	20,500	60,000	1,276
	2002	113,885	20,000		1,012
David C. Frankel (8) <i>Former President, Free People</i>	2004	\$ 237,500	\$		\$
	2003	325,000	4,000		319
	2002	225,000	50,750	400,000	

(1) Refers to Fiscal 2004, Fiscal 2003 and Fiscal 2002.

(2) Includes matching cash contributions in Fiscal 2004 by the Company under the Urban Outfitters 401(k) Savings Plan of \$1,225 for Mr. Hayne, \$1,225 for Mr. Senk, \$1,225 for Mr. Bodzy and \$1,225 for Mr. Ross.

(3) Includes life insurance premiums and automobile insurance premiums paid by the Company for Mr. Hayne in the amount of \$14,165 and \$13,288, respectively, in Fiscal 2004.

(4) Includes an automobile allowance and automobile insurance premiums paid by the Company for Mr. Senk in the amount of \$5,400 and \$1,476, respectively, in Fiscal 2004.

(5) These options become exercisable pursuant to a four year, 25% vesting schedule commencing September 5, 2004.

- (6) Includes parking expenses paid by the Company for Mr. Bodzy in the amount of \$1,680 for Fiscal 2004.
 (7) These options become exercisable pursuant to a five year, 20% vesting schedule commencing June 3, 2004.
 (8) Mr. Frankel left the Company on October 24, 2003.

Stock Option Information

Option Grants: The following table sets forth certain information concerning grants of stock options made to the Named Officers during Fiscal 2004.

Option Grants in Last Fiscal Year

Name	Individual Grants		Exercise or Base Price	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term	
	Number of Securities Underlying Options Granted	% of Total Options Granted to Employees in Fiscal 2004			5%	10%
Richard A. Hayne						
Glen T. Senk						
Tedford G. Marlow						
Glen A. Bodzy	40,000(1)	3.6%	\$ 23.62	09/05/2013	\$ 594,000	\$ 1,505,600
Robert Ross	10,000(2)	0.9%	\$ 17.01	06/03/2013	\$ 107,700	\$ 271,100
David C. Frankel						