

BLUE NILE INC
Form 8-K
May 19, 2008

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

FORM 8-K

CURRENT REPORT

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

May 13, 2008

DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED)

BLUE NILE, INC.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE

000-50763

91-1963165

(STATE OR OTHER
JURISDICTION
OF INCORPORATION)

(COMMISSION FILE
NUMBER)

(I.R.S. EMPLOYER
IDENTIFICATION NO.)

705 FIFTH AVENUE SOUTH, SUITE 900, SEATTLE, WASHINGTON, 98104
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES, INCLUDING ZIP CODE)

(206) 336-6700

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE

N/A

(FORMER NAME OR FORMER ADDRESS IF CHANGED SINCE LAST REPORT)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-

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

Executive Officer Cash Incentive Plan

On May 13, 2008, the Compensation Committee of the Board of Directors of Blue Nile, Inc. (the Company) approved a 2008 cash incentive plan designed to motivate its executive officers to achieve the Company's financial and other performance objectives and to reward them for their achievement when those objectives are met (the Plan).

ELIGIBILITY. All executive officers, including the chief executive officer, are eligible for participation in the Plan. The Company may also pay discretionary bonuses or other types of compensation outside the Plan.

ADMINISTRATION. The Plan is administered by the Compensation Committee. The Compensation Committee has the authority and discretion to approve and review the Plan and its operation.

DETERMINATION OF AWARD. The aggregate bonus pool for fiscal year 2008 is established through the achievement of the Company's objectives for Adjusted EBITDA (defined as net income before interest and other income, income taxes, depreciation, amortization and stock-based compensation expense). The Compensation Committee also established a target bonus amount for each executive expressed as a percentage of the executive's base salary. The Compensation Committee may award the executive officer between 0% and 200% of such officer's bonus target amount based: (i) fifty percent on the achievement of financial performance objectives, including revenue growth, earnings per share and free cash flow generation, and (ii) fifty percent on the achievement of individual performance objectives based on the executive officer's roles and responsibilities within the Company. If the achievement of the financial and individual objectives results in an aggregate bonus award amount that is different from the aggregate bonus amount established by reviewing performance against the Adjusted EBITDA target, the Compensation Committee has the authority to award the executive officers the bonus amount it deems appropriate following review of the executive officer's performance against the pre-established EBITDA target and the pre-established financial and personal objectives.

DISTRIBUTION. The bonus payments will be distributed to executive officers in a single lump sum amount following the completion of the Company's fiscal year 2008.

TARGET AWARD. The aggregate target bonus amounts established for the senior executive officers, including the chief executive officer, for fiscal year 2008 is \$914,000. The bonus target award expressed as a percentage of salary for each of the senior executive officers is as follows: Mark Vadon, Executive Chairman, 100%; Diane Irvine, Chief Executive Officer and President, 67%; Marc Stolzman, Chief Financial Officer (effective June 9, 2008), 43%; Darrell Cavens, Senior Vice President, 38%; Dwight Gaston, Senior Vice President, 37%; and Sue Bell, Senior Vice President, 37%.

SIGNATURE

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

BLUE NILE, INC.

By: /s/ Terri K. Maupin
Terri K. Maupin
Vice President of Finance & Controller
(Principal Financial and Accounting
Officer)

Dated: May 16, 2008

3.