

Vera Bradley, Inc.
Form DEF 14A
April 25, 2017

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 under §240.14a-12

VERA BRADLEY, 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):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

**2017 PROXY STATEMENT
AND NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

Welcome to the Vera Bradley, Inc.

Annual Meeting of Shareholders

Dear Shareholder of Vera Bradley, Inc.:

You are cordially invited to attend the 2017 Annual Meeting of Shareholders of Vera Bradley, Inc., to be held at 11:00 a.m., Eastern Time, on May 25, 2017 at our Design Center located at 12420 Stonebridge Road, Roanoke, Indiana 46783.

The attached Notice of 2017 Annual Meeting of Shareholders and Proxy Statement provide information concerning the matters to be considered and voted on at the Annual Meeting. Please take the time to carefully read each of the proposals.

Regardless of the number of shares you hold or whether you plan to attend the meeting in person, your vote is important. Accordingly, please vote your shares as soon as possible by following the instructions you received on your proxy card. Voting your shares prior to the Annual Meeting will not prevent you from voting your shares in person if you subsequently choose to attend the meeting.

To make it easier for you to vote, Internet and telephone voting are available. The instructions for voting via the Internet and telephone can be found on your proxy card.

Thank you for your continued support of Vera Bradley.

Sincerely,

Robert Wallstrom

President and Chief Executive Officer

April 25, 2017

NOTICE OF 2017 ANNUAL MEETING OF SHAREHOLDERS

Date: May 25, 2017

Time: 11:00 a.m., Eastern Time

Place: Vera Bradley Design Center

12420 Stonebridge Road

Roanoke, Indiana 46783

Record Date: March 27, 2017. You are entitled to vote at the Annual Meeting only if you were a shareholder at the close of business on the record date.

Items of Business: To elect four Directors for a three-year term to expire at the 2020 Annual Meeting of Shareholders

To ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for fiscal 2018

To approve on an advisory basis, the compensation of the Company's named executive officers

To recommend on an advisory basis, the frequency of future advisory votes on the compensation of the Company's named executive officers

To transact any other business as may properly come before the meeting or at any adjournments or postponements thereof

Proxy Voting: Shareholders of record may vote in person at the Annual Meeting in Fort Wayne, but may also appoint proxies to vote their shares in one of the following ways, by:

Via Internet cast your vote at
www.proxyvote.com 24/7 until 11:59
p.m., Eastern Time on May 24, 2017

Via Phone cast your vote by phone
at 1-800-690-6903 24/7 until 11:59
p.m., Eastern Time on May 24, 2017

Via Mail Mark, sign and date your
proxy card and return it in the
postage-paid envelope provided

Shareholders whose shares are held by a bank, broker or other nominee (in street name) may instruct such record holders how to vote their shares. Any proxy may be revoked at any time prior to its exercise at the meeting by following the procedures described in the proxy solicitation materials. If you hold your shares in street name and wish to vote your shares in person at the Annual Meeting, you must obtain a legal proxy from your bank, broker or other holder of record, giving you the right to vote the shares.

By Order of the Board of Directors,

Mark C. Dely

Secretary

April 25, 2017

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to be Held on May 25, 2017: This 2017 Proxy Statement and Notice of Annual Meeting of Shareholders and our Fiscal 2017

Annual Report are available in the Investor Relations section of our website at www.verabradley.com.

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PROXY SUMMARY

This summary highlights information contained elsewhere in this Proxy Statement. This summary does not contain all of the information you should consider, and we encourage you to read the entire Proxy Statement before voting.

FISCAL 2017 BUSINESS HIGHLIGHTS

Strategic Progress

Fiscal 2017 (beginning January 31, 2016 and running through January 28, 2017) was the third year of our multi-year turnaround, and we made progress against key elements of our long-term strategic plan, laid out in March 2014, focusing on the key planks of product, distribution and marketing.

We made progress on our *product* strategies, including:

- v Continuing to reinvigorate and modernize our cotton assortment with new patterns, styles, silhouettes, hardware, and functionality. We are also continuing to innovate with the addition of non-cotton offerings to our assortment
- v Expanding our collegiate collection to representation in over 70 schools
- v Announcing six licensing arrangements in the areas of bedding, hosiery, swim, technology products, stationery, and publishing for products that will debut throughout fiscal 2018

We made progress on our *distribution* strategies, including:

- v Opening four full-line stores in our new store design, including our first flagship store in the SoHo neighborhood in New York City
- v Opening six factory outlet stores
- v Completing refreshes of 14 of our higher-volume and traffic Full-line stores and facade updates of 15 of our newest full line stores to reflect our new logo and signage
- v Continuing to work on the redesign and conversion of verabradley.com to a new platform, creating a dynamic digital flagship which launched in February 2017
- v Adding approximately 130 points of department store distribution at Macy's, Belk and Bon-Ton

We drove customer engagement through our *marketing* programs by:

- v Launching our marketing campaign, It's Good to be a Girl, which was aimed at increasing brand visibility and igniting social media
- v Offering a heavier emphasis on influencers, social, mobile, and video content than in years past
- v Generating over 500 million impressions by gaining national exposure through:
 - v Ads, editorial content, and gift guides in publications such as People StyleWatch, InStyle, Glamour, and Seventeen and appearing in Oprah's Favorite Things Holiday Gift Guide;
 - v Online and digital ads on such platforms as Hulu, Pandora, and the Conde Nast network; and
 - v Increased influencer and celebrity marketing

Financial Results

The graphs below provide a snapshot of our performance in fiscal 2017 and the previous four years for continuing operations. Information related to the Company's discontinued operations may be found in Part II, Item 8 of the Company's Annual Report on Form 10-K for the year ended January 28, 2017.

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PROXY SUMMARY

EXECUTIVE COMPENSATION

Sound program design. We designed our executive officer compensation programs to attract, motivate and retain the key executives who drive our success. Pay that reflects performance and alignment with the interests of long-term shareholders are key principles. We achieve our objectives through compensation that:

- v provides a competitive total pay opportunity,
- v links a significant portion of total compensation to performance that we believe will create long-term shareholder value,
- v enhances retention by subjecting a meaningful portion of total compensation to multi-year vesting and
- v does not encourage unnecessary and excessive risk taking.

Pay practices. We believe that appropriate corporate governance of our executive compensation program is enhanced by a number of practices, including engagement by the Compensation Committee of its own independent consultant and compensation tools, the absence of tax gross-ups in any of our compensation programs (including no excise tax gross-ups) and the adoption of stock ownership guidelines applicable to directors and officers.

Pay for performance. Our compensation program allows our Compensation Committee to determine pay based on a comprehensive view of quantitative and qualitative factors designed to produce long-term business success. The correlation between our financial results and executive officer compensation awarded, as described in the Executive Compensation Discussion and Analysis which follows in this proxy statement, aligns the interests of our executive officers with those of the Company. Specifically in fiscal 2017:

- v There were no increases in base salaries of our Chief Executive Officer, Chief Creative Officer and Executive Vice President, Design, and modest increases in other named executive officer salaries.
- v In addition to financial goals, the annual incentive included key strategic objectives tied to our long-term strategic plan and intended to focus the team on making progress in our multi-year turnaround.
- v The annual incentive paid out below target levels based on revenue and operating income results.
- v

The first tranche of the performance-based restricted stock units granted in fiscal 2017 were not earned based on EPS results.

- v Grants under the Company's long-term incentive plans vest over a three-year period to promote retention and long-term thinking.

And for Fiscal 2018

The Board of Directors voted to reduce its cash compensation by ten percent in order to align with benchmark and due to Company performance.

CORPORATE GOVERNANCE HIGHLIGHTS

Our governance principles and practices include a number of policies and structures that we believe are best practices in corporate governance, including:

- v Appointment of a Lead Independent Director who participates in the process of preparing meeting agendas and schedules and presides over executive sessions of the Board of Directors
- v Separation of Chairman of the Board and CEO
- v Holding executive sessions with only independent directors present at each meeting of the Board
- v Retention of an independent executive compensation consultant hired by and reporting directly to the Compensation Committee
- v Adoption of minimum stock ownership guidelines applicable to directors and executive officers
- v Establishment of holding requirements for equity grants made to directors and executive officers
- v Adoption of policies prohibiting hedging, pledging and other problematic transactions involving Company securities by executive officers, directors and key employees
- v Practice of no excise tax gross-ups for directors and executive officers
- v No implementation of a poison pill
- v Inclusion of double triggers for accelerated vesting of equity upon a change in control

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SHAREHOLDER ENGAGEMENT

The Board maintains a process for shareholders and interested parties to communicate with the Board. Shareholders and interested parties may write or call our Board as provided below:

<u>Write:</u>	<u>Internet:</u>	<u>Email:</u>
Secretary & Chief Legal Officer		
Vera Bradley, Inc.	http://investors.verabradley.com/contactBoard.cfm or	jbentley@verabradley.com
12420 Stonebridge Road	http://investors.verabradley.com/contactus.cfm	
Roanoke, Indiana 46783		

We understand the importance of a robust shareholder engagement program. To that end, our Chief Executive Officer and appropriate members of management routinely attended in-person shareholder meetings and investor conferences, as well as regular meetings with institutional shareholders. Our meetings and interactions with shareholders are designed to better understand how our shareholders perceive Vera Bradley and to provide our shareholders an opportunity to discuss matters that they believe deserve attention. We believe our engagement has been productive and provides an open exchange of ideas and perspectives for both our shareholders and us.

BOARD NOMINEES

Below are the directors nominated for election at the Annual Meeting to serve a three-year term which will expire at the 2020 Annual Meeting of Shareholders. The Board recommends a vote FOR each director. Each director will be elected by a plurality of votes cast.

DIRECTOR	AGE	SINCE	OCCUPATION	INDEPEN- DENT (Y/N)	OTHER PUBLIC BOARDS	PRIVATE/ NFP BOARDS	AUDIT	COMMITTEE MEMBERSHIP AND GOVERNANCE	COMMITTEE MEMBERSHIP AND GOVERNANCE
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Kelley	56	2015	Former President, E-Commerce for Best Buy	Y	-	-	-	Member	-
vees	70	2010	Retired CFO, Urban Outfitters and bebe stores, Inc.	Y	2	2	Chair	-	-
McEvoy	55	2011	Chief of Strategy & New Business Development, Burberry Group, plc.	Y	-	-	Member	-	-
llstrom	51	2013	Chief Executive Officer, Vera Bradley, Inc.	N	-	2	-	-	-

AUDITORS

We ask that our shareholders ratify our appointment of Deloitte & Touche LLP, or Deloitte, as our independent registered public accounting firm for fiscal 2018. Below is summary information about Deloitte's fees for services provided for the fiscal year ended January 28, 2017:

FEES PAID TO DELOITTE IN FISCAL 2017	
Audit fees	\$ 714,135
Audit related fees	
Tax fees	348,462
All other fees	2,000
 Total	 \$ 1,064,597

PROXY SUMMARY

QUESTIONS AND ANSWERS

See Questions and Answers on page 39 for additional information.

Please see the Questions and Answers section beginning on page 39 for important information about the proxy materials, voting, the Annual Meeting, Vera Bradley documents, communications and the deadlines to submit shareholder proposals for the 2018 Annual Meeting of Shareholders.

Note about forward-looking statements

Certain statements in this proxy statement, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives and expected operating results and the assumptions upon which those statements are based, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements may appear throughout this report, including without limitation, this Proxy Summary and Executive Compensation Discussion and Analysis. These forward-looking statements generally are identified by the words believe, project, expect, anticipate, estimate, intend, strategy, future, opportunity, should, will, would, will be, will continue, will likely result, and similar expressions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. A detailed discussion of risks and uncertainties that could cause actual results and events to differ materially from such forward-looking statements is included in the section titled Risk Factors of our Forms 10-K and 10-Q. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

PROPOSAL NO. 1 ELECTION OF DIRECTORS

PROPOSAL NO. 1

ELECTION OF DIRECTORS

VOTE REQUIRED AND BOARD RECOMMENDATION

Vera Bradley’s Board is divided into three classes serving staggered three-year terms. Directors for each class are elected at the annual meeting of shareholders held in the year in which the term for their class expires. Vera Bradley’s Bylaws allow the Board to fix the number of directors by resolution, and our Board membership is currently set at eleven directors.

Below are the directors nominated for election by shareholders to an additional three-year term. The Board recommends a vote FOR each of the directors. Each director nominee will be elected by a plurality of votes cast, which means that the nominees receiving the highest number of votes will be elected as directors. Abstentions and broker non-votes will have no effect on the vote.

COMMITTEE MEMBERSHIPS

DIRECTOR	AGE	SINCE	OCCUPATION	INDEPEN- DENT (Y/N)	OTHER PUBLIC BOARDS	PRIVATE/ NFP BOARDS	AUDIT	COMPENSATION	NOMINATING AND GOVERNANCE
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Mary Lou Kelley	56	2015	Former President, E-Commerce for Best Buy	Y					
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