

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](http://www.verabradley.com).**

**TABLE OF CONTENTS**

<b><u>PROXY SUMMARY</u></b>	i
<u>Fiscal 2017 Business Highlights</u>	i
<u>Strategic Progress</u>	i
<u>Financial Results</u>	i
<u>Executive Compensation</u>	ii
<u>Corporate Governance</u>	ii
<u>Shareholder Engagement</u>	iii
<u>Board Nominees</u>	iii
<u>Auditors</u>	iii
<u>Questions and Answers</u>	iv
<u>Note About Forward-Looking Statements</u>	iv
<b><u>PROPOSAL NO. 1 ELECTION OF DIRECTORS</u></b>	1
<b><u>VOTE REQUIRED AND BOARD RECOMMENDATION</u></b>	1
<b><u>THE BOARD OF DIRECTORS</u></b>	2
<u>Director Qualifications and Selection Process</u>	2
<u>Director Nominees for Election at the 2017 Annual Meeting</u>	2
<u>Directors Continuing in Office</u>	3
<b><u>CORPORATE GOVERNANCE</u></b>	6
<u>Corporate Governance Guidelines</u>	6
<u>Conflict of Interest and Business Ethics Policy</u>	6
<u>Code of Ethics for Senior Financial Officers</u>	6
<u>Risk Oversight</u>	6
<u>Stock Ownership Guidelines</u>	7
<u>Hedging, Derivatives and Pledging</u>	7
<u>Compensation Committee Interlocks and Insider Participation</u>	7
<u>Policy on Related Party Transactions</u>	7
<u>Related Party Transactions for Fiscal 2017</u>	7
<u>Family Relationships</u>	8
<u>Copies of Governance Documents</u>	8
<b><u>THE BOARD AND ITS COMMITTEES</u></b>	9
<u>Board Responsibilities</u>	9
<u>Board Independence</u>	9
<u>Board Leadership Structure and Lead Independent Director</u>	10
<u>Standing Committees and Meetings of the Board</u>	10
<u>Annual Board and Committee Evaluations</u>	11
<u>Committee Charters</u>	11
<u>Communications with Directors</u>	11
<u>Director Compensation</u>	12
<u>Cash Compensation for Non-Employee Directors</u>	12
<u>Restricted Stock Units for Non-Employee Directors</u>	12
<u>Fiscal 2017 Director Compensation</u>	12



<b><u>PROPOSAL NO. 2 RATIFICATION OF INDEPENDENT AUDITOR</u></b>	13
<b><u>PROPOSAL</u></b>	13
<u>Principal Accounting Fees and Services</u>	13
<b><u>VOTE REQUIRED AND BOARD RECOMMENDATION</u></b>	13
<b><u>AUDIT COMMITTEE REPORT</u></b>	14
<b><u>PROPOSAL NO. 3 ADVISORY VOTE ON EXECUTIVE COMPENSATION</u></b>	15
<b><u>VOTE REQUIRED AND BOARD RECOMMENDATION</u></b>	15
<b><u>PROPOSAL NO. 4 ADVISORY VOTE ON EXECUTIVE COMPENSATION</u></b>	16
<b><u>VOTE REQUIRED AND BOARD RECOMMENDATION</u></b>	16
<b><u>EXECUTIVE COMPENSATION</u></b>	17
<b><u>COMPENSATION COMMITTEE REPORT</u></b>	17
<b><u>EXECUTIVE COMPENSATION DISCUSSION AND ANALYSIS</u></b>	17
<u>Our Compensation Philosophy and Objectives</u>	18
<u>Compensation Mix and Pay for Performance</u>	19
<u>Pay Policies</u>	20
<u>How We Make Executive Compensation Decisions</u>	20
<u>Elements of Our Executive Compensation Program in Fiscal 2017</u>	21
<u>Agreements with Named Executive Officers</u>	27
<u>Compensation and Risk</u>	28
<u>Effect of Accounting and Tax Treatment on Compensation Decisions</u>	29
<b><u>COMPENSATION TABLES</u></b>	30
<u>Summary Compensation Table</u>	30
<u>Grants and Plan-Based Awards</u>	31
<u>Outstanding Equity Awards at Fiscal Year-End</u>	32
<u>Option Exercises and Shares Vested</u>	33
<u>Pension Benefits</u>	33
<u>Nonqualified Deferred Compensation</u>	33
<u>Potential Payments Upon Termination or Change in Control</u>	34
<b><u>SEVERANCE AGREEMENTS AND ARRANGEMENTS</u></b>	36
<b><u>QUESTIONS AND ANSWERS ABOUT THE PROXY AND THE 2017 ANNUAL MEETING</u></b>	39
<b><u>SHARE OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u></b>	43
<b><u>OTHER BUSINESS &amp; ADDITIONAL INFORMATION</u></b>	45
<u>Section 16(A) Beneficial Ownership Reporting Compliance</u>	45
<u>Requirements, Including Deadlines, for Submission of Proxy Proposals, Nomination of Directors and Other Business of Shareholders</u>	45

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.

Vera Bradley, Inc. *2017 Proxy Statement* i

## 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

ii Vera Bradley, Inc. *2017 Proxy Statement*

**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:

<b><u>Write:</u></b>	<b><u>Internet:</u></b>	<b><u>Email:</u></b>
Secretary & Chief Legal Officer		
Vera Bradley, Inc.	<a href="http://investors.verabradley.com/contactBoard.cfm">http://investors.verabradley.com/contactBoard.cfm</a> or	<a href="mailto:jbentley@verabradley.com">jbentley@verabradley.com</a>
12420 Stonebridge Road	<a href="http://investors.verabradley.com/contactus.cfm">http://investors.verabradley.com/contactus.cfm</a>	
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.

<b>DIRECTOR</b>	<b>AGE</b>	<b>SINCE</b>	<b>OCCUPATION</b>	<b>INDEPEN- DENT (Y/N)</b>	<b>OTHER PUBLIC BOARDS</b>	<b>PRIVATE/ NFP BOARDS</b>	<b>AUDIT</b>	<b>COMMITTEE MEMBERSHIP AND GOVERNANCE</b>
-----------------	------------	--------------	-------------------	------------------------------------	------------------------------------	------------------------------------	--------------	--

Edgar Filing: Vera Bradley, Inc. - Form DEF 14A

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:

<b>FEES PAID TO DELOITTE IN FISCAL 2017</b>	
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**

<b>DIRECTOR NAME</b>	<b>AGESINCE</b>	<b>OCCUPATION</b>	<b>INDEPEN- DENT (Y/N)</b>	<b>OTHER PUBLIC BOARDS</b>	<b>PRIVATE/ NFP</b>		<b>AUDIT</b>	<b>COMPENSATION</b>	<b>NOMINATING AND GOVERNANCE</b>
					<b>BOARDS</b>	<b>BOARDS</b>			
Mary Lou Kelley	56	2015 Former President, E-Commerce for Best Buy	Y	-	-	-	-	Member	-
John E. Kyees	70	2010 Retired CFO, Urban Outfitters and bebe stores, Inc.	Y	2	2	Chair	-	-	-

Matthew McEvoy	55	2011	Chief of Strategy & New Business Development, Burberry Group, plc.	Y	-	-	Member	-	-
Robert Wallstrom	51	2013	Chief Executive Officer, Vera Bradley, Inc.	N	-	2	-	-	-

Additional information regarding each director nominee, as well as the other members who serve on our board, follows below.

The Board of Directors has no reason to believe that any of the nominees will be unable to serve as a director. If, however, any nominee becomes unable to serve as a director prior to the Annual Meeting, the proxies will have discretionary authority to vote for a substitute nominee. Unless authority to do so is withheld, the persons named as proxies will vote FOR the election of the nominees.

**VERA BRADLEY S BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS**

**A VOTE FOR THE ELECTION OF THE ABOVE-LISTED**

**CLASS I NOMINEES TO THE BOARD OF DIRECTORS.**

## **PROPOSAL NO. 1 ELECTION OF DIRECTORS**

### **THE BOARD OF DIRECTORS**

#### **DIRECTOR QUALIFICATIONS AND SELECTION PROCESS**

Each year at the Company's annual meeting of shareholders, the Board recommends a slate of director nominees for election by shareholders. In addition, the Board fills vacancies on the Board when necessary or appropriate. The Board's recommendations or determinations are based on the recommendations of, and information supplied by, the Nominating and Corporate Governance Committee as to the suitability of each individual and, where applicable, the slate as a whole to serve as directors, taking into account the criteria described below and other factors, including the requirements for Board committee membership.

The Nominating and Corporate Governance Committee is responsible for, among other things, reviewing on an annual basis the appropriate skills and characteristics required of directors in the context of prevailing business conditions and for making recommendations regarding the size and composition of the Board. The objective is a Board that brings to the Company a variety of perspectives and skills that are derived from high-quality business and professional experience and that are aligned with the Company's strategic objectives.

Nominees for the Board must be committed to enhancing long-term shareholder value and possess a high level of personal and professional ethics, sound business judgment, appropriate experience and achievements, personal character and integrity. Board members are

expected to understand our business and the industry in which we operate, regularly attend Board and committee meetings, participate in meetings and decision making processes in an objective and constructive manner and be available to advise our officers and management. Evaluations of candidates generally involve a review of background materials, internal discussions and interviews with selected candidates, as appropriate. Upon selection of a qualified candidate, the Nominating and Corporate Governance Committee recommends the candidate to the Board.

The Board also seeks members from diverse backgrounds so that the Board consists of members with a broad spectrum of experience and expertise and with a reputation for integrity; however, the Board does not believe the subjective and varying nature of the nomination process lends itself to a formal policy or fixed rules with respect to the diversity of the Board. The Nominating and Corporate Governance Committee may engage consultants or third-party search firms to assist in identifying and evaluating potential nominees.

In recommending nominees, the Committee considers nominees recommended by the Company's shareholders provided any such shareholder follows the procedures set forth in the Company's proxy statement for its most recent annual meeting of shareholders.

**DIRECTOR NOMINEES FOR ELECTION AT THE 2017 ANNUAL MEETING**

	<b>Age</b>	<b>Director Since</b>
<b>Mary Lou Kelley</b>	<b>56</b>	<b>2015</b>

Ms. Kelley served as President, E-Commerce for Best Buy from April 2014 through March 2017. Prior to joining Best Buy, Ms. Kelley served as Senior Vice President, E-Commerce for Chico's FAS Inc. from June 2010 to March 2014. Ms. Kelley formerly held the posts of Vice President of Retail Real Estate and Marketing and Vice President of E-Commerce for L.L. Bean.

**Qualifications:** Ms. Kelley has deep capabilities in developing the retail omni-channel experience, as well as e-commerce, marketing and strategic planning experience. She provides insight and counsel on a variety of issues as the Company continues to pursue our long-term strategic plan, which includes elevating our marketing efforts and growing our verabradley.com digital flagship.

<b>John E. Kyees    Lead Independent Director</b>	<b>70</b>	<b>2010</b>
---	-----------	-------------

From February 2014 through May 2014, Mr. Kyees served as the interim Chief Financial Officer of Destination XL Group, Inc., the largest multi-channel specialty retailer of big and tall men's apparel. In 2010, Mr. Kyees retired as the Chief Investor Relations Officer from Urban Outfitters,

2 Vera Bradley, Inc. *2017 Proxy Statement*

**PROPOSAL NO. 1 ELECTION OF DIRECTORS**

Inc., a retail chain headquartered in Philadelphia, Pennsylvania, after serving as Chief Financial Officer from 2003 to 2010. Mr. Kyees formerly held the position of Chief Financial Officer and Chief Administrative Officer for bebe stores, Inc., a retail chain headquartered in San Francisco, California, from 2002 to 2003.

Mr. Kyees is currently a director of Destination XL Group, Inc. and a director and member of the audit committee of Rackwise Inc., a publicly-traded provider of data center infrastructure management software. In addition, Mr. Kyees is also a director of Arhaus Furniture, a privately-held retailer, and Applaud, LLC, a privately-held social networking site.

**Qualifications:** Mr. Kyees brings to our Board of Directors over 40 years of experience in the consumer products retail and manufacturing industries. He has over 30 years of experience as a chief financial officer and nine years serving in that role for a public company. *Institutional Investor* magazine selected Mr. Kyees as a top specialty retail chief financial officer on five separate occasions, evidencing his strong skills in corporate finance, strategic and accounting matters.

**Matthew McEvoy****55 2011**

Mr. McEvoy is Chief of Strategy and New Business Development at Burberry Group plc, a luxury apparel and accessories company based in London. Prior to joining Burberry in 2002, Mr. McEvoy worked for nearly 15 years at Goldman Sachs & Co., a global investment banking, securities and investment management firm, where he held positions of increasing responsibility, including Vice President of the Retail and Apparel Focus Group from 1993 to 2001.

**Qualifications:** Mr. McEvoy brings to the Board of Directors extensive experience in retail operations and strategic planning, years of experience at an international retail public company and a proven track record of driving international growth and expansion.

**Robert Wallstrom President and Chief Executive Officer****51 2013**

Mr. Wallstrom joined Vera Bradley as its President and Chief Executive Officer in 2013. From 2007 to 2013, Mr. Wallstrom served as President of Saks Fifth Avenue OFF 5TH, the outlet chain operated by Saks Fifth Avenue. Previously, he was Group Senior Vice President and

General Manager of Saks flagship New York store from 2002 to 2007. Prior to joining Saks, Mr. Wallstrom held a variety of roles at retailer Macy's Inc. from 1987 to 1995. Mr. Wallstrom serves on the Board of Directors of the LIM Fashion Education Foundation.

**Qualifications:** Mr. Wallstrom is a retail executive with extensive brand management experience, proven leadership abilities and a track record of driving growth. As President of Saks Fifth Avenue OFF 5TH, Mr. Wallstrom developed and implemented a strategic plan that repositioned the division as a growth engine, propelling it to a market-leading position. Mr. Wallstrom is well-regarded in the retail industry for his ability to develop and execute strategic growth plans. He has a deep background in brand positioning, product development, store operations and planning and allocation.

#### DIRECTORS CONTINUING IN OFFICE

<b>Directors Serving until the 2018 Annual Meeting</b>	<b>Age</b>	<b>Director Since</b>
<b>Robert J. Hall Chairman</b>	<b>58</b>	<b>2007</b>

Mr. Hall has served as Chairman of the Board since September 2010. Mr. Hall is the President of Green Gables Partners, a private investment firm that he founded in 2010. Prior to founding Green Gables, Mr. Hall started Andesite Holdings, a private equity firm, where he served as principal from 2007 to 2014. Mr. Hall served as an Executive Director for UBS Financial Services from 2000 to 2007.

---

**PROPOSAL NO. 1 ELECTION OF DIRECTORS**

Mr. Hall serves as a director of FlyLow Gear Co., a privately-held manufacturer of outerwear; New World Stoneworks LLC, a privately-held retailer of stone products; and Bill's Khakis, a privately-held clothing retailer. Mr. Hall also serves as the Chairman of the Board of the Mid-Atlantic region of Teach for America; is a member of the Board of the Philadelphia School Partnership; is a member of Philadelphia School Advocacy Partners; and serves as trustee of The Holderness School.

**Qualifications:** Mr. Hall provides our Board of Directors with insight and perspective on general strategic and financial matters stemming from his extensive experience in investment banking, investment management, financial planning and private placements.

**P. Michael Miller**

**79**

**1990**

In 2013, Mr. Miller retired as a senior partner in the law firm of Hunt Suedhoff Kalamaros LLP, where he served as a partner from 1997. From 1990 through June 2010, Mr. Miller served as our Secretary and Treasurer. Mr. Miller also serves on the Board of Directors of the Vera Bradley Foundation for Breast Cancer.

**Qualifications:** Mr. Miller has been involved with Vera Bradley since its inception and brings to our Board of Directors a broad array of institutional knowledge and historical perspective. Mr. Miller also provides insight and guidance on legal and business matters, stemming from his years of experience as a practicing attorney prior to his retirement.

**Edward M. Schmults**

**54**

**2010**

Since 2009, Mr. Schmults has served as the Chief Executive Officer and a director of Wild Things, LLC, a privately-held company that provides technical apparel, packs and bags to the U.S. military, federal and state law enforcement agencies and the consumer market. From 2005 to 2009, Mr. Schmults served as the Chief Executive Officer of FAO Schwarz, a toy retailer. Prior to joining FAO Schwarz, he was employed at RedEnvelope, Inc., a catalog and internet retailer of affordable luxury goods, where he started as Senior Vice President of Operations in 2004 and was promoted to Chief Operating Officer in 2005.

Mr. Schmults currently serves on the advisory board of First Insight, Inc., a privately-held data analytics company, and is a member of the advisory board of VStar Entertainment Group, a



leading producer of family-friendly shows, events, experiential installations, mascots and costumes.

**Qualifications:** Mr. Schmuls brings to our Board of Directors over 20 years of experience in branded consumer products, direct-to-consumer sales, finance, information technology and socially responsible business practices.

<b>Directors Serving Until the 2019 Annual Meeting</b>	<b>Age</b>	<b>Director Since</b>
<b>Barbara Bradley Baekgaard Co-Founder</b>	<b>78</b>	<b>1982</b>

Ms. Baekgaard co-founded Vera Bradley in 1982. From 1982 through June 2010, she served as Co-President. In May 2010, she was appointed Chief Creative Officer. She currently serves as a board member of the Indiana University Melvin and Bren Simon Cancer Center Development Board and the Vera Bradley Foundation for Breast Cancer.

**Qualifications:** As Co-Founder of Vera Bradley, Ms. Baekgaard serves a key leadership role on our Board of Directors and provides the Board with a broad array of institutional knowledge and historical perspective. Since our founding, Ms. Baekgaard has provided leadership and strategic direction in our brand's development by providing creative vision to areas such as marketing, product design, assortment planning and the design and visual merchandising of our stores.

---

**PROPOSAL NO. 1 ELECTION OF DIRECTORS**

**Richard Baum** 70 2011

Mr. Baum is the managing partner of Consumer Growth Partners, a private equity firm with an exclusive investment focus on specialty retail and branded consumer products companies, which he helped to found in 2005. Prior to founding Consumer Growth Partners, Mr. Baum spent more than a decade serving in various equity research roles with investment banking, securities and investment management firms Credit Suisse, Goldman Sachs and Sanford Bernstein.

Mr. Baum serves on the Board of Directors of Harris Originals of NY, Inc., a privately-held jewelry retailer for U.S. military service personnel. He also serves on the Boards of Directors of the Association for Corporate Growth New York, Inc. and the Retail Marketing Society.

**Qualifications:** Mr. Baum brings to the Board of Directors particular knowledge and experience in finance and capital structure, strategic planning, consumer brand strategy, retail merchandising and operations.

**Patricia R. Miller Co-Founder** 78 1982

Ms. Miller co-founded Vera Bradley in 1982. From 1982 through June 2010, she served as Co-President. In June 2010, she was appointed National Spokesperson for the Company where she continued to promote our brand until her retirement in October 2012. Ms. Miller served as the first Secretary of Commerce for the State of Indiana and the Chief Executive Officer of the Indiana Economic Development Corporation from 2005 to 2006. Ms. Miller serves as a director for the Indiana University Foundation and for the Vera Bradley Foundation for Breast Cancer.

**Qualifications:** As Co-Founder of Vera Bradley, Ms. Miller brings to our Board of Directors a broad array of institutional knowledge and historical perspective. Ms. Miller also provides insight and perspective on general strategic and business matters, stemming from her extensive executive and finance experience. Until her retirement from the Company, Ms. Miller provided leadership and strategic direction to the business, guiding the development of our operations and supply chain infrastructure and the growth of our employee base, giving her a unique perspective as a Board member.

**Frances P. Philip** 59 2011

From 1994 to 2011, Ms. Philip held positions of increasing responsibility at L.L. Bean, Inc. a privately-held outdoor apparel and equipment retailer based in Freeport, Maine, including Chief Merchandising Officer from 2002 to 2011. Prior to working at L.L. Bean, Ms. Philip was one of three principals who launched the innovative fresh flower catalog, Calyx & Corolla, and she served in a variety of roles with other specialty retailers, including The Nature Company, Williams-Sonoma and The Gap.

Ms. Philip also serves on the boards of Pacific Sunwear of California, Inc., a publicly-traded specialty retailer of branded and proprietary casual apparel, accessories and footwear; Sea Bags, a privately-held manufacturer and retailer of handcrafted tote bags and accessories made from recycled sails; Totes-Isotoner Corporation, a privately-held international umbrella, footwear and cold weather accessory supplier; and Regent Holdings, a privately-held designer, importer and wholesaler of home décor. She also serves on the advisory boards of the privately-held companies Kind Exchange and Lee Auto and on the Board of the Coastal Humane Society, a non-profit organization.

**Qualifications:** Ms. Philip brings to our Board of Directors extensive experience in product design and development, multi-channel merchandising and the retail and consumer products industry.

## **CORPORATE GOVERNANCE**

### **CORPORATE GOVERNANCE**

We believe corporate governance should promote the long-term interests of our shareholders, as well as maintain internal checks and balances, strengthen management accountability, engender public trust and foster responsible decision making and accountability. We continue to strengthen existing governance practices and develop new policies that make us a better company. To that end, the following policies and practices are used to guide and regulate various actions, in addition to the Company's Articles of Incorporation and Bylaws.

#### **CORPORATE GOVERNANCE GUIDELINES**

Our Corporate Governance Guidelines set out various rules and principles for self-governance and address such matters as Board composition and structure, duties and responsibilities of directors and the Board and the duties of the Lead Independent Director, among other matters.

#### **CONFLICT OF INTEREST AND BUSINESS ETHICS POLICY**

We believe that credibility, integrity, trustworthiness and our core values are critical components of the current and future success of our business. Our Conflict of Interest and Business Ethics Policy is intended to help uphold high ethical standards in all of our operations by promoting ethical conduct and compliance with applicable laws, rules, regulations and standards. Our Board recognizes that no code of ethics can replace the thoughtful behavior of an ethical director or employee, but such a Code can provide guidance to help recognize and deal with ethical issues and to foster a culture of accountability.

#### **CODE OF ETHICS FOR SENIOR**

##### **FINANCIAL OFFICERS**

In addition to being subject to the Conflict of Interest and Business Ethics Policy, our Chief Executive Officer, Chief Financial Officer, Treasurer and Corporate Controller are also subject to our Code of Ethics for Senior Financial Officers. We will disclose on our website ([www.verbradley.com](http://www.verbradley.com)) any amendment to, or waiver from, a provision of the Policy or Code that applies to our Chief Executive Officer, Chief Financial Officer, Treasurer and Corporate Controller or persons performing similar functions and that relates to:

- v Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships
- v Full, fair, accurate, timely and understandable disclosure in reports and documents that we file with the SEC and in other public communications we make

- v Compliance with applicable governmental laws, rules and regulations
  
- v The prompt internal reporting of violations of the Code to an appropriate person or persons identified in the Code
  
- v Accountability for adherence to the Code

### **RISK OVERSIGHT**

Our Board has and exercises ultimate oversight responsibility with respect to enterprise risk assessment and to the management of the strategic, operational, financial and legal risks facing our Company and its operations and financial condition. The Board is involved in setting our business and financial strategies and establishing what constitutes the appropriate level of risk for us and our business segments. Various committees of the Board provide assistance to the Board in its oversight of, among other things, risk assessment and risk management. The Board also monitors the process by which risk assessment and management is developed and implemented by management and reported to the full Board.

Our Audit Committee assists the Board in its oversight of our policies relating to risk assessment and risk management generally, with particular focus on our management of major financial risk exposures.

Our Compensation Committee assists the Board in assessing the nature and degree of risk that may be created by our compensation policies and practices to ensure both their appropriateness in terms of the level of risk-taking and consistency with our business strategies. In conjunction with its assessment, the Committee, with the assistance of independent consultants and independent compensation resources, reviews our compensation policies and practices. That review encompasses each of our incentive plans, eligible participants, performance measurements, parties responsible for certifying performance achievement and sums that could be earned, including caps on the amount of bonus and performance share units that can be earned.

### **STOCK OWNERSHIP GUIDELINES**

Our Board of Directors has adopted stock ownership guidelines for directors, executive officers and other senior executives. These guidelines are a means to motivate directors and executives to perpetuate enduring shareholder value and to ensure that the interests of directors and executives are aligned with those of shareholders.

The stock ownership guidelines require that all non-employee directors own share units (as defined below) of the Company's common stock with a value equal to four times the annual cash retainer, or \$220,000 in fiscal 2017. Until such time as a director has attained the applicable share ownership guideline, he or she is expected to retain 60% of the share units awarded to him or her by the Company. The guideline is automatically revised in the event that the annual retainer is changed.

The Chief Executive Officer is required to hold share units with a value equal to three times his annual base salary rate, or \$2,250,000 in fiscal 2017. The guideline is automatically revised in the event that Mr. Wallstrom's annual base salary rate changes. Executive Vice Presidents and other key executives as determined by the Compensation Committee are required to hold share units with a value equal to two times their annual base salary rate. Until such time as the Chief Executive Officer or another officer covered by the guidelines has attained the applicable share ownership guideline, they are expected to retain 60% of the share units awarded to him or her by the Company.

The guidelines define a share unit as each share of Vera Bradley common stock beneficially owned, including shares of restricted stock and restricted stock units (but excluding any stock options). Both vested and unvested shares of restricted stock and restricted stock units are included in calculating share units, except that unvested equity awards subject to performance criteria are not included. All directors and officers subject to the stock ownership guidelines were in compliance with the guidelines as of March 31, 2017.

### **HEDGING, DERIVATIVES AND PLEDGING**

The Company has adopted an Insider Trading Policy, which, among other things, prohibits directors and employees from:

- v Entering into hedging (making an investment to reduce the risk of adverse price movements or to offset potential losses/gains in a Company security) or other monetization transactions or similar arrangements with respect to the Company's securities.
- v Engaging in transactions in publicly traded options on Company securities (such as puts, calls and other derivative securities).
  
- v Entering into pledging arrangements with respect to Company securities.

### **COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

The members of the Compensation Committee as of January 28, 2017 were Mary Lou Kelley, Frances P. Philip and Edward M. Schmults. None of the members of the Compensation Committee are now serving or previously have served as employees or officers of the Company or any subsidiary, nor has any member of the Compensation Committee engaged in any related party transaction with the Company. None of the Company's executive officers serve as directors of, or in any compensation related capacity for, companies with which members of the Compensation Committee are affiliated.

### **POLICY ON RELATED PARTY TRANSACTIONS**

In accordance with the rules of The NASDAQ Stock Market and our Audit Committee Charter, our Audit Committee reviews and, prior to consummation, approves any transaction, arrangement or relationship in which the Company is a participant; the amount involved exceeds \$120,000; and one of our executive officers, directors, director nominees or 5% or greater shareholders (or their immediate family members) (each, a related party) has a direct or indirect material interest. Based on its consideration of all relevant facts and circumstances, the Audit Committee decides whether or not to approve the particular transaction and will generally approve only those transactions that are on terms no less favorable to us than those that we could obtain from unaffiliated third parties and have terms and conditions that are reasonable and customary.

### **RELATED PARTY TRANSACTIONS FOR FISCAL 2017**

Other than the transactions described below, since January 30, 2016, there has not been, and there is not currently proposed, any transaction or series of similar transactions to which we were or will be a party in which the amount involved exceeded or will exceed \$120,000 and in which any of our directors, executive officers, holders of more than 5% of any class of our voting securities or any member of the immediate family of any of the foregoing persons had or will have a direct or indirect

## CORPORATE GOVERNANCE

material interest. We believe all of the transactions set forth below are on terms no less favorable to us than those that we could obtain from unaffiliated third parties and have terms and conditions that are reasonable and customary.

*Certain Employees of the Company.* Doug Wallstrom, the brother of Robert Wallstrom, is employed by us as our Photography Studio Director. In fiscal 2017, he received compensation of \$132,681 and received a restricted stock grant in the amount of \$13,990 in connection with his employment.

*Vera Bradley Foundation for Breast Cancer.* The Company routinely makes charitable contributions to the Vera Bradley Foundation for Breast Cancer (the Foundation) and also provides employees and office space to the Foundation. The Foundation was founded by the co-founders of the Company, Barbara Bradley Baekgaard and Patricia R. Miller. Ms. Baekgaard is an employee and director of the Company, Ms. Miller is a director of the Company and each also serves on the board of directors of the Foundation. In addition, P. Michael Miller, a director of the Company, serves on the board of directors of the Foundation. There were approximately \$53,000 of Company contributions made to the Foundation in fiscal 2017.

## FAMILY RELATIONSHIPS

Barbara Bradley Baekgaard and Patricia Miller founded the Company in 1982 in Fort Wayne, Indiana. Both Ms. Baekgaard and Ms. Miller continue to serve on our Board of Directors, and Ms. Baekgaard serves as our Chief Creative Officer. P. Michael Miller, a director, is the husband of Ms. Miller. Robert J. Hall, our Chairman, is the son-in-law of Ms. Baekgaard.

## COPIES OF GOVERNANCE DOCUMENTS

You may view the following documents at <http://investors.verabradley.com/governance.cfm> (please note that our website is not a part of this proxy statement):

- v Corporate Governance Guidelines
  
- v Conflicts of Interest and Business Ethics Policy
  
- v Code of Ethics for Senior Financial Officers
  
- v Insider Trading Policy
  
- v Stock Ownership Guidelines



v Disclosure Policy

8 Vera Bradley, Inc. *2017 Proxy Statement*

## THE BOARD AND ITS COMMITTEES

### THE BOARD AND ITS COMMITTEES

#### BOARD RESPONSIBILITIES

Being elected to serve on the Board of Directors is a high honor and privilege, but one that carries with it a serious responsibility to serve the interests of the Company and its shareholders. It is our desire that all Board members conduct themselves and perform their duties in an exemplary fashion, commensurate with the position of leadership that has been bestowed upon them by the shareholders.

Each Board member has the following basic responsibilities:

- v To support the mission and purpose of the Company, and to abide by its Articles of Incorporation, Bylaws and policies.
- v To be diligent in preparation for, attendance at and participation in Board meetings and related activities on behalf of the Company.
- v To ensure that the financial and business affairs of the Company are, to the best of the Board member's awareness, managed in a responsible manner.
- v To act always in good faith and in the best interest of the Company, above any personal interest.
- v To maintain the confidentiality of sensitive or proprietary information obtained as a result of Board service. The primary duties of the Board include maximizing long-term shareholder value, by:
  - v Ensuring that the Company operates in a legal, ethical and socially responsible manner.
  - v Selecting, evaluating and offering substantive advice and counsel to the CEO and working with the CEO to develop effective measurement systems that will evaluate and determine the Company's degree of success in creating long-term economic value for its shareholders.

- v Reviewing, approving and monitoring fundamental financial and business strategies and major corporate actions.
  
- v Overseeing the Company's capital structure and financial policies and practices.
  
- v Assessing major risks facing the Company and reviewing options for their mitigation.
- v Providing counsel and oversight on the selection, evaluation, development and compensation of executive officers and providing critical and candid feedback on their performance.

#### **BOARD INDEPENDENCE**

A majority of our directors are independent of the Company and management. In February 2017, the Board (with the input of the Nominating and Corporate Governance Committee) evaluated all business and charitable relationships between the Company and the Company's non-employee directors and all other relevant facts and circumstances. As a result of the evaluation, the Board determined, as required by the Company's Corporate Governance Guidelines, that the following non-employee directors are independent directors as defined by the standards for director independence established and described below: Richard Baum, Mary Lou Kelley, John E. Kyees, Matthew McEvoy, Frances P. Philip and Edward M. Schmults. Under these same standards, the Board of Directors has determined that Barbara Bradley Baekgaard, Robert J. Hall, Patricia R. Miller, P. Michael Miller and Robert Wallstrom are not independent.

Subject to some exceptions, the standards for independent directors established by The NASDAQ National Market (NASDAQ) and the Securities and Exchange Commission (SEC) generally provide that a non-employee director will not be independent if (a) the director is, or in the past three years has been, an employee of the Company; (b) the director or a member of the director's immediate family is, or in the past three years has been, an executive officer of the Company; (c) the director or a member of the director's immediate family has, in the past three years, received more than \$120,000 per year in direct compensation from the Company (other than for service as a director or, for the immediate family member, as a non-executive employee); (d) the director is an employee, or the director or a member of the director's immediate family is employed as a partner, of Deloitte & Touche LLP, the Company's independent registered public accountants, or the director has an immediate family member who is a current employee of such firm and works in any capacity on the Company's audit, or the director or an immediate family member was within the last three years a partner or employee of such firm and personally worked on the Company's audit within that time; (e) the director or a member of the director's immediate family is, or in the past three years has been, employed as an executive officer of a company where a Vera Bradley executive officer at the

## THE BOARD AND ITS COMMITTEES

same time serves or served on the compensation committee; or (f) the director is an employee, or a member of the director's immediate family is an executive officer, of a company that makes payments to, or receives payments from, Vera Bradley in an amount which, in any twelve-month period during the past three years, exceeds the greater of \$200,000 or two percent of the consolidated gross revenues of the company receiving the payment.

The Company's Corporate Governance Guidelines require that the independent directors meet in executive session at each regular meeting of the Board and, in fiscal 2017, they met in executive session during each regular meeting for a total of four times. These executive sessions are chaired by the lead independent director, Mr. Kyees.

### **BOARD LEADERSHIP STRUCTURE AND LEAD INDEPENDENT DIRECTOR**

Our Board of Directors believes that one of its most important functions is to protect shareholders' interests through independent oversight of management, including the Chief Executive Officer; however, the Board of Directors does not believe that effective management oversight necessarily mandates a particular management structure, such as a separation of the role and identities of the Chairman of the Board of Directors and Chief Executive Officer. The Board considers it important to retain flexibility to exercise its judgment as to the most appropriate management structure for us, based on the particular circumstances facing us from time to time. Currently, the positions of Chairman of the Board of Directors and Chief Executive Officer are held by separate persons because the Board of Directors has determined that this structure aids in the oversight of management and is in the best interests of the Company and its shareholders at this point in time.

In addition, John E. Kyees, Chairman of the Company's Audit Committee, has served as the Lead Independent Director since 2011. Pursuant to the Company's Corporate Governance Guidelines, the lead director is an independent director who is elected from time to time, but not less than annually, by the affirmative vote of a majority of the independent directors. The Lead Independent Director, among other things, chairs executive sessions of the independent directors, reviews the meeting agenda with our Chief Executive Officer, leads the discussion with our Chief Executive Officer following the independent directors' executive sessions, ensures that the Board's individual group and committee self-assessments are done annually and leads periodic discussions with other Board members and management concerning the Board's information needs. The Board believes this structure allows all of the independent directors to participate in the

full range of the Board's responsibilities with respect to its oversight of the Company's management. The Board of Directors has determined that this leadership structure is appropriate given the size and complexity of the Company, the number of directors overseeing the Company and the Board of Directors' oversight responsibilities. Further, the Board of Directors believes that these responsibilities appropriately and effectively complement our Chairman of the Board and Chief Executive Officer structure.

### **STANDING COMMITTEES AND MEETINGS OF THE BOARD**

Our Board of Directors has established an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. Only independent directors are members of the Audit, Compensation and Nominating and Corporate Governance Committees.

Our Board of Directors held four meetings during fiscal 2017 and each of our directors attended at least 75% of the total number of meetings of the Board and all of the committees of the Board of which such director was a member held during the period in which such director served. Directors are encouraged to attend our annual meetings of shareholders and all directors serving at that time attended the annual shareholders meeting held on May 26, 2016.

COMMITTEE MEMBERSHIP		
COMMITTEE	INDEPENDENT MEMBERS	CHAIR
Audit	John E. Kyees	
	Richard Baum	
Compensation	Matthew McEvoy Edward M. Schmults	
	Mary Lou Kelley	
Nominating and Corporate Governance	Frances P. Philip Frances P. Philip	
	Richard Baum	
	Edward M. Schmults	

*Audit Committee.* Our Audit Committee reviews and recommends to the Board of Directors internal accounting and financial controls, accounting principles and auditing practices to be employed in the preparation and review of our financial statements. In addition, our Audit Committee has the authority to engage, oversee and dismiss public accountants to audit our annual financial statements and determine the scope of the audit to be undertaken by such accountants. Our Audit Committee also reviews the fairness of related party transactions. The Board of Directors has determined that Mr. John E. Kyees, the Chairman of the Audit Committee, is an audit committee financial expert (as defined by Item 407(d)(5)(ii) of

---

## THE BOARD AND ITS COMMITTEES

Regulation S-K) and is independent (under the definitions and interpretations of NASDAQ Stock Market), in accordance with the rules of The NASDAQ Stock Market. The Audit Committee met nine times in in fiscal 2017.

*Compensation Committee.* Our Compensation Committee reviews and determines policies, practices and procedures relating to the compensation of executive officers, including the Chief Executive Officer, and the establishment and administration of certain employee benefit plans for executive officers. The Compensation Committee has the authority to administer our 2010 Equity and Incentive Plan and to advise and consult with our officers regarding managerial personnel policies. The Compensation Committee met four times in in fiscal 2017.

*Nominating and Corporate Governance Committee.* Our Nominating and Corporate Governance Committee assists the Board of Directors with its responsibilities regarding the identification of individuals qualified to become directors, the selection of the director nominees for the next annual meeting of shareholders and the selection of director candidates to fill any vacancies on the Board of Directors. It also reviews and makes recommendations to the Board regarding the preparation, review of and compliance with corporate governance policies, succession planning for the Chief Executive Officer and tenure and retirement policies for directors. The Nominating and Corporate Governance Committee and management are responsible for director continuing education programs to assist directors in maintaining skills and knowledge necessary or appropriate for the performance of their responsibilities. Continuing education programs for directors may include a combination of internally developed materials and presentations, programs presented by third parties and financial and administrative support for attendance at qualifying academic or other independent programs. The Nominating and Corporate Governance Committee met four times in fiscal 2017.

### ANNUAL BOARD AND COMMITTEE EVALUATIONS

Our Board and each of our standing committees annually conduct self-evaluations to identify opportunities to improve Board and committee performance.

### COMMITTEE CHARTERS

The charters of the three standing committees of the Board of Directors describe the governance framework for each Committee. The charters, along with the Corporate Governance Guidelines, are intended to ensure our Board has the necessary authority and practices in place to review and evaluate our business operations and to make decisions that are independent of management.

You may view the charters at <http://investors.verabradley.com/governance.cfm>.

### COMMUNICATIONS WITH DIRECTORS

Shareholders may communicate with our directors by transmitting correspondence to our investor relations desk via the internet at <http://investors.verabradley.com/contactBoard.cfm> or to our Secretary at:

Secretary and General Counsel

c/o Vera Bradley, Inc.

12420 Stonebridge Road

Roanoke, Indiana 46783

The Secretary will, as appropriate, forward communications to the Board of Directors or to any individual director, directors or committee to whom the communication is directed.

Vera Bradley, Inc. *2017 Proxy Statement* 11

**DIRECTOR COMPENSATION****DIRECTOR COMPENSATION**

In March 2013, our Board of Directors approved a compensation program for non-employee directors, to be reviewed biannually. In doing so, the Board reviewed the recommendations of the Compensation Committee, along with a review by the Compensation Committee's outside compensation consultant, of non-employee director compensation among peer group companies. In reviewing total compensation for our non-employee directors, the consultant evaluated the cash compensation programs and long-term equity incentive programs for non-employee directors of comparable companies. All directors other than Mr. Wallstrom and Ms. Baekgaard participate in our non-employee director compensation program. In February 2017, the Compensation Committee again reviewed the director compensation program and the Board agreed with the Committee's recommendation to reduce the Director cash compensation by ten percent to align with benchmark and due to Company performance.

**CASH COMPENSATION FOR NON-EMPLOYEE DIRECTORS**

Under the cash compensation element of the program during fiscal 2017 we paid each of our non-employee directors a cash retainer of \$55,000 annually. We paid the Chairperson of our Board of Directors an additional \$30,000 retainer and the Lead Independent Director an additional retainer of \$10,000. In addition, we paid the following annual retainers for committee service:

**FISCAL 2017 ANNUAL BOARD RETAINERS**

Audit Committee Chair	\$ 15,000
Audit Committee Members	10,000
Compensation Committee Chair	10,000
Compensation Committee Members	7,000
Nominating and Corporate Governance Committee Chair	8,750
Nominating and Corporate Governance Committee Members	6,000

Beginning in March of fiscal 2018, we pay each of our non-employee directors a cash retainer of \$49,500 annually. We pay the Chairperson of our Board of Directors an additional \$27,000 and the Lead Independent Director an additional retainer of \$9,000. In addition, we pay the following annual retainers for committee service:

**FISCAL 2018 ANNUAL BOARD RETAINERS**

Audit Committee Chair	\$ 13,500
Audit Committee Members	9,000
Compensation Committee Chair	9,000
Compensation Committee Members	6,300
Nominating and Corporate Governance Committee Chair	7,875



Nominating and Corporate Governance Committee Members

5,400

All of our directors are reimbursed for reasonable travel and other expenses incurred in connection with attending meetings of the Board of Directors and its committees.

### RESTRICTED STOCK UNITS FOR NON-EMPLOYEE DIRECTORS

We also provide each of our non-employee directors with an annual equity grant with a grant date value of approximately \$85,000. These restricted stock units vest and settle in our common shares, on a one-for-one basis, on the first anniversary of the grant date. The applicable award agreement also provides that the units shall vest immediately upon the death or disability of the director and upon the occurrence of a change in control of the Company, as defined in the agreement.

### FISCAL 2017 DIRECTOR COMPENSATION

The following table summarizes compensation that our non-employee directors earned during fiscal 2017 for services as members of our Board of Directors.

FISCAL 2017 DIRECTOR COMPENSATION			
NAME <sup>(1)</sup>	FEEES	STOCK AWARDS <sup>(2)</sup>	TOTAL
	EARNED OR PAID IN CASH		
Richard Baum	\$ 71,000	\$ 85,008	\$ 156,008
Robert J. Hall	85,000	85,008	170,008
Mary Lou Kelley	62,000	85,008	147,008
John E. Kyees	80,000	85,008	165,008
Matthew McEvoy	65,000	85,008	150,008
Patricia R. Miller	55,000	85,008	140,008
P. Michael Miller	55,000	85,008	140,008
Frances P. Philip	70,750	85,008	155,758
Edward M. Schmults	71,000	85,008	156,008

(1) We did not pay our employee directors, Mr. Wallstrom and Ms. Baekgaard, any compensation for their services on our Board of Directors in fiscal 2017.

(2) Represents the aggregate grant date fair value of restricted stock awarded during the fiscal year computed in accordance with FASB ASC Topic 718. Additional information regarding the calculation of these values is included in Notes 2 and 8 to our consolidated financial statements.

**PROPOSAL NO. 2 RATIFICATION OF INDEPENDENT AUDITOR****PROPOSAL NO. 2****RATIFICATION OF INDEPENDENT AUDITOR****PROPOSAL**

The Audit Committee has selected Deloitte & Touche LLP, or Deloitte, as our independent registered public accounting firm to audit the consolidated financial statements of Vera Bradley for the fiscal year ending February 3, 2018. The Audit Committee and the Board of Directors seek to have the shareholders ratify the Audit Committee's appointment of Deloitte. Representatives of Deloitte will be present at the Annual Meeting and will have the opportunity to make a statement, if they desire to do so, and to respond to appropriate questions. Deloitte also served as our independent registered public accounting firm for fiscal 2017.

**PRINCIPAL ACCOUNTING FEES AND SERVICES**

The following table sets forth the aggregate fees billed by Deloitte to Vera Bradley for the fiscal years ended January 28, 2017 and the aggregate fees billed by Ernst & Young LLP, or E&Y, the Company's prior auditor for the fiscal year ended January 30, 2016:

<b>FEES PAID TO DELOITTE AND E&amp;Y</b>		
	<b>FISCAL 2017<sup>(1)</sup></b>	<b>FISCAL 2016<sup>(2)</sup></b>
Audit Fees	\$ 714,135	\$ 722,325
Audit-Related Fees		
Tax Fees <sup>(3)</sup>	348,462	29,106
All Other Fees <sup>(4)</sup>	2,000	2,000
Total	\$ 1,064,597	\$ 753,431

(1) Audit Fees for fiscal 2017 consist of fees for professional services rendered by Deloitte in connection with the integrated audit of the consolidated financial statements and the effectiveness of the Company's controls over financial reporting and reviews of our interim consolidated financial statements.

(2) Audit Fees for fiscal 2016 consist of fees for professional services rendered by E&Y in connection with the integrated audit of the consolidated financial statements and the effectiveness of the Company's controls over financial reporting and reviews of our interim consolidated financial statements.

(3) Tax fees consist primarily of fees associated with tax compliance, advice and planning services.

(4)

All Other Fees consist of fees for products and services other than the above-described services. In both years, these fees related to subscriptions to online research databases.

The Audit Committee's written charter requires the Audit Committee to pre-approve, prior to engagement, all audit and permissible non-audit services provided by the independent registered public accounting firm on an individual basis. All of the services described in the table above were pre-approved by the Audit Committee. The Audit Committee considered the services listed above to be compatible with maintaining Deloitte's independence.

### **VOTE REQUIRED AND BOARD RECOMMENDATION**

This proposal will be approved if a quorum is present, in person or by proxy, at the Annual Meeting and the votes properly cast favoring the proposal exceed the votes properly cast opposing the proposal. Abstentions and broker non-votes will each be counted as present for purposes of determining the presence of a quorum but will not have any effect on the outcome of the proposal.

**VERA BRADLEY'S BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE **FOR**  
THE RATIFICATION OF THE APPOINTMENT OF DELOITTE AS OUR INDEPENDENT  
REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL 2018.**

## AUDIT COMMITTEE REPORT

### AUDIT COMMITTEE REPORT

Management is responsible for the preparation, presentation and integrity of Vera Bradley's consolidated financial statements and the Company's internal control over financial reporting. The independent registered public accounting firm of Deloitte & Touche LLP, or Deloitte, was responsible in fiscal 2017 for performing an integrated audit of the Company's consolidated financial statements and the effectiveness of the Company's controls over financial reporting. The Audit Committee's responsibility is to monitor and oversee these processes. The Audit Committee is also responsible for selecting and evaluating the independence of the Company's independent registered public accounting firm and for pre-approving the services rendered by that firm.

In this context, the Audit Committee reports as follows:

1. The Audit Committee has reviewed and discussed with management Vera Bradley's audited consolidated financial statements for the fiscal year ended January 28, 2017;
2. The Audit Committee has discussed with representatives of Deloitte the matters required to be discussed by Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1, AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T;
3. The Audit Committee has received and reviewed the written disclosures and the letter from Deloitte required by applicable requirements of the Public Company Accounting Oversight Board regarding Deloitte's communications with the Audit Committee concerning independence and has discussed with Deloitte its independence; and
4. The Audit Committee has considered whether the provision by Deloitte of non-audit services to Vera Bradley is compatible with maintaining Deloitte's independence.

Based on these procedures and discussions, the Audit Committee recommended to the Board of Directors that the Company's audited consolidated financial statements referred to above be included in Vera Bradley's Annual Report on Form 10-K for the fiscal year ended January 28, 2017, for filing with the Securities and Exchange Commission.

SUBMITTED BY THE AUDIT  
COMMITTEE  
John E. Kyees, Chairman  
Richard Baum

14 Vera Bradley, Inc. *2017 Proxy Statement*

**PROPOSAL NO. 3 ADVISORY VOTE ON EXECUTIVE COMPENSATION**

**PROPOSAL NO. 3**

**ADVISORY VOTE ON EXECUTIVE COMPENSATION**

**PROPOSAL**

The guiding principles of our compensation policies and decisions include aligning each executive's compensation with our business strategy and the interests of our shareholders and providing incentives needed to attract, motivate and retain key executives who are important to our long-term success. Consistent with this philosophy, a significant portion of the total incentive compensation for each of our executives is directly related to our earnings and to other performance factors that measure our progress against the goals of our strategic and operating plans.

Shareholders are urged to read the "Executive Compensation Discussion and Analysis" section of this proxy statement, which discusses how our compensation design and practices reflect our compensation philosophy. The Compensation Committee and the Board of Directors believe that our compensation design and practices are effective in implementing our guiding principles.

We are required to submit a proposal to shareholders for a (non-binding) advisory vote to approve the compensation of our named executive officers pursuant to Section 14A of the Securities Exchange Act of 1934, as amended, or the Exchange Act. This proposal, commonly known as a "say-on-pay" proposal, gives our shareholders the opportunity to express their views on the compensation of our named executive officers. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers and the principles, policies and practices described in this proxy statement. Accordingly, the following resolution is submitted for shareholder vote at the Annual Meeting:

RESOLVED, that the shareholders of Vera Bradley, Inc. approve, on an advisory basis, the compensation of its named executive officers as disclosed in the proxy statement for the Annual Meeting, including the Summary Compensation Table and the Executive Compensation Discussion and Analysis set forth in such proxy statement and other related tables and disclosures.

Because this vote is advisory, the result will not be binding on us, our board of directors or our Compensation Committee, although our Compensation Committee will consider the outcome of the vote when evaluating our compensation principles, design and practices. Proxies submitted without direction pursuant to this solicitation will be voted FOR the approval of the compensation of our named executive officers, as disclosed in this proxy statement, except with respect to shares held in street name, for which you must direct your broker to vote such shares. The next say-on-pay vote will take place at least once every three years based on the advice provided in response to proposal No. 4, outlined below, and the decision of the Board of Directors.

**VOTE REQUIRED AND BOARD RECOMMENDATION**

This proposal will be approved if a quorum is present, in person or by proxy, at the Annual Meeting and the votes properly cast favoring the proposal exceed the votes cast opposing the proposal. Abstentions and broker non-votes will each be counted as present for purposes of determining the presence of a quorum but will not have any effect on the outcome of the proposal.

**VERA BRADLEY S BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE **FOR** THE  
COMPENSATION OF THE NAMED EXECUTIVE OFFICERS AS DISCLOSED IN THIS PROXY  
STATEMENT AND OTHER RELATED TABLES AND DISCLOSURES.**

**PROPOSAL NO. 4 ADVISORY VOTE ON EXECUTIVE COMPENSATION**

**PROPOSAL NO. 4**

**ADVISORY VOTE ON EXECUTIVE COMPENSATION**

**PROPOSAL**

Pursuant to Section 14A of the Exchange Act, we are required to submit to shareholders an advisory vote regarding whether future shareholder advisory votes to approve the compensation of our named executive officers similar to Proposal No. 3 above should occur every one, two or three years. You may cast your vote by choosing yearly, every two years, or every three years, or you may abstain from voting when you vote for the resolution set forth below. The Dodd-Frank Act requires us to hold the advisory vote on the frequency of the say-on-pay vote at least once every six years.

The Board of Directors believes that the optimal frequency for the say-on-pay vote is every year. A say-on-pay vote every year provides shareholders and advisory firms the opportunity to evaluate our executive compensation program on an annual basis and provide feedback and advice on a timely basis. The Board of Directors has found that receiving feedback only once every three years does not provide a timely enough opportunity for shareholders to provide advice on compensation.

Accordingly, the following resolution is submitted for shareholder vote at the Annual Meeting:

RESOLVED, that the highest number of votes cast by the shareholders of Vera Bradley for the option set forth below shall be the preferred frequency with which the Company is to hold an advisory vote on the approval of the compensation of its named executive officers included in the proxy statement:

- every year; or
  
- every two years; or
  
- every three years.

**VOTE REQUIRED AND BOARD RECOMMENDATION**

The option of every year, every two years or every three years that receives the highest number of votes cast by shareholders will be deemed the frequency for future advisory votes on executive compensation that has been selected by our shareholders. Because this vote is advisory, however, the result will not be binding on us, our board of directors or our compensation committee. Our compensation committee will consider the outcome of the vote when



determining how often we should submit to our shareholders an advisory vote to approve the compensation of our named executive officers included in our proxy statement. Proxies submitted without direction pursuant to this solicitation will be voted for the option of every year, except with respect to shares held in street name, a broker must be so directed to vote such shares.

**VERA BRADLEY'S BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE OPTION OF EVERY YEAR AS THE FREQUENCY WITH WHICH SHAREHOLDERS ARE PROVIDED AN ADVISORY VOTE ON THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS INCLUDED IN OUR PROXY STATEMENT.**

**EXECUTIVE COMPENSATION**

**EXECUTIVE COMPENSATION**

**COMPENSATION COMMITTEE REPORT**

The Compensation Committee of the Board of Directors has reviewed and discussed the following Compensation Discussion and Analysis with management and, based on such review and discussion, has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement and in the Company's annual report on Form 10-K for the fiscal year ended January 28, 2017.

SUBMITTED BY THE COMPENSATION COMMITTEE

Edward M. Schmults, Chair

Mary Lou Kelley

Frances P. Philip

**EXECUTIVE COMPENSATION DISCUSSION AND ANALYSIS ( CD&A )**

This CD&A provides a summary of the material elements of our compensation philosophy and practices, with a particular focus on our named executive officers or NEOs. As used in this CD&A, the Committee refers to the Compensation Committee of the Board of Directors.

The following is a list of our NEOs who served for all of fiscal 2017:

<b>NAME</b>	<b>TITLE</b>
Robert Wallstrom	President and Chief Executive Officer
Kevin J. Sierks	Executive Vice President, Chief Financial Officer
Sue Fuller	Executive Vice President, Chief Merchandising Officer
Barbara Bradley Baekgaard	Chief Creative Officer
Kimberly F. Colby	Executive Vice President, Design

This CD&A and our compensation tables also include the following individual who was no longer employed by Vera Bradley at the end of fiscal 2017:

<b>NAME</b>	<b>FORMER TITLE</b>	<b>DEPARTURE DATE</b>
C. Roddy Mann	Executive Vice President, Strategy & Business Development	May 31, 2016

**EXECUTIVE COMPENSATION**

To assist in understanding our NEO compensation program, we have included a discussion of our compensation policies and decisions for periods before and after fiscal 2017 where relevant. Our compensation program is designed to provide some common standards throughout the Company. Therefore, much of what is disclosed below applies to executives in general and is not limited to our NEOs. The Committee is constantly evaluating industry and corporate governance best practices in its compensation programs. Below is a summary of what the Company does and does not do with respect to its compensation programs:

**CORPORATE GOVERNANCE BEST PRACTICES**

**WHAT WE DO**

**WHAT WE DON'T DO**

Pay for performance: 50% of CEO compensation and 38% of other NEO compensation is tied to the Company's financial performance.

No Hedging: Under the Company's Insider Trading Policy Executives are not allowed to enter into hedging or other monetized transactions with Company securities

Limited use of employment agreements: only our CEO has an employment agreement.

Grant of Stock and Options: All restricted stock units and options are priced and granted at the fair market value at the time of grant. Stock or options are not granted below fair market value.

Advisor: We utilize compensation consultants and third party benchmarking to evaluate and compare our compensation programs.

Repricing of Underwater Options/RSUs: The Committee has not repriced any underwater options or otherwise changed the value of RSUs granted despite change in the value of the stock.

**Share Ownership Guidelines:** Executive Officers are expected to hold Company common stock between 2 and 3 times their annual base salary and non-employee directors are expected to hold common stock of 4 times their annual cash retainer.

**Vesting of Equity:** No short term vesting of equity grants. Company utilizes a three year time horizon to vest equity granted as part of its Long-Term Incentive Program.

**Double Trigger Change of Control:** Following a change in control, unvested equity awards and severance payments will only be accelerated upon an involuntary termination of employment or where employee terminates for good reason.

**No Tax Gross Ups:** The Company does not utilize tax gross-ups for Executives.

## **OUR COMPENSATION PHILOSOPHY AND OBJECTIVES**

We believe that the Company's compensation philosophy should act as the blue print for the total compensation design and targeted value to be delivered to the executive officers. Our compensation philosophy is intended to ensure that the framework for the Company's compensation program supports the strategic needs of the business, that the components of the pay system work in concert to influence executive behavior in support of organization imperatives and that the mechanics of the executive reward structure reinforce the corporate culture and management style of the organization.

Our compensation philosophy includes two identifiable components: compensation objectives and pay goals.

Compensation Objectives. These objectives serve as a set of guiding principles that provide an overview of the intended purpose of our compensation program. Our compensation objectives are:

To attract and retain key personnel and drive effective results.

To encourage our NEOs to focus on:

- i Building shareholder value

**EXECUTIVE COMPENSATION**

- i Maximizing growth and profitability
- i Continuing to maintain our unique company culture
- i Building a strong brand

To provide our NEOs with a compensation package that is competitive within our industry.

**Pay Goals.** The Committee has determined that it is beneficial to establish ranges of compensation, both in total and with respect to each of the Company's main compensation components around the 50<sup>th</sup> percentile of peer group compensation. A primary focus of the Committee in setting executive compensation is to target total compensation within the established ranges noted below, although competitiveness of the other pay components is also strongly considered. For the Chief Executive Officer and the other named executive officers, the Compensation Committee considers the following ranges when assessing the competitiveness of each pay component:

COMPENSATION ELEMENT	PAY GOAL RELATIVE TO PEER GROUP
Annual base salary rate:	50th percentile, +/- 10%
Target annual incentive:	50th percentile, +/- 10%
Target long-term incentive:	50th percentile, +/- 15%
Target total compensation:	50th percentile, +/- 15%

**COMPENSATION MIX AND PAY FOR PERFORMANCE**

Annually, the Committee considers the total compensation opportunities for each named executive officer and determines how total potential compensation should be allocated across the different elements of compensation. The Committee does not follow a definitive policy when determining the mix of and structure for total compensation. Instead, it considers factors such as achievement of corporate and individual goals, level of experience, responsibilities, demonstrated performance, time with the corporation, risk associated with any payout and retention considerations.

Generally, the Committee considers market practices as reflected in the peer group data provided by its compensation consultant to obtain a baseline of total potential compensation for each named executive officer. Using this analysis as

a starting point, the Committee engages in discussions with the objective of ensuring that a material portion of each named executive officer's total compensation is at-risk and dependent on the Company's financial performance. Care is taken to balance incentives

to drive performance in the short-term versus the long-term. In this way, we encourage named executive officers to vigorously pursue financial performance while discouraging incentives to take excessive risks that may be beneficial in the short term, but harmful in the long run. We believe that these practices align the interests of the named executive officers with those of the shareholders year-over-year, as well as over the long term.

The Committee seeks to ensure that a substantial portion of the total compensation awarded to the named executive officers is performance-based and is comprised of both annual and long-term incentives. The fiscal 2017 mix of compensation for the Chief Executive Officer and other NEOs is set forth below:

## EXECUTIVE COMPENSATION

### PAY POLICIES

We believe that appropriate corporate governance of our executive compensation program is enhanced by a number of policies and practices, including: engagement by the Committee of its own independent consultant and compensation resource, the absence of tax gross-ups contained in any of our compensation programs (including no excise tax gross-ups), performance and time based stock equity grants that vest over a three-year period and the adoption of stock ownership guidelines applicable to directors and executive officers.

### HOW WE MAKE EXECUTIVE COMPENSATION DECISIONS

Role of the Compensation Committee. The Committee is responsible to the Board for overseeing the development and administration of our compensation programs. The Committee is composed of three independent directors and is responsible for the review and approval of all aspects of executive compensation, including the approval of compensation packages of newly-hired executive officers. The Committee is supported in its work by the Chief Executive Officer, Chief Legal Officer, the Vice President of Human Resources, her staff and independent executive compensation consultants, as needed.

Role of Management. Our Committee generally seeks input from our Chief Executive Officer when discussing the performance and compensation levels of the other named executive officers. The Committee also works with our Chief Executive Officer, our Chief Financial Officer, Chief

Legal Officer and the Vice President of Human Resources in evaluating the financial, accounting, tax and retention implications of our various compensation programs. Neither Mr. Wallstrom nor any of our other executives participates in deliberations relating directly to his or her own compensation.

Role of Compensation Consultants. The Committee has utilized compensation consultants in assisting with benchmarking, regulatory changes and updates, and analysis and design of the Company's compensation program. The Committee also used consultants to help review the Company's compensation peer group. In Fiscal 2017, the Company utilized Meridian Compensation Partners, LLC ( Meridian ) and Equilar, Inc. ( Equilar ) as executive compensation consultants. Meridian and Equilar were retained by and report directly to the Committee, and the Committee may replace them or hire additional consultants at any time. A compensation consultant may attend Committee meetings, as requested, and communicates with the chair of the Compensation Committee as needed. Our Committee makes all decisions regarding the compensation of our named executive officers.

Role of Shareholders: Response to Advisory Vote on Executive Compensation. At the 2014 Annual Meeting of Shareholders, we were pleased that approximately 99% of the votes cast on the advisory vote on our executive compensation program were in support of the compensation paid to the named executive officers. In view of the overwhelming support from shareholders, the Committee determined that the results of the vote did not call for any major changes to our executive compensation plans. In setting fiscal 2017 compensation, the Committee materially maintained the compensation program structure in place since fiscal 2013.



Peer Group and Benchmarking. At least annually, the Committee, with the assistance of compensation consultants, conducts a review of a peer group used for executive compensation comparisons to ensure all peer companies remain an appropriate basis for comparison. In selecting peer companies, the Committee aims to identify companies with similar characteristics to our Company. Specifically, we look for peer group companies that are in the retail industry or another related industry, have a strong consumer brand, are profitable and are of a comparable size (based principally on revenue and market capitalization).

As a result of an extensive review conducted in August 2016, six (6) companies were removed from the fiscal 2017 compensation peer group including: G-III Apparel Group, Ltd.; Quicksilver; The Finish Line, Inc.; Steve Madden, Ltd.; lululemon athletica Inc.; and Tumi Holdings,

**EXECUTIVE COMPENSATION**

Inc. These companies were removed for various reasons, including acquisition, revenue size and other entity-level disruptors. In addition, the following four (4) companies were added to the fiscal 2017 compensation peer group

based on the criteria described above: Destination XL Group, Inc.; Tilly's Inc.; Iconix Brand Group, Inc.; and Lands End.

**FISCAL 2017 COMPENSATION PEER GROUP**

The Buckle, Inc.	Christopher & Banks Corporation	Crocs, Inc.
Destination Maternity Corporation	Lands End	Francesca's Holdings Corp
Vince Holding Corp.	Kate Spade & Company	Iconix Brand Group, Inc.
Movado Group, Inc.	Oxford Industries, Inc.	Perry Ellis International, Inc.
Destination XL Group, Inc.	Tilly's Inc.	Zumiez Inc.

**ELEMENTS OF OUR EXECUTIVE COMPENSATION PROGRAM IN FISCAL 2017**

**HIGHLIGHTS**

Recent highlights of our executive compensation program include:

- v There were no increases in base salaries of our Chief Executive Officer, Ms. Baekgaard or Ms. Colby, for fiscal 2017 and modest increases to the base salaries of our other named executive officers.
- v In addition to financial goals, the annual incentive for fiscal 2017 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 for fiscal 2017 results was below the target level based on net revenue and below the threshold level based on operating income.

- v Performance share units for fiscal 2017 results did not pay out due to of earnings per share results below the threshold level.
- v All stock equity grants under our long-term incentive program vest over a three-year period in order to incentivize retention and long-range performance.

### **BASE SALARY**

Purposes of Base Salary. We utilize base salary as the primary means of providing compensation for performing the essential elements of an executive's job. Base salaries are intended to provide a certain level of fixed compensation commensurate with an executive's position, responsibilities, tenure, historical compensation, retention risk and current and expected future contributions to the Company. In particular, we set base salaries keeping in mind that we are often recruiting from a fashion and retail

marketplace that is not typically found in the Company's hometown of Fort Wayne, Indiana. With these principles in mind, base salaries are reviewed at least annually by our Committee and may be adjusted from time to time based on the results of this review. The Committee reviews annually an assessment of the executive officers' compensation, including base salary, annual cash incentives and equity-based incentives, relative to comparable positions at the peer group companies. In addition, the Committee reviews any increases of each named executive officer based on their annual performance review which is performed by the Chief Executive Officer. The only exceptions are the Chief Executive Officer, whose annual review is conducted by the Board of Directors, and Ms. Baekgaard, who does not typically receive any annual base salary rate increase.

Setting Base Salary Levels. Our objective is generally to be within a competitive range of the peer group median, on average, for base salaries of our executive officers, including our named executive officers. We consider a range of +/-10% around the market median (50<sup>th</sup> percentile) to be competitive but still capable of recognizing differences among executives. In setting base salaries for NEOs, the Committee typically begins with the Company's overall budget for base salary increases, which was a target merit increase of a 2.5% in fiscal 2017, which may be adjusted up or down based upon an employee's performance, any changes in his or her role or responsibility and the median peer group base salary information.

Setting Fiscal 2017 Base Salary. In fiscal 2017, the Compensation Committee elected not to increase the base salary rate for the Chief Executive Officer. The Committee elected to provide modest increases of between 2.0% and 3.0% to some of our NEOs. In making this decision, the Committee primarily considered that there were no increases in the prior year and looked to benchmarking

## EXECUTIVE COMPENSATION

against the Company's peer group and individual performance in making the increases. It was ultimately determined that modest increases were appropriate.

As a founder of the Company, Ms. Baekgaard is not considered for increases to her annual base salary, which was initially set in fiscal 2010.

The following table shows annual base salary rates for each of our named executive officers for fiscal 2017 and fiscal 2016. Amounts represent a base rate of pay; actual earnings during a fiscal year may vary based upon a variety of factors, including the number of weeks in the fiscal year.

FISCAL 2017 BASE SALARY CHANGES			
	FISCAL 2016 BASE SALARY RATE	FISCAL 2017 BASE SALARY RATE	PERCENTAGE INCREASE YEAR OVER YEAR
Robert Wallstrom	\$750,000	\$750,000	0.0%
Kevin J. Sierks	400,000	412,000	3.0%
Sue Fuller	500,000	515,006	3.0%
Barbara Bradley Baekgaard	465,764	465,764	0.0%
Kimberly F. Colby	429,465	429,465	0.0%
C. Roddy Mann	385,230	392,934	2.0%

## ANNUAL INCENTIVE COMPENSATION

**Purposes of Annual Incentive.** Our annual incentive compensation, in the form of an annual cash bonus, is intended to compensate our named executive officers for meeting our short-term corporate financial and strategic objectives and to incentivize our named executive officers to meet these objectives. Our financial and strategic objectives are intended to build shareholder value, maximize growth and profitability and build a strong brand and execute against the annual milestones of the long-term strategic plan.

**Setting Annual Incentive Compensation Levels.** Our objective is generally to be within the competitive range of the peer group median, on average, for annual incentive opportunities of our executive officers, including our named executive officers. We consider a range of +/-10% around the market median (50<sup>th</sup> percentile) to be competitive but still capable of recognizing differences among executives.

**Fiscal 2017 Annual Incentive Performance Metrics.** For fiscal 2017, the Committee did not make modifications to the annual incentive design from the fiscal 2016 annual incentive program:

**Selecting the Financial Metrics.** Consistent with fiscal 2016, revenue and operating income were the financial metrics used for fiscal 2017. The Committee selected net revenue because we believe top line growth is important to our shareholders and to the ultimate performance of the Company. Top line growth, however, must be accompanied by improvement to the bottom line, so the Committee selected operating income as a second performance metric. In the future, as the Company grows and circumstances change, the Committee will review the application of other financial performance measures. The Committee typically sets a target level of performance at which the full target bonus can be earned. The Committee also sets a threshold level of performance below which no bonus is earned and a maximum level of performance that results in a maximum bonus.

<b>ANNUAL INCENTIVE PLAN STRUCTURE</b>				
<b>FINANCIAL METRICS</b>	<b>Weight</b>	<b>Payout by Performance Level as a Percentage of Target Incentive</b>		
		<b>Threshold</b>	<b>Target</b>	<b>Maximum</b>
Operating Income	25%	25%	100%	200%
Net Revenue	25%	25%	100%	200%
Total	50%	25%	100%	200%

**EXECUTIVE COMPENSATION**

<b>ANNUAL INCENTIVE PLAN STRUCTURE</b>					
STRATEGIC METRICS	Weight	Payout by Performance Level as a Percentage of Target Incentive			
		Met Most	Met All	Exceed	Significantly Exceed
Corporate Strategic Objectives <sup>(1)</sup>	25%	75%	100%	125%	150%
Personal Objectives	25%	75%	100%	125%	150%
Total	50%	75%	100%	125%	150%
<b>TOTAL</b>					<b>175%<sup>(2)</sup></b>

(1) The payout for strategic objectives is capped at 100% in the event that either or both of the operating income or net revenue metrics are not achieved at the threshold performance level or higher.

(2) Mr. Wallstrom's total annual incentive payout is capped at 200% of his base salary.

Selecting the Strategic Metrics. In fiscal 2017, the Committee once again included corporate-level strategic objectives as a component of the annual incentive compensation program. The Committee believes that this metric is appropriate to incentivize the management team to meet significant strategic objectives key to achieving the Company's long-term strategic plan.

In fiscal 2017 these corporate strategic goals were to:

- v Reignite the brand to drive desirability and purchase intent, creating an ownable and differentiated market position, measured as follows:
  - i Increase Aided Brand Awareness by 4%
  - i Increase New Customers by 23%
  - i Improve Full Line Traffic by 700 basis points
  
- v Profitably grow our core business: delivering our core product to our core customers in our core channels, measured as follows:
  - i Improve Full Line comparable store sales to negative low single digits
  - i Achieve department store revenue plan
  - i Achieve factory store sales plan
  - i Reduce decline of specialty channel sales

- v Find and obtain new avenues for growth as measured by:

- i Open two new distribution channels
  - i Licenses or strategic partnerships for two or more categories
  - i Achieve Japan operating plan
- v Build a world-class team of empowered and high-performing individuals and teams, measured as follows:
- i Retaining 85% of top talent in the Company, including store leadership
  - i Achieve an engagement score of 4.2 on the Company's annual employee engagement survey
  - i Strengthen and empower the executive team
- v Leverage Core Expenses, measured as follows:
- i Find \$6.6 million in SG&A and/or COGS annualized savings versus fiscal 2016 actual expenses
  - i Continue to identify incremental expense savings with a \$4 million annualized target

In addition to these corporate-level strategic goals, the Committee also continued to include a metric for the measurement of personal objectives for each of the NEOs other than Mr. Wallstrom and Ms. Baekgaard. The Committee believes it is important to provide individual incentive against the strategic plan at the level of each major business function in order to ensure that the management team focused equally on execution in each of their areas in order to meet the long-term strategic objectives of the Company. The personal objectives varied by individual and department but all had clear metrics and measurements.

For Mr. Wallstrom, the Committee felt that the corporate strategic objectives should also serve as his personal objectives given his entity-level responsibility. As founder of the Company, Ms. Baekgaard was not given personal objectives.

In the future, the Committee will continue to evaluate both payout levels and performance levels in accordance with business conditions and prevailing market practices.

Fiscal 2017 Annual Incentive Payout Opportunity and Payout. In fiscal 2017, the Company achieved adjusted operating income of \$29.1 million, which was below the threshold performance level of \$52.7 million and below the target performance level of \$59.9 million, resulting in a 0% payout for this metric. GAAP fiscal 2017 operating income of \$28.2 million was adjusted, in accordance with the requirements of the annual incentive plan, by \$0.9 million for certain severance charges.

## EXECUTIVE COMPENSATION

Net revenue was \$485.9 million in fiscal 2017, above the threshold performance level of \$480.6 million but below the target performance level of \$522.4 million, resulting in a 34% payout for the net revenue metric.

For financial performance metrics, payout levels were determined using linear interpolation for results falling between the three performance levels.

The corporate strategic objectives were only partially met, resulting in a 50% payout for the corporate strategic objectives metric.

For the NEOs other than Mr. Wallstrom and Ms. Baekgaard, the payout for personal objectives was determined based upon achievement of the goals as rated by Mr. Wallstrom or in the case of Ms. Colby by Ms. Fuller in each NEO's annual review. Mr. Wallstrom determined that each of Mr. Sierks, Ms. Fuller and Ms. Colby generally performed at or above expectations with respect to their personal objectives, resulting in payouts for their personal objectives of 100%, 125% and 125%, respectively. As founder of the Company, Ms. Baekgaard did not have established personal objectives and was paid at the target level for the personal objectives element based upon Mr. Wallstrom's assessment of overall performance.

The following table sets forth the payout opportunities at each performance level, as well as actual bonus earned as a percentage of base salary:

	FISCAL 2017 ANNUAL INCENTIVE PAYOUT AS A PERCENTAGE OF BASE SALARY			ACTUAL
	OPPORTUNITY			
	Threshold	Target	Max	
Robert Wallstrom	50%	100%	200%	33.5%
Kevin J. Sierks	25%	50%	87.5%	23.0%
Sue Fuller	25%	50%	87.5%	26.1%
Barbara Bradley Baekgaard	25%	50%	87.5%	23.0%
Kimberly F. Colby	25%	50%	87.5%	26.1%
C. Roddy Mann	25%	50%	87.5%	23.0%

**Other Cash Bonuses.** In connection with being retained as Executive Vice President, Chief Merchandising Officer, Ms. Fuller was given a retention bonus of \$375,000. This retention bonus was paid in installments as follows: \$125,000 on August 1, 2014; \$93,750 on May 22, 2015; \$31,250 on August 14, 2015; and \$125,000 on August 12, 2016. In establishing this retention bonus, the Committee considered Ms. Fuller's total compensation package in

comparison to both the peer group benchmarks, as well as Ms. Fuller's compensation package at her former employer, including any unpaid bonus which was forfeited upon her termination of employment.

## LONG-TERM INCENTIVE COMPENSATION



Purposes of Long-Term Incentive Compensation. We grant long-term equity awards under our executive compensation program in order to compete for executive talent and align the interests of our employees, including our named executive officers, with those of the Company's shareholders. These awards are intended to motivate executives by tying a portion of their incentive compensation to the performance of our common stock over the long term and, in turn, also motivate employees to remain with the Company as the value of these awards is intended to increase over time. We believe these awards also serve as motivation to executives to continue to improve the long-term performance of the Company.

Setting Long-Term Incentive Compensation Award Size. Our objective is generally to be within the competitive range of the peer group median, on average, for long-term incentive compensation of our executive officers, including our named executive officers. We consider a range of +/-15% around the market median (50<sup>th</sup> percentile) to be competitive but still capable of recognizing differences among executives based on experience, performance, level of responsibility and internal parity.

Fiscal 2017 Long-Term Incentive Vehicles, Mix and Grant Size. The fiscal 2017 and fiscal 2016 grant to each NEO was made up of 50% performance-based restricted stock units and 50% time-based restricted stock units. In fiscal 2015, long-term incentive compensation was made up of 60% performance-based restricted stock units and 40% time-based restricted stock units. In all other respects, the terms of the fiscal 2017 and fiscal 2016 long-term incentive grants were similar to those of the fiscal 2015 grants.

## EXECUTIVE COMPENSATION

The total long-term incentive grant value for each NEO was based primarily on a combination of factors, including competitive market data, internal pay equity and other considerations as noted above. The Committee also considered each executive's performance and the potential impact to shareholder dilution. Based on its assessment, the Committee approved the following grant values for the NEOs.

FISCAL 2017 LONG-TERM INCENTIVE GRANTS				
	TARGET GRANT VALUE	AS A % OF BASE SALARY RATE	% OF GRANT PERFORMANCE-BASED	% OF GRANT TIME-BASED
Robert Wallstrom	\$ 1,250,018	167%	50%	50%
Kevin J. Sierks	375,006	91%	50%	50%
Sue Fuller	399,982	78%	50%	50%
Barbara Bradley				
Baekgaard	275,020	59%	50%	50%
Kimberly F. Colby	200,010	47%	50%	50%
C. Roddy Mann	200,010	51%	50%	50%

**Terms of the Fiscal 2017 Time-Based RSU Grant.** The time-based restricted stock units vest in our common shares, on a one-for-one basis in three equal annual installments on the first, second and third anniversaries of the date of grant. The applicable award agreement provides that the units vest immediately upon the NEO's disability (as defined in the Incentive Plan) or death or, provided the NEO remains employed through the effective date, upon a change in control (which is more specifically defined in the award agreement). The units will also vest upon the NEO's retirement (as defined in the Incentive Plan) on a prorated basis based on service through the retirement date.

**Terms of the Fiscal 2017 Performance-Based RSU Grant.** The performance-based restricted stock unit grant is structured to be earned over three annual performance periods (fiscal 2017, fiscal 2018 and fiscal 2019) and for any earned units to vest in our common shares, on a one-for-one basis in a single tranche on the third anniversary of the date of grant.

The performance-based restricted stock units granted in fiscal 2017 are divided into three equal tranches of one-third each of the total award and allocated to each of the three fiscal years of the Company ending with fiscal 2019, with each such fiscal year being considered a performance year. Each tranche of performance-based restricted stock units must be both earned and vested before it will be settled in the form of shares of the Company's common stock. Each tranche of performance-based restricted stock units will be deemed earned only if

the earnings per share threshold is met in the applicable fiscal year, and each will be deemed vested only if the executive is continuously employed with the Company through the third anniversary of the grant date. For fiscal 2017, threshold and maximum performance levels for the performance-based restricted stock units were set at 88% and 112%, respectively, of target earnings per share performance and payout levels range from 25% for threshold

performance up to 200% for maximum performance.

<b>FISCAL 2017 PERFORMANCE-BASED RSU GRANT TRANCHE ONE PERFORMANCE MEASURES</b>		
<b>PERFORMANCE LEVEL</b>	<b>EPS GOAL FOR FISCAL 2017</b>	<b>SHARES VESTING AS A PERCENTAGE OF TARGET GRANT</b>
Threshold	\$0.88 per share	25%
Target	1.00 per share	100%
Maximum	1.12 per share	200%

For the second and third tranches of the performance-based restricted stock unit grant, target earnings per share goals will be based on a pre-determined percentage increase in earnings per share over the prior year, and threshold and maximum performance levels will again be set at 88% and 112%, respectively, of target earnings per share. In each year, shares vesting as a percentage of the NEO's target grant will be as set forth in the table above. The Compensation Committee will continue to evaluate both payout levels and performance levels in accordance with business conditions and prevailing market practices.

Results of Fiscal 2015 through Fiscal 2017 Performance-Based RSU Cycle. Performance-based restricted stock units granted on March 28, 2014 were subject to a three-year performance period established by the Committee that ended on January 28, 2017, which represents performance periods covered by fiscal 2015, fiscal 2016 and fiscal 2017. The following table shows the target number of restricted stock units granted to each NEO for this period.

<b>FISCAL 2015 PERFORMANCE-BASED RSU GRANTS TARGET GRANT</b>	
	<b>(NUMBER OF RSUs)</b>
Robert Wallstrom	17,628
Kevin J. Sierks	4,297
Sue Fuller	6,610
Barbara Bradley Baekgaard	6,158
Kimberly F. Colby	5,678
C. Roddy Mann	5,093

## EXECUTIVE COMPENSATION

The target number of performance-based restricted stock units was equally divided into three tranches with the first tranche earned based on fiscal 2015 performance ( FY15 Tranche ), the second tranche earned based on fiscal 2016 performance ( FY16 Tranche ) and the third tranche earned based on fiscal 2017 performance ( FY17 Tranche ).

In order to earn shares under the FY15 Tranche, the Committee set a diluted earnings per share from continuing operations target of \$1.34 per share, with maximum performance at \$1.50 per share and threshold performance of \$1.18 per share. Actual fiscal 2015 diluted earnings per share from continuing operations was \$1.00 per share, resulting in a FY15 Tranche payout of 0% of target.

At the time of grant, it was determined that target performance for the FY16 Tranche was 110% of actual fiscal 2015 diluted earnings per share from continuing operations and for the FY17 Tranche was 110% of actual fiscal 2016 diluted earnings per share. Diluted earnings per share in both fiscal 2016 and fiscal 2017 fell below the threshold level of performance for each year resulting in a 0% payout for the FY16 Tranche and the FY17 Tranche. Therefore, Mr. Wallstrom, Mr. Sierks, Ms. Fuller, Ms. Baekgaard and Ms. Colby earned no shares from this grant. As a result of Mr. Mann's termination of employment with the Company effective May 31, 2016, no shares were earned from this grant for Mr. Mann.

### Fiscal 2013 through Fiscal 2017 Equity Grant Vesting.

The following table depicts the total stock vesting as a percentage of target for the Long-Term Incentive Plan for an NEO who remained employed during the entire three year grant period.

<b>HISTORICAL LONG-TERM INCENTIVE GRANT VESTING<sup>(1)</sup></b>			
<b>YEAR OF GRANT</b>	<b>VESTING OF</b>		<b>TOTAL VESTING AS A % OF TARGET<sup>(3)</sup></b>
	<b>TIME-BASED GRANT AS A % OF TARGET</b>	<b>PERFORMANCE-BASED GRANT AS A % OF TARGET<sup>(2)</sup></b>	
	<b>A</b>	<b>A</b>	
Fiscal 2017 <sup>(4)</sup>	100%	0%	50%
Fiscal 2016 <sup>(4)</sup>	100%	37%	68%
Fiscal 2015	100%	0%	40%
Fiscal 2014	100%	0%	40%
Fiscal 2013	100%	20%	52%

(1) Calculation excludes retention grants. Does not account for forfeitures.

(2) Performance-based grants are included to the extent of the completed performance period.

- (3) Includes time-based and performance-based grants.
- (4) Incomplete performance periods are not reflected. Actual vesting could be greater than or less than percent calculated upon completion of all performance periods.

**EXECUTIVE COMPENSATION**

**Retention and Other Discretionary Grants.** In addition to the annual grants set forth above, in fiscal 2016 the Committee also elected to award Mr. Sierks, Ms. Fuller and Mr. Mann an additional grant of time-based restricted stock units with the purpose of increasing the retentive value of each officer's total equity holdings. These retention grants vest in two installments of two-thirds on the second anniversary of the date of grant and one-third on the third anniversary of the date of grant for Mr. Sierks and Ms. Fuller and ratably on the first, second and third anniversaries of the grant date for Mr. Mann. As such, Mr. Sierks and Ms. Fuller vested in two-thirds of the retention grant on March 27, 2017, and Mr. Mann vested in one-third of the retention grant on May 4, 2016. The remaining one-third and two-thirds for Mr. Sierks and Mr. Mann, respectively, was forfeited as a result of termination of employment.

**FISCAL 2016 RETENTION GRANTS****TARGET GRANT VALUE**

Kevin J. Sierks	\$599,996
Sue Fuller	499,997
C. Roddy Mann	249,993

The applicable award agreement provides that the units vest immediately upon the NEO's disability (as defined in the Incentive Plan) or death or, provided the NEO remains employed through the effective date, upon a change in control (which is more specifically defined in the award agreement). The units will also vest upon the NEO's retirement (as defined in the Incentive Plan) on a prorated basis based on service through the retirement date.

In fiscal 2017, in addition to the grants set forth above, the Committee awarded Mr. Wallstrom an additional grant of restricted stock units for the purpose of increasing the retentive value of the Chief Executive Officer's equity holdings. This retention grant is made up half of time-based and half of performance-based restricted stock units. The performance feature of the performance-based units is operating income during the Company's fiscal 2019 and this portion of the award may vest from a threshold of 25% to a maximum of 200%, with linear interpolation for results falling above the threshold and below the maximum. This discretionary award cliff vests on the third anniversary of the grant date, or June 3, 2019, subject to continued employment and Company performance.

**FISCAL 2017 CEO DISCRETIONARY GRANT****TARGET GRANT VALUE**

Robert Wallstrom	\$1,500,010
------------------	-------------

Mr. Wallstrom's award agreement provides that the units vest immediately upon disability (as defined in the Incentive Plan) or death or, provided Mr. Wallstrom remains employed through the effective date, upon a change in control (which is more specifically defined in the award agreement).

For a description of the treatment of the fiscal 2017 long-term incentive awards and these retention and other discretionary grants upon a change of control or in the event of an NEO's death, disability or retirement, if applicable, please see Potential payments upon Termination or Change in Control Grants under the Long-Term Plan.

## BENEFITS

The named executive officers are eligible for the same level and offering of benefits available to other employees. Our benefits, such as our basic health benefits, 401(k) plan, life insurance, paid time off, matching charitable gifts program, and discounts on certain company products, are intended to provide a stable array of support to our employees and their families throughout various stages of their careers, and these core benefits are provided to all full-time employees. The 401(k) plan allows participants to defer amounts of their annual compensation before taxes, up to the cap set by the Internal Revenue Code, which was \$18,000 per person for calendar year 2016 (or \$24,000 for employees over age 50). Employees' elective deferrals are immediately vested and non-forfeitable upon contribution to the 401(k) plan. We currently provide matching contributions equal to 100% for the first 3% of an employee's individual contribution and 50% for the next 2% of individual contributions, for a maximum employer match of 4% of individual contributions, subject to certain other limits, including vesting requirements.

## AGREEMENTS WITH NAMED EXECUTIVE OFFICERS

*Executive Officer Employment Agreements and Offer Letters.* The material terms of our agreements with Mr. Wallstrom and Ms. Fuller are described below.

Mr. Wallstrom's Employment Agreement. Mr. Wallstrom's employment agreement with the Company was effective November 11, 2013 (the Employment Agreement) and has automatically renewed for fiscal 2018. It will continue until the end of the Company's fiscal year ending on or about January 31, 2018. The Employment Agreement will renew automatically for successive one-year periods unless either the Company or Mr. Wallstrom gives notice to the other of its or his intention not to renew.

Under the Employment Agreement, Mr. Wallstrom's initial annual base salary rate is \$750,000. Mr. Wallstrom has a target annual fiscal bonus of 100% of his annual base

---

## EXECUTIVE COMPENSATION

salary rate, with a maximum annual cash bonus of up to 200% of his annual base salary rate and he is also eligible for long-term incentive grants. In connection with being retained as President and Chief Executive Officer, Mr. Wallstrom received a one-time grant of 49,080 restricted stock units, which was equal to approximately \$1,200,000. Sixty percent of these restricted stock units were forfeited as a result of performance and forty percent vested in equal amounts on each of November 3, 2015 and 2016. The Company also reimbursed Mr. Wallstrom for the expenses of relocating his residence to the Fort Wayne, Indiana area.

Mr. Wallstrom's Employment Agreement contains non-compete restrictions. During the period of his employment and for a period of two years following his termination, Mr. Wallstrom may not engage in, manage, join or work for (as an employee, consultant or independent contractor) or permit the use of his name by, or provide financial or other assistance to, any competitor that engages in the design, production, marketing and retailing of (i) handbags and other bags and related accessories or (ii) accessories such as jewelry, travel and leisure items, and baby clothes and accessories. In order to be treated as a competitor pursuant to Mr. Wallstrom's Employment Agreement, an enterprise would have to have received in the prior fiscal year at least 25% of its revenues from the design, production, marketing and/or retailing of handbags, other bags and related accessories or more than 50% of its revenues from the combination of the design, production, marketing and/or retailing of handbags, other bags and related accessories, accessories such as jewelry, travel and leisure items and baby clothes and accessories. Mr. Wallstrom's Employment Agreement also contains customary confidentiality provisions.

For a description of severance benefits that Mr. Wallstrom would be entitled to receive under certain circumstances, please see [Potential Payments Upon Termination or Change in Control](#) - Chief Executive Officer.

Ms. Fuller's Offer Letter. Ms. Fuller executed her offer letter with the Company on January 1, 2014. The offer letter provides for an annual base salary rate of \$500,000 and for participation in the Company's annual bonus plan with a target bonus of 50% of her annual base salary. Ms. Fuller is also eligible to participate in the Company's long-term incentive plan with annual target awards set at 60% of her annual base salary rate. In connection with being retained as Executive Vice President, Chief Merchandising Officer, Ms. Fuller received a one-time grant of 24,793 restricted stock units, which was equal to approximately \$600,000. In addition, the offer letter entitled Ms. Fuller to a retention bonus of \$375,000, which was paid in installments as follows: \$125,000 on August 1,

2014; \$93,750 on May 22, 2015; \$31,250 on August 14, 2015; and \$125,000 on August 12, 2016. The Company also reimbursed Ms. Fuller for the expense of relocating her residence to the Fort Wayne, Indiana area. As a condition of her employment, Ms. Fuller agreed not to compete with the Company during her tenure and for one year thereafter and to customary confidentiality and non-disparagement restrictions.

## COMPENSATION AND RISK

The Committee has evaluated the risk profile of our compensation policies and practices and concluded that they do not motivate imprudent risk taking. In our evaluation, we reviewed our employee compensation structures and noted numerous factors and design elements that manage and mitigate risk without diminishing the incentive nature of the compensation, including a unique and strong corporate culture that attracts passionate and motivated employees who are excited about our products and our brand (as opposed to being motivated by purely financial considerations); a



balanced mix between cash and equity and annual and longer-term incentives under our executive compensation program; ownership of our shares by senior management, which aligns their interests with the long-term interests of the Company and our shareholders; reasonable limits on annual incentive awards (as determined by a review of our current business plan); with respect to annual incentive awards, a balanced mix of performance measures, linear payouts between target levels and maximum payouts capped in fiscal 2017 at 200% of target for the Chief Executive Officer and 175% of target for the other named executive officers; and subjective considerations (including a review of individual performance) and discretion in compensation decisions, which limit the influence of formulae or objective factors on excessive risk taking.

We also reviewed our compensation programs for certain design features that may have the potential to encourage excessive risk-taking, including over-weighting towards annual incentives, highly-leveraged payout curves, unreasonable thresholds and steep payout cliffs at certain performance levels that may encourage short-term business decisions to meet payout thresholds. We concluded that our compensation programs do not include such elements. In addition, we analyzed our overall enterprise risks and how compensation programs may impact individual behavior in a manner that could exacerbate these enterprise risks. In view of these analyses, we concluded that we have a balanced pay and performance program that does not encourage excessive risk-taking that is reasonably likely to have a material adverse effect on the Company.

---

**EXECUTIVE COMPENSATION**

**EFFECT OF ACCOUNTING AND TAX TREATMENT ON COMPENSATION DECISIONS**

In the review and establishment of our compensation programs, we consider, among other factors, the anticipated accounting and tax implications to us and our executives. Section 162(m) of the Internal Revenue Code may impose a limit on the amount of compensation that we may deduct in any one year with respect to our Chief Executive Officer and each of our next three most highly compensated executive officers (other than the Chief Financial Officer), unless specific and detailed criteria are satisfied. Performance-based compensation, as defined in the Internal Revenue Code, is fully deductible if the programs are approved by shareholders and meet other requirements. We will seek to maintain flexibility in compensating our executives in a manner designed to promote our corporate goals and therefore we have not adopted a policy requiring all compensation to be deductible. Our Committee will assess the impact of Section 162(m) on our compensation practices and determine what further action, if any, is appropriate. The Incentive Plan allows us to provide compensation that meets the deductibility requirements of Section 162(m). In

addition, the Incentive Plan requires that, to the extent necessary to comply with Section 162(m), the maximum aggregate dollar amount that may be paid to any one executive during any calendar year under any type of performance award (including restricted stock units and annual incentive) is \$5,000,000.

In addition, for Mr. Wallstrom and Ms. Fuller, starting in fiscal 2016, the Committee approved a 162M Annual Incentive Compensation Umbrella Plan ( the Umbrella Plan ) to ensure that annual incentive compensation paid to each of them meets the deductibility requirements of Section 162(m). The Umbrella Plan establishes a cap for the maximum annual cash award that can be provided to Mr. Wallstrom and Ms. Fuller in the applicable performance period based upon operating income performance. Once the maximum awards have been established under the Umbrella Plan, the Committee will then apply the metrics established under the applicable annual incentive compensation plan to arrive at the final payout. In no event can the Committee award an annual incentive amount to Mr. Wallstrom or Ms. Fuller in any given year greater than the cap established by the Umbrella Plan. The Umbrella Plan gives the Committee discretion to adjust annual incentive plan awards downward, but not to increase those awards.

**EXECUTIVE COMPENSATION****COMPENSATION TABLES****Summary Compensation Table**

The table below shows information concerning the annual compensation for services to the Company in all capacities of the Company's named executive officers during the last three completed fiscal years. Information regarding fiscal 2015 compensation for Mr. Mann, and fiscal 2015 and fiscal 2016 compensation for Ms. Colby is omitted, because these individuals were not named executive officers during the relevant year.

NAME AND PRINCIPAL POSITION	FISCAL YEAR	SALARY	BONUS	STOCK AWARDS <sup>(1)</sup>	NON-EQUITY INCENTIVE PLAN COMPENSATION <sup>(2)</sup>		TOTAL COMPENSATION
					ALL OTHER COMPENSATION		
Robert Wallstrom President and Chief Executive Officer	2017	\$750,022		\$2,750,028	\$251,257	\$18,433 <sup>(3)</sup>	\$3,769,740
	2016	750,022		999,994	712,521	18,144 <sup>(3)</sup>	2,480,681
	2015	750,022		800,017	750,000	82,730 <sup>(4)</sup>	2,382,769
Kevin J. Sierks Executive Vice President, Chief Financial Officer	2017	410,846		375,006	94,495	15,834 <sup>(3)</sup>	896,181
	2016	400,000		974,990	190,000	17,192 <sup>(3)</sup>	1,582,182
	2015	355,289		194,994	63,685	15,719 <sup>(3)</sup>	629,687
Sue Fuller Executive Vice President, Chief Merchandising Officer	2017	513,564	125,000	399,982	134,169	14,523 <sup>(3)</sup>	1,187,238
	2016	500,006	125,000	899,994	237,503	14,423 <sup>(3)</sup>	1,776,926
	2015	500,006	125,000	299,993	250,003	93,821 <sup>(5)</sup>	1,268,823
Barbara Bradley Baekgaard Chief Creative Officer	2017	465,764		275,020	107,126	28,353 <sup>(6)</sup>	876,263
	2016	465,764		275,010	206,683	29,123 <sup>(7)</sup>	976,580
	2015	465,764		279,461	83,488	33,520 <sup>(8)</sup>	862,233
Kimberly F. Colby	2017	429,465		200,010	112,198	17,593 <sup>(9)</sup>	759,266
C. Roddy Mann Former Executive Vice President, Strategy and Business Development	2017	130,741		200,010	37,022	927,381 <sup>(10)</sup>	1,295,154
	2016	385,230		399,984	170,946	15,396 <sup>(3)</sup>	971,556

(1) Represents the aggregate grant date fair value of restricted stock units awarded during the fiscal year computed in accordance with FASB ASC Topic 718. The grant date fair value of each individual award of restricted stock units is set forth in the Fiscal 2017 Grants of Plan-Based Awards table below. Additional information regarding the calculation of these values is included in Notes 2 and 8 to our consolidated financial statements.

Performance-based awards are reflected at target.

- (2) Represents annual incentive compensation paid under the Company's Annual Incentive Bonus Program.
- (3) Represents 401(k) matching contributions made by the Company.
- (4) Represents reimbursement of \$81,173 in relocation expenses and other taxable fringe benefits with a total value less than \$10,000.
- (5) Represents reimbursement of relocation expenses.
- (6) Represents 401(k) matching contributions made by the Company of \$15,753 and payments for Company use of NetJets membership of \$12,600.
- (7) Represents 401(k) matching contributions made by the Company of \$18,784, payments for Company use of NetJets membership of \$9,550 and other taxable fringe benefits with a total value less than \$10,000.
- (8) Represents 401(k) matching contributions made by the Company of \$18,959, lease payment for automobile of \$10,651 and other taxable fringe benefits with a total value less than \$10,000.
- (9) Represents 401(k) matching contributions made by the Company of \$14,673 and other taxable fringe benefits with a total value less than \$10,000.
- (10) Represents cash payment for severance of \$884,102, vacation accrual payout of \$30,226 and 401(k) matching contributions made by the Company of \$13,053.

## EXECUTIVE COMPENSATION

## Fiscal 2017 Grants of Plan-Based Awards

The following table sets forth information regarding grants of plan-based awards in fiscal 2017. In this table TRSU stands for time-based restricted stock unit and PRSU stands for performance-based restricted stock unit.

	TYPE OF AWARD	GRANT DATE	ESTIMATED POSSIBLE PAYOUTS UNDER NON-EQUITY INCENTIVE PLAN AWARDS <sup>(1)</sup>			ESTIMATED FUTURE PAYOUTS UNDER EQUITY INCENTIVE PLAN AWARDS <sup>(2)</sup>			GRANT DATE	ALL OTHER STOCK AWARDS	FAIR VALUE STOCK AWARDS
			THRESHOLD	TARGET	MAXIMUM	THRESHOLD	TARGET	MAXIMUM			
Robert Wallstrom	Annual Incentive		\$ 375,000	\$ 750,000	\$ 1,500,000						
	TRSU	March 25, 2016							31,630	\$ 625,009	
	TRSU	June 3, 2016							50,676	750,005	
	PRSU	March 25, 2016				7,908	31,630	63,260		625,009	
	PRSU	June 3, 2016				12,669	50,676	101,352		750,005	
Kevin J. Sierks	Annual Incentive		\$ 102,712	\$ 205,423	\$ 359,490						
	TRSU	March 25, 2016							9,489	187,503	
	PRSU	March 25, 2016				2,372	9,489	18,978		187,503	
Sue Fuller	Annual Incentive		\$ 128,391	\$ 256,782	\$ 449,369						
	TRSU	March 25, 2016							10,121	199,991	
	PRSU	March 25, 2016				2,530	10,121	20,242		199,991	
Barbara Bradley Baekgaard	Annual Incentive		\$ 116,441	\$ 232,882	\$ 407,544						
	TRSU	March 25, 2016							6,959	137,510	
	PRSU	March 25, 2016				1,740	6,959	13,918		137,510	
Kimberly F. Colby	Annual Incentive		\$ 107,367	\$ 214,733	\$ 375,783						
	TRSU	March 25, 2016							5,061	100,005	
	PRSU	March 25, 2016				1,265	5,061	10,122		100,005	

C. Roddy

Mann	Annual Incentive		\$ 98,049	\$ 196,097	\$ 343,170				
	TRSU	March 25, 2016						5,061	100,005
	PRSU	March 25, 2016				1,265	5,061	10,122	100,005

- (1) Awards available under the Company's fiscal 2017 Annual Incentive Bonus Program. For all named executive officers other than Mr. Wallstrom and Mr. Mann, amounts shown above are based upon fiscal 2017 eligible earnings. Mr. Wallstrom's target payout is based on his fiscal 2017 base salary rate. Mr. Mann's target possible payout is based on fiscal 2017 eligible earnings had he not left the Company.
- (2) Awards made under the Incentive Plan to certain employees and directors, including our named executive officers. Except for Mr. Wallstrom's June 2016 grant, TRSUs vest in three equal annual installments on the first, second and third anniversaries of the grant date. Mr. Wallstrom's June TRSU grant cliff vests on the third anniversary of the grant date. PRSUs have a three-year cliff-vesting schedule based on continued employment and performance. Except for Mr. Wallstrom's June grant, the performance feature is based on earnings per share growth over the three-year performance period. The performance feature for Mr. Wallstrom's June PRSU grant is based upon operating income during the Company's fiscal 2019. Vesting would be accelerated in the event of death, disability, retirement or a change in control. See Potential Payments on Termination or Change in Control. If the Company were to declare any cash dividend on its common shares, an equivalent amount per RSU would be credited to an account for each holder and paid to the holder in cash (or forfeited) at the time the shares underlying the RSU are delivered to the holder (or forfeited). Amounts in this account would bear interest at the prime rate reported in the Midwest Edition of *The Wall Street Journal* from the date of deposit until paid to the holder or forfeited in accordance with the Incentive Plan.
- (3) Represents the grant date fair value of each award computed in accordance with FASB Topic 718.

**EXECUTIVE COMPENSATION****Outstanding Equity Awards at 2017 Fiscal Year-End**

The following table sets forth information regarding outstanding equity awards as of January 28, 2017.

	<b>STOCK AWARDS</b>			
	<b>TIME-BASED AWARDS</b>		<b>PERFORMANCE-BASED AWARDS</b>	
	<b>NUMBER OF SHARES OR UNITS OF STOCK THAT HAVE NOT VESTED</b>	<b>MARKET VALUE OF SHARES OR UNITS OF STOCK THAT HAVE NOT VESTED<sup>(1)</sup></b>	<b>NUMBER OF SHARES OR UNITS OF STOCK THAT HAVE NOT VESTED</b>	<b>MARKET VALUE OF SHARES OR UNITS OF STOCK THAT HAVE NOT VESTED<sup>(1)</sup></b>
	<b>(#)</b>	<b>VESTED<sup>(1)</sup></b>	<b>(#)</b>	<b>VESTED<sup>(1)</sup></b>
Robert Wallstrom	3,918 <sup>(2)</sup>	\$ 45,449		\$
	20,717 <sup>(3)</sup>	240,317	17,920 <sup>(4)</sup>	207,872
	31,630 <sup>(5)</sup>	366,908	21,087 <sup>(6)</sup>	244,609
	50,676 <sup>(7)</sup>	587,842	50,676 <sup>(8)</sup>	587,842
Kevin J. Sierks	955 <sup>(2)</sup>	11,078		
	45,059 <sup>(3)</sup>	522,684	6,720 <sup>(4)</sup>	77,952
	9,489 <sup>(5)</sup>	110,072	6,326 <sup>(6)</sup>	73,382
Sue Fuller	1,469 <sup>(2)</sup>	17,040		
	39,362 <sup>(3)</sup>	456,599	7,168 <sup>(4)</sup>	83,149
	10,121 <sup>(5)</sup>	117,404	6,748 <sup>(6)</sup>	78,277
Barbara Bradley Baekgaard	1,369 <sup>(2)</sup>	15,880		
	5,698 <sup>(3)</sup>	66,097	4,928 <sup>(4)</sup>	57,165
	6,959 <sup>(5)</sup>	80,724	4,640 <sup>(6)</sup>	53,824
Kimberly F. Colby	1,262 <sup>(2)</sup>	14,639		
	4,144 <sup>(3)</sup>	48,070	3,584 <sup>(4)</sup>	41,574
	5,061 <sup>(5)</sup>	58,708	3,374 <sup>(6)</sup>	39,138
C. Roddy Mann				

(1) Based on the closing price of \$11.60 of the Company's common shares on January 27, 2017 (the last trading day prior to the end of the fiscal year) as reported by The NASDAQ Stock Market.

(2)

- Represents grants of time-based restricted stock units made on March 28, 2014 under the Incentive Plan. These restricted stock units vest in three equal annual installments on the first, second and third anniversaries of the grant date, of which the installments vested on March 28, 2015, March 28, 2016 and March 28, 2017, respectively. In addition, vesting would be accelerated in the event of death, disability, retirement or upon a change in control. See Potential Payments on Termination or Change in Control.
- (3) Represents grants of time-based restricted stock units made on March 27, 2015 under the Incentive Plan. These restricted stock units vest in three equal annual installments on the first, second and third anniversaries of the grant date, of which the first and second installments vested on March 27, 2016 and March 27, 2017, respectively. The amounts for Mr. Sierks and Ms. Fuller also include retention grants of time-based restricted stock units made on March 27, 2015 in the amounts of 37,290 and 31,075, respectively. These retention grants vest in two installments, of which two-thirds vested on March 27, 2017 and the remaining one-third for Ms. Fuller will vest on March 27, 2018. The remaining one-third for Mr. Sierks was forfeited due to termination of employment. In addition, vesting would be accelerated in the event of death, disability, retirement or upon a change in control. See Potential Payments on Termination or Change in Control.
- (4) Represents grants of performance-based restricted stock units made on March 27, 2015 under the Incentive Plan. These restricted stock units have a three-year cliff-vesting schedule based on continued employment and performance. The performance feature is based on earnings per share growth over the three-year performance period. For completed performance years, the shares above reflect earned shares based on actual performance to goal. For incomplete performance years, the shares above are reflected at target. In addition, vesting would be accelerated in the event of death, disability, retirement or upon a change in control. See Potential Payments on Termination or Change in Control.



**EXECUTIVE COMPENSATION**

- (5) Represents grants of time-based restricted stock units made on March 25, 2016 under the Incentive Plan. These restricted stock units vest in three equal annual installments on the first, second and third anniversaries of the grant date, of which the first installment vested on March 25, 2017. In addition, vesting would be accelerated in the event of death, disability, retirement or upon a change in control. See Potential Payments on Termination or Change in Control.
- (6) Represents grants of performance-based restricted stock units made on March 25, 2016 under the Incentive Plan. These restricted stock units have a three-year cliff-vesting schedule based on continued employment and performance. The performance feature is based on earnings per share growth over the three-year performance period. For completed performance years, the shares above reflect earned shares based on actual performance to goal. For incomplete performance years, the shares above are reflected at target. In addition, vesting would be accelerated in the event of death, disability, retirement or upon a change in control. See Potential Payments on Termination or Change in Control.
- (7) Represents a grant of time-based restricted stock units made on June 3, 2016 under the Incentive Plan. These restricted stock units have a three-year cliff vesting schedule based on continued employment. In addition, vesting would be accelerated in the event of death, disability, or upon a change in control. See Potential Payments on Termination or Change in Control.
- (8) Represents a grant of performance-based restricted stock units made on June 3, 2016 under the Incentive Plan. These restricted stock units have a three-year cliff-vesting schedule based on continued employment and performance. The performance feature is based on the achievement of operating income results during the Company's fiscal 2019. The shares above are reflected at target. In addition, vesting would be accelerated in the event of death, disability, or upon a change in control. See Potential Payments on Termination or Change in Control.

**Option Exercises and Shares Vested**

We have no outstanding stock options.

The following table shows the number of restricted stock units which vested for each named executive officer in fiscal 2017:

	NUMBER OF SHARES OR UNITS ACQUIRED ON VESTING (#)	NET VALUE REALIZED ON VESTING <sup>(1)</sup>
Robert Wallstrom	22,455	\$ 389,477
Kevin J. Sierks	5,530	109,259
Sue Fuller	13,877	209,908
Barbara Bradley Baekgaard	5,793	114,438
Kimberly F. Colby	4,752	93,871
C. Roddy Mann	9,767	178,695

- (1) Computed by multiplying the number of shares vested by the Company's closing stock price the day prior to the scheduled vesting date(s).

**Pension Benefits**

Aside from our 401(k) plan, we do not maintain any pension plan or arrangement under which our named executive officers are entitled to participate or receive post-retirement benefits.

**Nonqualified Deferred Compensation**

We do not maintain any nonqualified deferred compensation plan or arrangements under which our named executive officers are entitled to participate.

**EXECUTIVE COMPENSATION****Potential Payments upon Termination or Change in Control**

*Severance Benefits.* The following table shows the value of cash severance benefits that would have been payable to each of our named executive officers under arrangements or contracts described below, as well as the value of equity awards that would vest, assuming a termination of employment as of January 28, 2017, except that for Mr. Mann the table reflects actual severance benefits received based on his separation from the Company in May of 2016. In this table TRSU stands for time-based restricted stock units and PRSU stands for performance-based restricted stock units.

	TERMINATION BY COMPANY WITHOUT CAUSE/ BY EXECUTIVE FOR GOOD REASON	TERMINATION BY COMPANY FOR CAUSE/ BY EXECUTIVE WITHOUT GOOD REASON	CHANGE IN CONTROL TERMINATION	TERMINATION FOLLOWING DEATH OR DISABILITY
<b>Robert Wallstrom</b>				
Cash	\$ 3,251,257 <sup>(1)</sup>		\$ 4,751,257 <sup>(2)</sup>	\$251,257 <sup>(3)</sup>
COBRA <sup>(4)</sup>	14,923		14,923	14,923
Value of unvested shares that would be accelerated <sup>(5)</sup>				
- TRSU			1,240,516 <sup>(6)</sup>	1,240,516 <sup>(6)</sup>
- PRSU			1,040,323 <sup>(7)</sup>	87,708 <sup>(7)</sup>
Other <sup>(11)</sup>	57,694	57,694	107,694	57,694
<b>Kevin J. Sierks</b>				
Cash	1,021,495 <sup>(8)</sup>		1,442,000 <sup>(9)</sup>	94,495 <sup>(10)</sup>
COBRA <sup>(4)</sup>	7,790		7,790	7,790
Value of unvested shares that would be accelerated <sup>(5)</sup>				
- TRSU			643,834 <sup>(6)</sup>	643,834 <sup>(6)</sup>
- PRSU			151,334 <sup>(7)</sup>	32,886 <sup>(7)</sup>
Other <sup>(11)</sup>	31,692	31,692	61,692	31,692
<b>Sue Fuller</b>				
Cash	1,679,187 <sup>(8)(12)</sup>		1,802,521 <sup>(9)</sup>	134,169 <sup>(10)</sup>
COBRA <sup>(4)</sup>	6,171		6,171	6,171
Value of unvested shares that would be				

Edgar Filing: Vera Bradley, Inc. - Form DEF 14A

accelerated <sup>(5)</sup>				
- TRSU			591,043 <sup>(6)</sup>	591,043 <sup>(6)</sup>
- PRSU			161,426 <sup>(7)</sup>	35,078 <sup>(7)</sup>
Other <sup>(11)</sup>	49,520	49,520	79,520	49,520
<b>Barbara Bradley</b>				
<b>Baekgaard</b>				
Cash	1,155,095 <sup>(8)</sup>		1,630,174 <sup>(9)</sup>	107,126 <sup>(10)</sup>
COBRA <sup>(4)</sup>	6,753		6,753	6,753
Value of unvested shares that would be accelerated <sup>(5)</sup>				
- TRSU			162,701 <sup>(6)</sup>	162,701 <sup>(6)</sup>
- PRSU			110,989 <sup>(7)</sup>	24,116 <sup>(7)</sup>
Other <sup>(11)</sup>	35,828	35,828	65,828	35,828
<b>Kimberly F. Colby</b>				
Cash	1,078,494 <sup>(8)</sup>		1,503,128 <sup>(9)</sup>	112,198 <sup>(10)</sup>
COBRA <sup>(4)</sup>	8,325		8,325	8,325
Value of unvested shares that would be accelerated <sup>(5)</sup>				
- TRSU			121,417 <sup>(6)</sup>	121,417 <sup>(6)</sup>
- PRSU			80,712 <sup>(7)</sup>	17,539 <sup>(7)</sup>
Other <sup>(11)</sup>	33,036	33,036	63,036	33,036

## EXECUTIVE COMPENSATION

	<b>TERMINATION BY COMPANY WITHOUT CAUSE/ BY EXECUTIVE FOR GOOD REASON</b>	<b>TERMINATION BY COMPANY FOR CAUSE/ BY EXECUTIVE WITHOUT GOOD REASON</b>	<b>CHANGE IN CONTROL TERMINATION</b>	<b>TERMINATION FOLLOWING DEATH OR DISABILITY</b>
<b>C. Roddy Mann<sup>(13)</sup></b>				
Cash	921,124 <sup>(13)</sup>			
COBRA	9,949 <sup>(13)</sup>			
Value of unvested shares that would be accelerated				
- TRSU				
- PRSU				
Other	30,226 <sup>(13)</sup>			
<p>(1) Pursuant to his employment agreement, upon a termination by the Company without cause or by Mr. Wallstrom for good reason, he is entitled to a cash payment equal to any bonus for the prior fiscal year which has been earned but is unpaid, a lump sum payment equal to two times the sum of his annual base salary rate plus his target bonus in the year of termination and a pro rata portion of the amount of bonus that he would have received for the year in which his employment terminated. For purposes of this table, the pro rata bonus has been assumed at the actual fiscal 2017 bonus payout.</p> <p>(2) Pursuant to his employment agreement, upon a termination in anticipation of, upon or within 24 months following a change in control, Mr. Wallstrom is entitled to a cash payment equal to any bonus for the prior fiscal year which has been earned but is unpaid, a lump sum payment equal to three times the sum of his annual base salary rate plus his target bonus in the year of termination and a pro rata portion of the amount of bonus that he would have received for the year in which his employment terminated. For purposes of this table, the pro rata bonus has been assumed at the actual fiscal 2017 bonus payout.</p> <p>(3) Pursuant to his employment agreement, upon a termination for death or disability, Mr. Wallstrom is entitled to a cash payment equal to any bonus for the current fiscal year which has been earned but is unpaid. For purposes of this table, the current year bonus has been assumed at the actual fiscal 2017 bonus payout.</p> <p>(4) COBRA continuation coverage reflects monthly payments made by the Company for a period of 18 months in the case of Mr. Wallstrom and 12 months in the case of the other named executive officers, and is based upon coverage elections in place as of January 28, 2017. This amount assumes the named executive officer elects COBRA coverage and is eligible to participate in COBRA for the payment period.</p> <p>(5) Based on the closing price of \$11.60 of the Company's common shares on January 27, 2017 (the last trading day prior to the end of the fiscal year) as reported by The NASDAQ Stock Market.</p> <p>(6) Figure includes grants of TRSUs which would vest in the event of death, disability, retirement or upon a change in control. In the event of retirement, the grants would be prorated based on the number of full fiscal months in which the executive provided service.</p> <p>(7)</p>				

Figure includes grants of PRSUs which would vest in the event of death, disability, retirement or upon a change in control. For completed performance years, the number of shares reflects earned shares based on actual performance to goal. For incomplete performance years, upon a change in control, the shares above are reflected at target. In the event of retirement, the grants would be prorated based on the number of full fiscal months in which the executive provided service during the performance period.

- (8) Pursuant to the Severance Plan (as described below), upon a termination by the Company without cause or by the executive for good reason, he or she is entitled to a cash payment equal to a pro rata portion of the amount of bonus that he or she would have received for the year in which his or her employment terminated, and a lump sum payment equal to one and one half times the sum of his or her annual base salary rate plus target bonus in the year of termination. For purposes of this table, the pro rata bonus has been assumed at the actual fiscal 2017 bonus payout.
- (9) Pursuant to the severance plan, upon a termination in anticipation of, upon or within 24 months following a change in control, the executive is entitled to a cash payment equal to any bonus for the prior fiscal year which has been earned but is unpaid, a lump sum payment equal to two times the sum of his or her annual base salary rate plus target bonus in the year of termination and a payment equal to his or her target bonus in the year of termination prorated for the number of weeks the executive was employed during the fiscal year.
- (10) Pursuant to the severance plan, upon a termination for death or disability, the executive or his or her estate is entitled to a cash payment equal to a pro rata portion of the amount of bonus that he or she would have received for the year

---

**EXECUTIVE COMPENSATION**

in which his or her employment terminated. For purposes of this table, the current year bonus has been assumed at the actual fiscal 2017 bonus payout.

- (11) Figure includes accrued vacation of 160 hours for Mr. Wallstrom, Mr. Sierks, Ms. Baekgaard, and Ms. Colby and 200 hours for Ms. Fuller. In the event of a change in control, this amount also includes a maximum of \$50,000 of outplacement services for Mr. Wallstrom and \$30,000 for all other named executive officers.
- (12) Pursuant to Ms. Fuller's Supplemental Severance Agreement (the Supplement) executed on November 23, 2015, in addition to any payments owed under the severance plan, in the event the Company terminates Ms. Fuller's employment without cause, other than in anticipation of, upon or during the 24 months following a change in control, then, subject to the terms of the severance plan and the Supplement, Ms. Fuller would be entitled to a lump sum payment equal to one-half of the sum of Ms. Fuller's base salary and her target annual bonus for the fiscal year of termination. The Supplement expired on January 28, 2017 and was included in the calculation for purposes of this table.
- (13) Mr. Mann's employment with the Company was terminated as of May 31, 2016 and the figures presented represent actual benefits received. His cash severance payment was \$884,102, a pro rata portion of the amount of the annual bonus, as a result of Mr. Mann's termination date occurring after the last day of the first fiscal quarter, was \$37,022 and his accrued vacation payment was \$30,226. The value of Mr. Mann's COBRA benefit was \$9,949 for 12 months, although no specific COBRA payments have been made on his behalf.

**SEVERANCE AGREEMENTS AND ARRANGEMENTS**

*Chief Executive Officer.* Under his Employment Agreement, if the Company terminates Mr. Wallstrom's employment without cause or Mr. Wallstrom terminates his employment for good reason (each as defined in the Employment Agreement), Mr. Wallstrom will be entitled to (i) any bonus earned in the fiscal year prior to the employment termination that has not yet been paid, (ii) a pro rata portion of the amount of bonus, if any, that he would have received for the year in which his employment terminated; (iii) a lump sum payment equal to two times the sum of his (a) annual base salary rate and (b) target bonus for the fiscal year of termination; and (iv) monthly cash reimbursement of COBRA premiums for a period of eighteen months. If the Company terminates Mr. Wallstrom's employment without cause or Mr. Wallstrom terminates his employment for good reason and such termination is within 24 months after a change in control of the Company, Mr. Wallstrom will receive, in addition to the payments and benefits described in the preceding sentence, an additional lump sum payment equal to the sum of his (a) annual base salary rate and (b) target bonus for the fiscal year of termination, in exchange for his continued compliance with the restrictive covenants set forth in the Employment Agreement after the change in control and reimbursement for outplacement assistance up to a maximum amount of \$50,000. If the payments and benefits to Mr. Wallstrom under the Employment Agreement, together with all other amounts payable to him following a change in control (the Total Payments), would be subject to an excise tax under the provisions of Code Section 4999 (the Excise Tax), then Mr. Wallstrom will receive either (i) the Total Payments or (ii) the Total Payments as reduced so that the amount of the Total Payments (after reduction) is \$1.00 less than the amount that would cause the payments to be subject to the Excise Tax; whichever of the two would provide him with a greater after-tax value of amounts received.

If Mr. Wallstrom's employment is terminated by death or disability, Mr. Wallstrom or his estate will be entitled to: (i) any bonus that has been earned but not paid; (ii) a pro-rated bonus, if any, Mr. Wallstrom would have received for

the year in which his employment terminated; and (iii) in the case of termination due to disability, reimbursements of COBRA premiums.

*Severance Plan.* On May 21, 2014, the Compensation Committee adopted the Vera Bradley, Inc. 2014 Executive Severance Plan (the *Severance Plan* ). With the exception of Mr. Wallstrom, all named executive officers are participants in the Severance Plan, in addition to other executive vice presidents and senior vice presidents of the Company.

Under the Severance Plan, if the Company terminates a participant's employment without cause or the participant terminates his or her employment for good reason (each as defined in the Severance Plan), the participant will be entitled to (i) any bonus earned in the fiscal year prior to the employment termination that has not yet been paid; (ii) a pro rata portion of the amount of the target bonus for the year in which his or her employment terminated; (iii) for executive vice president participants only, a lump sum payment equal to one and one-half times the sum of his or her (a) annual base salary rate (as defined in the Plan) and (b) target bonus for the fiscal year of termination; (iv) for senior vice president participants only, a lump sum payment equal to one and one-quarter times the sum of his or her (a) annual base salary rate and (b) target bonus for the fiscal year of termination; and (v) monthly cash reimbursement of COBRA premiums for a period of twelve months.

If the Company terminates a participant's employment without cause or a participant terminates his or her employment for good reason and such termination is



---

## EXECUTIVE COMPENSATION

within 24 months after a change in control (as defined in the Severance Plan) of the Company, the participant will receive, (i) any bonus earned in the fiscal year prior to the employment termination that has not yet been paid; (ii) a pro rata portion of the amount of bonus (as defined in the Severance Plan), if any, that he or she would have received for the year in which his or her employment terminated; (iii) for executive vice president participants only, a lump sum payment equal to two times the sum of his or her (a) annual base salary rate (as defined in the Severance Plan) and (b) target bonus for the fiscal year of termination; (iv) for senior vice president participants only, a lump sum payment equal to one and three-quarter times the sum of his or her (a) annual base salary rate and (b) target bonus for the fiscal year of termination; and (v) monthly cash reimbursement of COBRA premiums for a period of twelve months.

If a participant's employment is terminated by death or disability, the participant or his or her estate will be entitled to receive (i) any bonus earned in the fiscal year prior to the employment termination that has not yet been paid; (ii) a pro rata portion of the amount of bonus (as defined in the Severance Plan), if any, that he or she would have received for the year in which his or her employment terminated; and (iii) in the case of termination due to disability, monthly cash reimbursement of COBRA premiums for a period of twelve months.

The Severance Plan contains customary non-competition and confidentiality provisions. During the period of each participant's employment and for a period of one year following termination of employment for any reason, the participants may not associate, directly or indirectly, as an employee, officer, director, agent, partner, owner, stockholder, representative, consultant or vendor with, for or on behalf of any competitor (as defined below), unless the Compensation Committee has approved such an association. For purposes of the Severance Plan, the term competitor means any entity, company, enterprise or group added to a list which the Compensation Committee reviews biannually. In addition, participants may not solicit or accept if offered the services of any person who is a then-current employee of the Company (or was an employee of the Company during the year preceding such solicitation) to terminate employment or an engagement with the Company, not including any general, non-targeted advertising or agree to hire any then-current employee (or an individual who was an employee of the Company during the year preceding such hire) of the Company into employment with the participant or any company, individual or other entity.

### *Treatment of Equity Awards*

#### Grants under the Long-Term Incentive Plan

**Generally.** Except in the case of a change in control or the executive's death, disability or retirement, upon an executive's termination in service from the Company all unearned and unvested grants of both time-based and performance-based restricted stock units will be forfeit.

**Change in Control.** Under the terms of the grant agreements, all unvested performance-based restricted stock units will vest in the event of a change in control. With respect to performance years that have been completed at the time of a change in control, unvested performance-based restricted stock units will be earned and vested to the extent of

actual performance for such performance year. With respect to performance years that have not been completed at the time of a change in control, performance-based restricted stock units will be deemed to be earned at the target level, with any such earned units becoming fully vested.

With respect to time-based restricted stock units, upon a change in control that portion of any outstanding award that is not yet vested as of the date of the change in control will become immediately and fully vested and paid immediately prior to the change in control.

The Incentive Plan defines a change in control to mean the occurrence of any one or more of the following: (a) the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person or group (within the meaning of the Exchange Act and the rules of the Securities and Exchange Commission as in effect on the date of the award), other than: (i) Barbara Baekgaard, Patricia Miller, Michael Ray and Kim Colby and their respective heirs and descendants and any trust established for their benefit; (ii) the Company or a corporation owned directly or indirectly by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company; or (iii) any employee benefit plan (or related trust) sponsored or maintained by the Company or any of its affiliates, of securities of the Company representing more than twenty-five percent (25%) of the combined voting power of the Company's then outstanding securities; (b) the occupation of a majority of the seats (other than vacant seats) on the board of directors by persons who were neither (i) nominated by the board nor (ii) appointed by directors so nominated; or (c) the consummation of (i) an agreement for the sale or disposition of all or substantially all of the Company's assets or (ii) a merger, consolidation or reorganization of the Company with or involving any other corporation, other than a merger, consolidation or reorganization that results in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least fifty percent (50%) of the combined voting power of the voting

## EXECUTIVE COMPENSATION

securities of the Company (or such surviving entity) outstanding immediately after such merger, consolidation or reorganization.

Death or Disability. Under the terms of the grant agreements, all unvested performance-based restricted stock units will vest in the event that an executive's service with the Company terminates as a result of death or disability during the performance period, (i) with respect to performance years that have been completed at the time of death or disability, each tranche will be earned only to the extent of actual performance in the performance year; and (ii) with respect to performance years that have not been completed at the time of death or disability, each tranche will be deemed to be earned based on the target level of performance for such performance year, but prorated based on the number of full fiscal months in which the executive provided service during the performance period.

With respect to time-based restricted stock units, in the event of the executive's death or disability, any portion of any outstanding award that is not yet vested as of the date of death or disability shall become immediately and fully vested.

The Incentive Plan states that disability may be defined in any employment, consulting or other agreement between the Company and the executive or, in the absence of such an agreement, disability will mean (i) any permanent physical or mental incapacity or disability rendering the Participant unable or unfit to perform effectively the duties and obligations of the executive's service or (ii) any illness, accident, injury, physical or mental incapacity or other disability, which condition is expected to be permanent or long-lasting and has rendered the executive unable or unfit to perform effectively the duties and obligations of the Participant's

service for a period of at least 180 days in any twelve-consecutive month period (in either case, as determined in the good faith judgment of the Compensation Committee). There are no outstanding employment, consulting or other agreements between the Company and any executive which otherwise define the term disability.

Retirement. Under the terms of the grant agreements, all unvested performance-based restricted stock units will vest in the event that an executive's service with the Company terminates as a result of retirement during the performance period, (i) with respect to performance years that have been completed at the time of retirement, each tranche will be earned only to the extent of actual performance in the performance year; and (ii) with respect to performance years that have not been completed at the time of retirement, each tranche will be deemed to be earned based on the target level of performance for such performance year, but prorated based on the number of full fiscal months in which the executive provided service during the performance period.

With respect to time-based restricted stock units, in the event of the executive's retirement, any portion of any outstanding award that is not yet vested as of the date of retirement shall become immediately and fully vested, but prorated based on the number of full fiscal months in which the executive provided service.

The Incentive Plan states that retirement means a termination of service on or after reaching the age established by the Company as the normal retirement age in any unexpired employment, consulting or other agreement between the executive and the Company, or, if different, a qualified retirement plan sponsored by the Company. There are no outstanding employment, consulting or other agreements between the Company and any executive which otherwise

define the term retirement.

38 Vera Bradley, Inc. *2017 Proxy Statement*

---

**QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND THE 2017 ANNUAL MEETING  
OF SHAREHOLDERS**

**QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND THE 2017 ANNUAL MEETING  
OF SHAREHOLDERS**

***Why am I receiving these materials?***

We are providing these proxy materials to you in connection with the solicitation, by the Board of Directors of Vera Bradley, Inc. (we, us, the Company or Vera Bradley ), of proxies to be voted at the Company's 2017 Annual Meeting of Shareholders and at any adjournments or postponements of the meeting. The Annual Meeting will be held on Thursday, May 25, 2017 beginning at 11:00 a.m., Eastern Time, at the Company's Design Center located at 12420 Stonebridge Road, Roanoke, Indiana 46783. As a shareholder, you are invited to attend the Annual Meeting and are entitled and requested to vote on the proposals described in this Proxy Statement. This Proxy Statement and the accompanying proxy card are being mailed to shareholders starting on or about April 25, 2017. The mailing address of the Company's principal executive offices is 12420 Stonebridge Road, Roanoke, Indiana 46783.

***What proposals will be voted on at the Annual Meeting?***

Four proposals are scheduled to be voted on at the Annual Meeting:

The election of four directors to the Board of Directors for a three year term

The ratification of the appointment of Deloitte & Touche LLP ( Deloitte ) 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

Our Board of Directors is not aware of any other matter that will be presented at the Annual Meeting. If any other matter is properly presented at the Annual Meeting, the persons named on your proxy will, in the absence of your instructions to the contrary, vote the shares for which such persons have voting authority in accordance with their discretion on the matter.

***What are the Board of Directors' voting recommendations?***

The Company's Board of Directors recommends that you vote your shares:

**FOR** the election of each of the director nominees to the Board of Directors

**FOR** the ratification of the appointment of Deloitte as our independent registered public accounting firm for fiscal 2018

**FOR** the compensation of the named executive officers

**FOR** an advisory vote on executive compensation every year

***Who is entitled to vote?***

Only holders of record of our common shares at the close of business on March 27, 2017 (the Record Date), will be entitled to notice of and to vote at, the Annual Meeting or at any postponements or adjournments thereof. 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 broker, bank or other nominee (who is the shareholder of record), giving you the right to vote the shares; otherwise, your broker, bank or other nominee will vote for you pursuant to voting instructions provided by you, if any, and otherwise may vote only on routine matters. On the Record Date, 36,318,626 common shares were issued and outstanding. Each common share is entitled to one vote on each matter presented at the Annual Meeting.

***What do I need to do now?***

Please carefully consider the information in this Proxy Statement and respond as soon as possible so that your shares will be represented at the meeting. You can respond by following the instructions for granting a proxy to vote on the proxy card or, for shares held by your broker, bank or other nominee on the voting instruction card that your broker, bank or other nominee provides to you. Alternatively, you may attend the Annual Meeting and vote your shares in person, in which case, only your in-person votes will count. Remember that you will need to

---

## QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND THE 2017 ANNUAL MEETING OF SHAREHOLDERS

obtain a legal proxy from your bank, broker or nominee if your shares are held in street name and you wish to vote in person at the Annual Meeting.

### ***Do I need to attend the meeting?***

No. You may authorize your shares to be voted by following the instructions on the proxy card or, for shares held by your broker, bank or other nominee on the voting instruction card that your broker provides to you.

### ***If I wish to attend the meeting, what identification must I show to attend?***

All shareholders should bring a driver's license, passport or other form of government-issued identification to verify their identities. In addition:

If your shares are held through a broker, bank or other nominee (known as holding your shares in street name), you will need to bring either (1) a letter from your broker, bank or other nominee stating that you held the Company's shares through that institution as of the Record Date or (2) a copy of the notice of Annual Meeting document you received in the mail.

If you are a registered shareholder (meaning, your shares are held directly with the Company's transfer agent), you do not need anything additional because we can check your name against the list of registered shareholders at the door.

Shareholders whose shares are held jointly or through a company, group or other institution may bring one other person with them to attend the meeting. Please understand that, for security reasons, we cannot admit to the meeting people who lack the proper identification.

### ***How do I vote shares that are held by my broker, bank or other nominee?***

If you have shares held by a broker, bank or other nominee, you may instruct your broker, bank or other nominee to vote your shares by following the instructions that your broker or nominee provides to you. Most brokers offer voting by mail, telephone and the Internet. Shares held in street name may be voted in person by you at the Annual Meeting only if you obtain a signed proxy from the record holder giving you the right to vote the shares.

### ***What is the quorum requirement for the Annual Meeting?***

A quorum is necessary for the Company's shareholders to conduct business at the Annual Meeting. The presence at the meeting, in person or by proxy, of the holders of a majority of the shares entitled to vote on the Record Date will constitute a quorum, permitting us to conduct the business of the meeting. Proxies received but marked as abstentions, if any, and broker non-votes, described below, will be included in the calculation of the number of shares considered

to be present at the meeting for quorum purposes.

***What is the voting requirement to approve each of the proposals?***

Four directors have been nominated for election at the Annual Meeting. Directors will be elected by a plurality of the votes properly cast in the election of directors at the Annual Meeting. This means that the four nominees who receive the largest number of FOR votes cast will be elected as directors. Shareholders cannot cumulate votes in the election of directors.

The proposal to ratify the appointment of our independent registered public accounting firm will be approved if the votes properly cast favoring the proposal exceed the votes properly cast opposing the proposal.

The proposal for an advisory vote on the compensation of the named executive officers will be approved if the votes properly cast favoring the proposal exceed the votes properly cast opposing the proposal. However, because this result is advisory, the result will not be binding on us, the Board of Directors or the Compensation Committee.

The proposal of frequency of an advisory vote on compensation of every year, every two years or every three years that receives the highest number of votes cast by shareholders will be deemed the frequency for future advisory votes on executive compensation that has been selected by our shareholders. However, because this vote is advisory, the result will not be binding on us, our Board of Directors or our Compensation Committee.

***What does it mean if I receive more than one proxy or voting instruction card?***

It means your shares are registered differently or are in more than one account. Please provide voting instructions for all proxy and voting instruction cards you receive.



---

**QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND THE 2017 ANNUAL MEETING  
OF SHAREHOLDERS**

***Who will count the vote?***

A representative of Broadridge Financial Solutions, Inc., the Company's mailing agent, will tabulate the votes. Mark C. Dely, the Company's Secretary, will act as the inspector of election.

***How are broker non-votes counted? What if I abstain?***

When a proposal is not a routine, uncontested matter and a brokerage firm has not received voting instructions from the beneficial owner of the shares with respect to that proposal, the brokerage firm cannot vote the shares on that proposal. This is called a broker non-vote. Absent instructions, your broker will NOT be able to vote your shares with respect to the election of directors because the election is considered to be a non-routine matter. Abstentions and broker non-votes will be counted for purposes of determining whether a quorum is present, but will generally have no effect on either of the proposals described above because they are not considered votes cast.

**We strongly encourage you to vote your shares and exercise your right to vote as a shareholder.**

***Can I revoke my proxy or change my vote?***

Yes. You may revoke your proxy or change your voting instructions at any time prior to the vote at the Annual Meeting by:

providing written notice to the Secretary of the Company;

delivering a valid, later-dated proxy or a later-dated vote on the Internet or by telephone; or

attending the Annual Meeting and voting in person.

Please note that your attendance in person at the Annual Meeting will not cause your previously granted proxy to be revoked unless you specifically so request. Shares held in street name may be voted in person by you at the Annual Meeting only if you obtain a signed proxy from the record holder giving you the right to vote the shares. If your shares are held in street name, you must contact your brokerage firm, bank or other nominee to change your vote or obtain a proxy to vote your shares if you wish to cast your votes in person at the meeting.

***Who will bear the cost of soliciting votes for the Annual Meeting?***

The Company is soliciting your proxy and will pay the entire cost of preparing, assembling, printing, mailing and distributing these proxy materials. In addition to the mailing of these proxy materials, the solicitation of proxies or votes may be made in person, by telephone or by electronic and facsimile transmission by our directors, officers and

employees, who will not receive any additional compensation for such solicitation activities. We may reimburse brokerage firms and other persons representing beneficial owners of our common shares for their expenses in forwarding solicitation material to such beneficial owners.

***I share an address with another shareholder and we received only one paper copy of the proxy materials. How may I obtain an additional copy of the proxy materials?***

The Company has adopted a procedure called householding, which the Securities and Exchange Commission (the SEC) has approved. Under this procedure, the Company is delivering a single copy of this Proxy Statement to multiple shareholders who share the same address unless the Company has received contrary instructions from one or more of the shareholders. This procedure reduces the Company's printing costs, mailing costs and fees. Shareholders who participate in householding will continue to be able to access and receive separate proxy cards. Upon written or oral request, a separate copy of this Proxy Statement will be promptly delivered to any shareholder at a shared address to which the Company delivered a single copy. To receive a separate copy of this Proxy Statement, or a separate copy of future proxy statements, shareholders may write or call Broadridge Financial Solutions, Inc. at the following address and telephone number: Household Department, 51 Mercedes Way, Edgewood, New York 11717 or 1-800-542-1061. Shareholders who hold shares in street name may contact their brokerage firm, bank, broker-dealer or other similar organization to request information about householding.

***Can I access the Company's proxy materials and Annual Report electronically?***

This Proxy Statement and copies of the Company's Annual Report on Form 10-K for the fiscal year ended January 28, 2017, as filed with the SEC, are available to

**QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND THE 2017 ANNUAL MEETING OF SHAREHOLDERS**

shareholders free of charge in the Investor Relations section of the Company's website at [www.verabradley.com](http://www.verabradley.com) or by writing to Vera Bradley, Inc., 12420 Stonebridge Road, Roanoke, Indiana 46783.

***Where can I find the voting results of the Annual Meeting?***

The Company will announce preliminary voting results at the Annual Meeting and publish results in a Current Report on Form 8-K within four business days of the Annual Meeting.

## SHARE OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

### SHARE OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding ownership of our common shares as of March 31, 2017 for the following individuals:

- v each person known to us to own beneficially more than 5% of our outstanding common shares;
- v each of our executive officers named in the summary compensation table;
- v each of our directors; and
- v all of our executive officers and directors as a group.

Beneficial ownership is determined in accordance with the rules of the SEC. Except as described below, in computing the number of shares beneficially owned by a person and the percentage ownership of that person, common shares subject to options or warrants held by that person that are currently exercisable or exercisable within 60 days of March 31, 2017, are deemed outstanding but are not deemed outstanding for computing the percentage ownership of any other person. These rules generally attribute beneficial ownership of securities to persons who possess sole or shared voting power or investment power with respect to such securities. All of the shares reflected in the table are common shares.

Percentage of beneficial ownership is based on 36,317,669 common shares outstanding as of March 31, 2017. Unless otherwise indicated, the address of each beneficial owner listed below is c/o Vera Bradley, Inc., 12420 Stonebridge Road, Fort Wayne, Indiana 46783.

Name of beneficial owner	Common Shares beneficially owned	
	Shares	%
<u>5% Beneficial Owners</u>		
Michael C. Ray <sup>(1)</sup>	7,921,074	21.8%
Anne-Marie Ray <sup>(2)</sup>	7,682,274	21.2%
Joan B. Hall <sup>(3)</sup>	7,085,289	19.5%
James B. Byrne <sup>(4)</sup>	7,030,826	19.4%
Thomas F. Byrne II <sup>(5)</sup>	7,030,826	19.4%
Daruma Capital Management, LLC <sup>(6)</sup>	3,267,487	9.0%

Edgar Filing: Vera Bradley, Inc. - Form DEF 14A

BlackRock, Inc. <sup>(7)</sup>	2,477,622	6.8%
<u>Directors and Executive Officers</u>		
Robert Wallstrom	37,904	*
Barbara Bradley Baekgaard	19,283	*
Patricia R. Miller <sup>(8)</sup>	6,251,852	17.2%
P. Michael Miller <sup>(8)</sup>	6,251,852	17.2%
Richard Baum	11,317	*
Robert J. Hall <sup>(9)</sup>	7,085,289	19.5%
John E. Kyees	36,745	*
Matthew McEvoy	22,838	*
Frances P. Philip	19,338	*
Edward M. Schmults	17,326	*
Mary Lou Kelley	4,302	*
Kimberly F. Colby <sup>(10)</sup>	811,384	2.2%
Kevin Sierks	34,579	*
Sue Fuller	40,538	*
Directors and Executive Officers as a Group (16 persons)	14,395,986	39.6%

\* Represents beneficial ownership of less than one percent of the outstanding shares of common shares.

(1) Represents 191,962 shares held by Michael C. Ray; 698,286 shares held by the Michael Ray 2009 Grantor Retained Annuity Trust (the Ray Trust ); 6,610,469 shares held by the Barbara B. Baekgaard 2009 Grantor Retained Annuity

---

**SHARE OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

- Trust (the Baekgaard Trust ); 200,000 and 173,519 shares held by the Anne-Marie Ray 2016 and 2015 Grantor Retained Annuity Trust, respectively, (the Anne-Marie Trusts ); and 46,838 shares held by the Barbara Bradley Baekgaard Family Foundation (the Foundation ). The reporting person disclaims beneficial ownership of the Issuer's shares held by the Ray Trust, the Baekgaard Trust, the Anne-Marie Trusts and the Foundation.
- (2) Represents 6,610,469 shares held by the Baekgaard Trust; 373,519 shares held by the Anne-Marie Trusts of which Mrs. Ray is the sole trustee; and 698,286 shares held by the Ray Trust of which Mrs. Ray is the sole trustee. The reporting person disclaims beneficial ownership of the Issuer's shares held by the Baekgaard Trust.
  - (3) Represents 54,463 shares held by Robert J. Hall, Mrs. Hall's spouse; 6,610,469 shares held by the Baekgaard Trust; 46,838 shares held by the Foundation of which Mrs. Hall is a co-trustee; and 200,000 and 173,519 shares held by the Joan Byrne Hall 2016 and 2015 Grantor Retained Annuity Trust (the Joan Byrne Hall Trusts ), respectively, of which Mrs. Hall is the sole trustee. The reporting person disclaims beneficial ownership of the Issuer's shares held by the Baekgaard Trust and the Foundation.
  - (4) Represents 6,610,469 shares held by the Baekgaard Trust; 46,838 shares held by the Foundation of which Mr. Byrne is a co-trustee; and 200,000 and 173,519 shares held by the James B. Byrne 2016 and 2015 Grantor Retained Annuity Trust, respectively, of which Mr. Byrne is the sole trustee. The reporting person disclaims beneficial ownership of the Issuer's shares held by the Baekgaard Trust and the Foundation.
  - (5) Represents 6,610,469 shares held by the Baekgaard Trust; 46,838 shares held by the Foundation of which Mr. Byrne is a co-trustee; and 200,000 and 173,519 shares held by the Thomas F. Byrne, II 2016 and 2015 Grantor Retained Annuity Trust, respectively, of which Mr. Byrne is the sole trustee. The reporting person disclaims beneficial ownership of the Issuer's shares held by the Baekgaard Trust and the Foundation.
  - (6) Information contained in the columns above and this footnote is based on a report on Schedule 13G/A filed with the SEC on February 14, 2017 by Daruma Capital Management, LLC. Various persons have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, these shares. The principal place of business for Daruma Capital Management LLC is 1120 Avenues of the Americas, 21<sup>st</sup> Floor, New York, New York 10036.
  - (7) Information contained in the columns above and this footnote is based on a report on Schedule 13G filed with the SEC on January 30, 2017 by BlackRock, Inc. Various persons have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, these shares. The principal place of business for BlackRock, Inc. is 55 East 52<sup>nd</sup> Street, New York, New York 10055.
  - (8) P. Michael Miller and Patricia R. Miller are husband and wife. Collectively, they beneficially own an aggregate of 6,251,852 common shares. Of these shares, 1,683,340 shares are held by the Patricia R. Miller 2007 Family Trust of which Mr. Miller is the trustee; 1,500,000 shares are held by the Miller Marital Trust of which Mrs. Miller is the trustee; 3,000,497 shares are held by Patricia R. Miller; and 68,015 shares are held by P. Michael Miller.
  - (9) Represents 54,463 shares held by Robert J. Hall; 6,610,469 shares held by the Baekgaard Trust; 46,838 shares held by the Foundation of which Mr. Hall's spouse is a co-trustee; and 373,519 shares held by the Joan Byrne Hall Trusts of which Mr. Hall's spouse is the sole trustee. The reporting person disclaims beneficial ownership of the Issuer's shares held by the Baekgaard Trust, the Foundation, and the Joan Byrne Hall Trusts.
  - (10) Represents 16,209 shares held by Kimberly F. Colby; 258,012 shares held by the Kimberly F. Colby Insurance Trust; 126,193 shares held by the Colby Gift Trust; and 410,970 shares held by the Kimberly F. Colby Revocable Trust.

44 Vera Bradley, Inc. *2017 Proxy Statement*

**OTHER BUSINESS AND ADDITIONAL INFORMATION**

**OTHER BUSINESS AND ADDITIONAL INFORMATION**

**SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Exchange Act requires Vera Bradley's executive officers, directors and persons who beneficially own more than 10% of our common shares to file initial reports of ownership and reports of changes in ownership with the Securities and Exchange Commission. Such persons are required by Commission regulations to furnish Vera Bradley with copies of all Section 16(a) forms filed by such persons. Based solely on Vera Bradley's review of such forms furnished to it and written representations from certain reporting persons, Vera Bradley believes that all filing requirements applicable to its executive officers, directors and more than 10% shareholders were complied with during fiscal 2017.

**REQUIREMENTS, INCLUDING  
DEADLINES, FOR SUBMISSION OF PROXY  
PROPOSALS, NOMINATION OF  
DIRECTORS AND OTHER BUSINESS OF  
SHAREHOLDERS**

In order to submit shareholder proposals for the 2018 annual meeting of shareholders for inclusion in the Company's Proxy Statement pursuant to SEC Rule 14a-8, materials must be received by the Secretary at the Company's principal office in Fort Wayne, Indiana, no later than December 26, 2017.

The proposals must comply with all of the requirements of SEC Rule 14a-8. Proposals should be addressed to: Mark C. Dely, Vice President - Chief Legal Officer and Secretary, Vera Bradley, Inc., 12420 Stonebridge Road, Roanoke, Indiana 46783. As the rules of the SEC make clear, simply submitting a proposal does not guarantee its inclusion.

The Company's amended and restated bylaws also establish an advance notice procedure with regard to

director nominations and shareholder proposals that are not submitted for inclusion in the Proxy Statement, but that a shareholder instead wishes to present directly at an annual meeting. To properly bring before the 2018 annual meeting, a nomination or other matter the shareholder wishes to present at the meeting, the shareholder must have given written notification thereof, either by personal delivery or by United States mail, postage prepaid, to the Secretary of the Company no earlier than 120 days and not later than 90 days in advance of the date of the Company's Proxy Statement released to shareholders in connection with the previous year's annual meeting of shareholders. As a result, any notice given by or on behalf of a shareholder pursuant to these provisions of the Company's amended and restated bylaws (and not pursuant to SEC Rule 14a-8) must be received no earlier than December 26, 2017, and no later than



January 25, 2018. All director nominations and shareholder proposals must comply with the requirements of the Company's amended and restated bylaws, a copy of which may be obtained at no cost from the Secretary of the Company.

Other than the four proposals described in this Proxy Statement, Vera Bradley does not expect any matters to be presented for a vote at the Annual Meeting. If you grant a proxy, the persons named as proxy holders on the proxy card will have the discretion to vote your shares on any additional matters properly presented for a vote at the Annual Meeting. If for any unforeseen reason, any one or more of Vera Bradley's nominees is not available as a candidate for director, the persons named as proxy holders will vote your proxy for such other candidate or candidates as may be nominated by the Board of Directors.

The chairman of the meeting may refuse to allow the transaction of any business not presented beforehand or to require acknowledgment of the nomination of any person not made in compliance with the foregoing procedures.

**VOTE BY INTERNET - [www.proxyvote.com](http://www.proxyvote.com)**

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

***VERA BRADLEY, INC***

***12420 Stonebridge Road***

***Roanoke, IN 46783***

**ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS**

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

**VOTE BY PHONE - 1-800-690-6903**

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

**VOTE BY MAIL**

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

KEEP THIS PORTION FOR YOUR RECORDS  
DETACH AND RETURN THIS  
PORTION ONLY

**THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.**

**For Withhold For All To withhold  
All Except authority to**

**The Board of Directors recommends you vote FOR the following:**

**All**

vote for any individual nominee(s), mark For All Except and write the number(s) of the nominee(s) on the line below.

**1. Election of Directors**

**Nominees**

- 01 Mary Lou Kelley
- 02 John E. Kyees
- 03 Matthew McEvoy
- 04 Robert Wallstrom

**For    Against    Abstain**

**The Board of Directors recommends you vote FOR proposals 2 and 3.**

- 2.** To ratify the Audit Committee's appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for fiscal 2018.
- 3.** To approve, on an advisory basis, the compensation of the company's named executive officers.

**The Board of Directors recommends you vote 1 YEAR on proposal 4.**

**1 year    2 years    3 years    Abstain**

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

**NOTE:** In their discretion, the proxy holders may vote on such other matters as may properly come before the Annual Meeting, or at any adjournment or postponement thereof.

For address change/comments, mark here.  
(see reverse for instructions)

**Yes    No**

Please indicate if you plan to attend this meeting

Edgar Filing: Vera Bradley, Inc. - Form DEF 14A

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name, by authorized officer.

Signature [PLEASE SIGN WITHIN BOX] Date

Signature  
(Joint  
Owners)      Date

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:**

The Notice & Proxy Statement and Annual Report are available at [www.proxyvote.com](http://www.proxyvote.com).

**VERA BRADLEY, INC.**

**Annual Meeting of Shareholders**

**Thursday, May 25, 2017 11:00 AM EDT**

**12420 Stonebridge Road**

**Roanoke, Indiana 46783**

**This proxy is solicited on behalf of the Board of Directors of Vera Bradley, Inc.**

The undersigned hereby appoints Robert Wallstrom and Mark C. Dely, or any of them, as true and lawful agents and proxies with full power of substitution in each, to attend and represent the undersigned on all matters to come before the Annual Meeting of Shareholders and to vote as designated on the reverse side, all the common shares of Vera Bradley, Inc., held of record by the undersigned on March 27, 2017, during or at any adjournment or postponement of the Annual Meeting of Shareholders to be held at 11:00 A.M., EDT at the Company's offices at 12420 Stonebridge Road, Roanoke, Indiana 46783 on Thursday, May 25, 2017. I hereby acknowledge receipt of the Notice of Annual Meeting of Shareholders and the accompanying Proxy Statement, the terms of which are incorporated by reference, and revoke any proxy previously given by me with respect to such meeting.

**This proxy will be voted as directed, or if no direction is indicated, the proxy holders will vote the shares represented by this proxy FOR ALL director nominees under Proposal 1, FOR Proposal 2, FOR Proposal 3, and every 1 YEAR for Proposal 4 and in the discretion of the proxy holders on any other matter that may properly come before the meeting.**

**Address change/comments:**

---

---

---

(If you noted any Address Changes and/or Comments above, please mark corresponding box on the reverse side.)

**Continued and to be signed on reverse side**