

Vera Bradley, Inc.
Form 10-K/A
January 16, 2013
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

Amendment No. 1

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

For the Fiscal Year Ended January 28, 2012

OR

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

For the Transition Period From to

Commission File Number: 001-34918

VERA BRADLEY, INC.

(Exact name of registrant as specified in its charter)

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Indiana (State or other jurisdiction of incorporation or organization)	27-2935063 (I.R.S. Employer Identification No.)
2208 Production Road, Fort Wayne, Indiana (Address of principal executive offices)	46808 (Zip Code)

(877) 708-8372
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock	The NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the registrant's voting stock held by non-affiliates of the registrant as of July 30, 2011 was \$713,454,367.

The registrant had 40,506,720 shares of its common stock outstanding as of March 23, 2012.

EXPLANATORY NOTE FOR AMENDMENT NO. 1:

Vera Bradley, Inc. (the Company) is filing this amendment (this Amendment) to our Annual Report on Form 10-K for the fiscal year ended January 28, 2012 (the Initial Filing), filed with the SEC on March 27, 2012, (i) to amend and restate Item 11 of Part III, Executive Compensation, to provide the disclosure required under Item 402 of Regulation S-K for a named executive officer who was inadvertently omitted from the Initial Filing and to omit an officer who was mistakenly included as a named executive officer, as the result of an error calculating compensation, (ii) to amend and restate Item 9A of Part II, Controls and Procedures, to update the disclosures required by Items 307 and 308 of Regulation S-K and (iii) to provide the certifications required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002 as of the date of this Amendment.

This Amendment should be read in conjunction with the Initial Filing, which continues to speak as of the date of the Initial Filing. Except as specifically noted above, this Amendment does not modify or update disclosures in the Initial Filing. Accordingly, this Amendment does not reflect events occurring after the filing of the Initial Filing or modify or update any related or other disclosures.

Table of Contents

TABLE OF CONTENTS

<u>PART II.</u>	3
<u>Item 9A.</u> Controls and Procedures	3
<u>PART III.</u>	4
<u>Item 11.</u> Executive Compensation	4
<u>PART IV.</u>	18
<u>Item 15.</u> Exhibits, Financial Statement Schedules	18

Table of Contents

PART II

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

Based on the evaluation of the Company's disclosure controls and procedures, as that term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act), each of Michael C. Ray, the Principal Executive Officer of the Company, and Kevin J. Sierks, the Principal Financial Officer of the Company, has concluded that the Company's disclosure controls and procedures were not effective as of January 28, 2012, due solely to the matter described below. The Company was required to file an amendment (this Amendment) to our Annual Report on Form 10-K for the fiscal year ended January 28, 2012 (the Initial Filing), filed with the SEC on March 27, 2012, to amend and restate Item 11 of Part III, Executive Compensation, to provide the disclosure required under Item 402 of Regulation S-K for a named executive officer who was inadvertently omitted from the Initial Filing and to omit an officer who was mistakenly included as a named executive officer, as the result of an error calculating compensation.

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with generally accepted accounting principles. Management, under the supervision and with the participation of the Company's Principal Executive Officer and Principal Financial Officer, has evaluated the effectiveness of the Company's internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission in Internal Control-Integrated Framework. Based on the results of that evaluation, management has concluded that such internal control over financial reporting was effective as of January 28, 2012. The disclosure matter above did not impact Management's Report on Internal Control over Financial Reporting.

The effectiveness of the Company's internal control over financial reporting as of January 28, 2012 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears on page 47 of the Initial Filing.

Changes in Internal Control over Financial Reporting

There were no changes in internal control over financial reporting that occurred during the fourth fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Table of Contents

PART III

Item 11. 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, 2012.

SUBMITTED BY THE COMPENSATION COMMITTEE

Edward M. Schmults, Chair

John E. Kyees

Frances P. Philip

Compensation Discussion and Analysis

This is a presentation of the material elements of our compensation practices for our named executive officers. The following executives are our named executive officers for fiscal 2012, as that term is defined by the Securities and Exchange Commission:

Michael C. Ray, Chief Executive Officer

Jeffrey A. Blade, Executive Vice President Chief Financial and Administrative Officer

Barbara Bradley Baekgaard, Chief Creative Officer

Kimberly F. Colby, Executive Vice President Design

Matthew C. Wojewuczki, Executive Vice President Operations

To assist in understanding our named executive officer compensation program, we have included a discussion of our compensation policies and decisions for periods before and after fiscal 2012 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 named executive officers.

The information provided in this section should be read together with the tables and narratives that accompany the information presented.

Executive Summary

Business Highlights

Financial Performance. Fiscal 2012 represented another outstanding year for our Company, as reflected in our full-year results. We feel that the strength and appeal of our brand and our product portfolio, our significant multi-channel distribution capabilities, and the ongoing loyalty of our customers, resulted in solid growth in all of our distribution channels during the year.

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For the fiscal year ended January 28, 2012, net revenues increased 26% from the prior year to \$460.8 million.

Revenues in our Direct segment increased 49% from the prior year to \$225.3 million, with comparable-store sales increasing 10.9% compared to fiscal 2011.

Table of Contents

Revenues in our Indirect segment increased 10% from the prior year to \$235.6 million.

Gross profit for fiscal 2012 increased 23% to \$257.6 million resulting in a gross profit margin of 55.9% versus 57.1% in the prior year. The gross profit margin decline during fiscal 2012 was principally due to increases in cotton prices and labor costs.

Operating income for fiscal 2012 increased to \$96.2 million, or 20.9% of net revenues, compared to \$53.3 million in the prior year. Operating income for fiscal 2011 included \$21.9 million of compensation expense related to restricted-stock awards.

Net income for fiscal 2012 was \$57.9 million, or \$1.43 per diluted share, compared to \$46.2 million, or \$1.25 per diluted share, in fiscal 2011.

Cash flow from operations for fiscal 2012 of \$51.5 million enabled us to reduce long-term debt by \$41.8 million to \$25.1 million and end the year with cash and cash equivalents of \$4.9 million.

Inventory at the end of fiscal 2012 was \$107.0 million, compared to \$96.7 million at the end of the prior year, reflecting growth of 11%, below the increase in net revenues of 26%.

Operational Achievements. In fiscal 2012, we remained focused on executing our growth strategies, which include growing in underpenetrated markets and expanding our store base and product offering. To that end, in fiscal 2012 we:

Opened 13 full-price stores and four outlet stores and began retail operations in three new states.

Partnered with Dillard's to launch our products in 65 locations.

Introduced our brand in Japan through a combination of pop-up stores and the launch of a Japanese-language website.

Began an approximately 200,000 square-foot expansion of our distribution facility in Roanoke, Indiana.

We believe the combination of our expanding product offerings and continued growth in underpenetrated markets will lead to meaningful growth opportunities in the coming years.

Response to Advisory Vote on Executive Compensation

We were pleased that approximately 80% of the votes cast last year on the advisory vote on our executive compensation program voted in support of the compensation paid to the named executive officers. We also had ongoing discussions with our shareholders on this topic throughout the year. The Compensation Committee reviewed the results and, based on the significant support we received, determined that the results of the vote did not call for any major changes to the executive compensation plans for fiscal 2012, which was set in March 2011, prior to the date of the annual meeting.

However, to more closely reflect competitive and market practices and to better link compensation to long-term performance, changes to compensation for fiscal 2013 include the following.

Long-term incentive:

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In fiscal 2012, each named executive officer received a grant of time-based restricted stock units which provides for vesting in three equal annual installments on the first, second and third anniversaries of the grant date.

Table of Contents

In fiscal 2013, the Compensation Committee approved a long-term incentive grant to each named executive officer which was made up of 60% performance-based restricted stock units and 40% time-based restricted stock units. The performance based restricted stock units provide for vesting at the end of a three-year performance period, and the number of units actually earned will depend on our net income performance over that performance period. The time-based restricted stock units provide for vesting in three equal annual installments on the first, second and third anniversaries of the grant date. We believe that moving from time-based equity compensation to a mix of time-based and performance-based equity compensation will serve to better align management and shareholder interests, as well as achieve a better balance between fixed and variable elements of compensation.

Annual Incentive:

In fiscal 2012, bonus payouts were determined based 50% on net revenue and 50% on net income performance. Threshold performance for both net revenue and net income, below which no payout would be earned, was set at 85% of the target performance and would result in the named executive officer earning a payout of 50% of his or her target bonus. Maximum performance for both net revenue and net income was set at 115% of the target performance and would result in the named executive officer earning a payout of up to 150% of his or her target bonus.

For fiscal 2013, the Compensation Committee again decided to base potential bonus payouts 50% on company-wide net revenue and 50% on net income performance. However, both threshold and maximum performance measures were adjusted. Threshold and maximum performance levels were set at 90% and 110%, respectively, of target performance. Before making the decision to narrow the range of threshold and maximum performance, the Compensation Committee and management engaged in a rigorous goal setting process that resulted in setting maximum performance levels that they believe will require exceptional effort and performance by the management team. In addition, to be more in line with competitive market practice and to reward executives for truly exceptional performance, the Compensation Committee adjusted the payout maximum from 150% to 200%. We believe that narrowing the range of threshold performance better ensures that the annual incentive plan pays only for performance that is in line with expectations.

In addition, 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; prohibition on hedging of our stock; the absence of tax gross-ups contained in any of our compensation programs (including no excise tax gross-ups); and the absence of employment agreements providing for substantial severance payments.

How We Make Compensation Decisions

Role of the Compensation Committee

The Compensation Committee is responsible to the Board for overseeing the development and administration of our compensation programs. The Compensation Committee is composed of three independent directors and is responsible for the review and approval of all aspects of executive compensation. The Committee is supported in its work by the head of the Human Resources Department, her staff, and an independent executive compensation consultant, as described below.

Role of Management

Our Compensation Committee generally seeks input from Mr. Ray when discussing the performance and compensation levels of the other named executive officers. The Compensation Committee also works with Mr. Ray, Mr. Blade, and the head of our human resources department in evaluating the financial, accounting, tax, and retention implications of our various compensation programs. Neither Mr. Ray nor Mr. Blade, nor any of our other executives, participates in deliberations relating to his or her own compensation.

Table of Contents

Role of the Compensation Consultant

In fiscal 2010, the Compensation Committee retained Towers Watson (formerly known as Towers Perrin, prior to its merger with Watson Wyatt) to act as its executive compensation consultant. In taking action in March 2011 to set fiscal 2012 compensation, the Compensation Committee referred to compensation data provided by Towers Watson in June 2010.

More recently, the Compensation Committee has retained Meridian Compensation Partners, LLC as its executive compensation consultant. Meridian is retained by and reports directly to the Compensation Committee and the Committee may replace the consultant or hire additional consultants at any time. A Meridian representative attends Compensation Committee meetings, as requested, and communicates with the chair of the Compensation Committee between meetings. Our Compensation Committee, however, makes all decisions regarding the compensation of our named executive officers.

Philosophy and Objectives of Our Executive Compensation Program

Our executive compensation program is designed to encourage our named executive officers to focus on building shareholder value, maximizing growth and profitability, and continuing to maintain our unique culture and build our strong brand. We strive to provide our named executive officers with a compensation package that is competitive within our industry. We also view compensation practices as a means for communicating our goals and for motivating and rewarding employees in relation to their achievements.

Our objective is to provide a competitive total rewards compensation package to attract and retain key personnel and drive effective results. Our executive compensation program provides for the following main elements:

base salaries, which are designed to allow us to attract and retain qualified candidates in a highly competitive market;

annual incentive compensation, which provides additional cash compensation and is designed to support our pay-for-performance philosophy;

equity compensation, 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; and

a comprehensive benefits package that is available to all of our employees.

A detailed description of these components is provided below.

Elements of Our Executive Compensation Program

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 and contributions to the Company. We believe our base salaries are set at levels that allow us to attract and retain executives in competitive markets.

Annual Incentive Compensation. 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 objectives and to incentivize our named executive officers to meet these objectives by tying the entire cash incentive to financial goals. In fiscal 2012, these financial objectives were weighted equally between net revenue and net income. The Compensation Committee selected net revenue because, we believe as a company still in the early stages following a public offering, 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 Compensation Committee selected net income as a second performance metric. In the future, as the Company grows and circumstances change, the Compensation Committee will review the application of other performance measures. The Compensation Committee typically sets a target level of performance at which the full target bonus can be earned. The Compensation 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 (capped at 150% in fiscal 2012).

Table of Contents

Long-Term Incentive Compensation. We also 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. We believe these awards also serve as motivation to executives to continue to improve the long-term performance of the Company. In fiscal 2012, the Compensation Committee granted time-based restricted stock units to align our executive's interests with those of our shareholders, to serve as a long-term retention tool and to provide an immediate ownership stake in the newly public company. Please see Executive Summary Response to Advisory Vote on Executive Compensation for a discussion of changes made to fiscal 2013 long-term incentive compensation.

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, tuition reimbursement 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 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 \$16,500 per person for calendar year 2011. Employees elective deferrals are immediately vested and non-forfeitable upon contribution to the 401(k) plan. We currently provide matching contributions equal to 50% of an employee's individual contribution, up to a maximum of 10% of the participant's annual salary and subject to certain other limits.

Determining the Amount of Each Element of Compensation

Overview. The amount of each element of our compensation program is determined by our Compensation Committee on an annual basis taking into consideration our results of operations, long-term and short-term goals, individual goals, the competitive market for our named executive officers, and general economic factors. Our approach has been to provide executives with a base salary, annual bonus opportunity and long-term incentive opportunity that generally are competitive with the level of those elements paid for comparable positions at comparable companies. Once the level of compensation is set for the year, the Compensation Committee may revisit its decisions if there are material developments during the year, such as promotions, changes in responsibilities, or other factors, that may warrant a change in compensation. After the year is over, the Compensation Committee reviews our financial performance to determine the achievement of annual incentive compensation targets and to assess the overall functioning of our compensation plans against our goals.

Base Pay. In its March 2011 review of base salaries for fiscal 2012, our Compensation Committee considered the Company's overall approach to merit increases, which was based upon a target level of a 4% merit increase which was then adjusted up or down based upon an employee's performance; each individual's performance and any changes in his or her role or responsibility; and the information provided in June 2010 by the compensation consultant, Towers Watson. Towers Watson provided data and recommendations regarding our compensation program in order to allow us to remain competitive with compensation programs at other companies with which we may compete for talent. In its review of our levels of base salary as compared to the market, Towers Watson gathered base salary data from Watson Wyatt's Top Management Database, which was adjusted to reflect our revenue size. We did not select a specific peer group, nor did we review data from specific companies (nor were we aware of the identities of the specific component companies included in the database), but rather we used market pay data for the non-durable goods manufacturer segment within the Watson Wyatt database. The base salary data that was gathered was effective as of April 1, 2010. Our objective is generally to be within the competitive range of the market median, on average, for base salaries of our executive officers, including our named executive officers. We consider a range of +/-15% around the market median (50th percentile) to be competitive but still capable of recognizing differences among executives.

After consideration of this information, the Compensation Committee decided to adjust Mr. Ray's base salary by 5% for fiscal 2012, which keeps his base salary aligned with the 50th percentile of comparable CEOs. Mr. Blade's fiscal 2012 base salary was raised by 15.5%, based upon his duties as both a Chief Financial and Chief Administrative Officer. Ms. Colby received a 4.0% base salary increase for fiscal 2012 in line with her individual performance and the budgeted merit increase. As a founder of the Company, Ms. Baekgaard was not considered for an increase to her base salary for fiscal 2012. Mr. Wojewuczki's fiscal 2012 base salary was increased by 5% to bring him within the competitive range of the targeted market 50th percentile, following an increase to his responsibilities in fiscal 2011.

Table of Contents

The following table shows base salary rate increases for each of our named executive officers for fiscal 2012:

Name and Principal Position	Fiscal 2011 Base Salary Rate⁽¹⁾	Fiscal 2012 Base Salary Rate⁽²⁾	Fiscal 2012 Percentage Increase
Michael C. Ray Chief Executive Officer	\$ 550,004	\$ 577,504	5.0%
Jeffrey A. Blade Executive Vice President Chief Financial and Administrative Officer	315,016	363,843	15.5%
Barbara Bradley Baekgaard Chief Creative Officer	465,764	465,764	0.0%
Kimberly F. Colby Executive Vice President Design	379,002	394,162	4.0%
Matthew C. Wojewuczki Executive Vice President Operations	350,844	368,386	5.0%

(1) Effective March 28, 2010, except with respect to Mr. Blade, who was hired on April 29, 2010.

(2) Effective March 29, 2011. See Fiscal 2013 Compensation Actions below for current base salary rates.

Annual Incentive Compensation. Annual incentive compensation opportunities are provided under the 2010 Equity and Incentive Plan (the 2010 Plan), described further in 2010 Equity and Incentive Plan below. Our Compensation Committee establishes the goals for our Annual Incentive Bonus Program on an annual basis, and the payouts, if any, are typically made after the end of each fiscal year following the Compensation Committee's determination of the extent to which the goals have been achieved. The Compensation Committee, however, has the authority to modify or adjust awards upon the occurrence of certain unusual or nonrecurring events.

Bonus payouts for fiscal 2012 were determined based 50% on company-wide net revenue and 50% on net income performance. The following table sets forth the goals for net revenue and net income, as well as actual performance for fiscal 2012 and the bonus opportunity associated with each:

Table of Contents

<i>(\$ in millions)</i>	Net Revenue	Net Income	Bonus Opportunity
Threshold	\$ 382.9	\$ 49.2	50%
Target	\$ 450.5	\$ 57.9	100%
Maximum	\$ 518.0	\$ 66.6	150%
Fiscal 2012 Actual Results	\$ 460.8	\$ 57.9	103.5%

The following table sets forth each named executive officer's threshold, target, and maximum annual bonus opportunity for fiscal 2012, as well as the bonus levels as a percentage of each officer's fiscal 2012 eligible earnings:

Name	Fiscal 2012 Eligible Earnings⁽¹⁾	Fiscal 2012 Threshold Bonus Opportunity	Fiscal 2012 Target Bonus Opportunity	Fiscal 2012 Maximum Bonus Opportunity	Fiscal 2012 Threshold/Target/Maximum Bonus as a Percentage of Eligible Earnings	Fiscal 2012 Bonus Earned
Michael C. Ray	\$ 573,395	\$ 172,019	\$ 344,037	\$ 516,056	30% /60% /90%	\$ 356,078
Jeffrey A. Blade	356,255	89,064	178,128	267,191	25% /50% /75%	184,362
Barbara Bradley Baekgaard	465,764	116,441	232,882	349,323	25% /50% /75%	241,033
Kimberly F. Colby	391,882	97,971	195,941	293,912	25% /50% /75%	202,799
Matthew C. Wojewuczki	365,748	91,437	182,874	274,311	25% /50% /75%	189,275

- (1) Eligible earnings are defined as gross wages earned under regular employment status during the fiscal year, excluding any incentive payments and taxable fringe benefits.

The Compensation Committee selected net revenue as a performance measure for the Annual Incentive Plan because, we believe as a company still in the early stages following a public offering, 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 Compensation Committee selected net income as a second performance metric.

The Compensation Committee strove to set the annual target bonus opportunity in fiscal 2012 for our named executive officers generally to approach the 60th percentile of comparable positions at comparable companies within the database, consistent with our company-wide approach of targeting annual incentive opportunities near the market 60th percentile for all employees. Messrs. Blade and Wojewuczki, and Ms. Baekgaard and Colby all had a fiscal 2012 target bonus opportunity of 50% of their fiscal 2012 base salary, which corresponded in each case with our company-wide approach of aligning target bonuses with the market 60th percentile.

Mr. Ray's target bonus opportunity for fiscal 2012 was set at 60% of his fiscal 2012 base salary, which is below the 60th percentile of comparable positions at comparable companies.

Long-Term Incentive Compensation. In fiscal 2012, the Compensation Committee granted time-based restricted stock units, to align executive's interests with those of shareholders, to serve as a long-term retention tool and to provide an immediate ownership stake in the newly public company. These grants were made in order to retain key executives, provide a vehicle for executive ownership and further align the interests of the executives with those of the shareholders. These grants were made pursuant to the 2010 Plan, and vest and settle 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

Table of Contents

agreement also provides that the units shall vest immediately upon the named executive officer's disability (as defined in the 2010 Plan) or death and upon the later of (i) the occurrences of a change in control (as defined in the 2010 Plan), and (ii) the termination of the named executive officer's employment by the Company other than for cause (as defined in the 2010 Plan) during the time period beginning three months prior to the public announcement of a proposed change in control and ending twelve months after a change in control. See Potential Payments Upon Termination or Change In Control. Mr. Ray was granted 16,623 restricted stock units, which was equal in value to approximately 125% of his fiscal 2011 base salary. Messrs. Blade and Wojewuczki and Ms. Baekgaard and Colby all received grants which were equal in value to approximately 60% of their fiscal 2011 base salary. This equaled 4,570 restricted stock units for Mr. Blade; 5,090 restricted stock units for Mr. Wojewuczki; 6,757 restricted stock units for Ms. Baekgaard; and 5,498 restricted stock units for Ms. Colby.

The size of each individual restricted share grant was based primarily on a combination of internal pay equity considerations and overall dilution of current ownership. We also reviewed, solely as a reference point and not for benchmarking purposes, market data on long-term incentive opportunities within the general industries segment of the Towers Perrin Executive Compensation Database.

Overall Mix of Compensation. Annually, the Compensation 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 Compensation 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, and retention considerations.

Generally, the Compensation Committee considers market practices as reflected in the market survey data provided by its compensation consultant to obtain a baseline of total potential compensation for each named executive officer. Using this as a starting point, the Compensation 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 the incentives to drive performance in the short-term versus the long-term. In this way, we encourage named executive officers to vigorously pursue increased 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 this aligns the interests of the named executive officers with those of the shareholders year-over-year, as well as over the long term.

Agreements with Named Executive Officers

Executive Officer Employment Agreements. None of our named executive officers is a party to an employment agreement with the Company.

Executive Severance Policy. Severance arrangements with executives have traditionally been determined on a case-by-case basis. We have a general severance policy for employees that provides for one week of pay for each year of service with us, with a minimum total payment of two weeks of pay, in the event of an involuntary termination of the employee by us.

The Company negotiated an offer letter with Mr. Blade which provides that, in the event he is terminated by us without just cause (as defined in his offer letter), he will be entitled to a severance payment equal to one year's base salary and a pro-rata bonus for the portion of the year prior to his termination, to the extent that a bonus would be payable for the year based on Company performance.

Change in Control. The 2010 Plan permits the potential acceleration of outstanding awards in the event of an involuntary termination of employment of an executive in connection with a change in control, as defined in the 2010 Plan, in accordance with the applicable award agreements. See Potential Payments on Termination or Change in Control.

Table of Contents

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 Compensation Committee will assess the impact of Section 162(m) on our compensation practices and determine what further action, if any, is appropriate. The 2010 Plan allows us to provide compensation that meets the deductibility requirements of Section 162(m). Because of our recently completed initial public offering, however, compensation under the 2010 Plan is not subject to Section 162(m) until the earliest to occur of (i) the expiration of the 2010 Plan, (ii) an amendment of the 2010 Plan that results in a material modification of the 2010 Plan, (iii) the issuance of all of our common shares that have been reserved for issuance under the 2010 Plan, or (iv) our 2014 annual meeting of shareholders.

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 2010 compensation for Mr. Blade and Mr. Wojewuczki and fiscal 2011 and fiscal 2010 compensation for Ms. Baekgaard is omitted, because these individuals were not named executive officers during the relevant year.

Name and Principal Position	Fiscal Year	Salary	Bonus ⁽¹⁾	Non-Equity			Total Compensation
				Stock Awards ⁽²⁾	Incentive Plan Compensation ⁽³⁾	All Other Compensation ⁽⁴⁾	
Michael C. Ray Chief Executive Officer	2012	\$ 573,395	\$	\$ 687,527	\$ 356,078	\$ *	\$ 1,617,000
	2011	529,080	839,908	2,250,000	465,061	*	4,092,665
	2010	410,232			306,867	11,800 ⁽⁵⁾	728,899
Jeffrey A. Blade Executive Vice President	2012	356,255		189,015	184,362	*	729,632
Chief Financial and Administrative Officer	2011	238,685	572,665	1,533,800	174,837	142,502 ⁽⁶⁾	2,662,489
Barbara Bradley Baekgaard	2012	465,764					
				Mark Smith			
				Orla Gregory			
				Guy Bowker			
				Duncan Scott			

5.73 Kenmare
Holdings Ltd.
Nominees:
Guy Bowker
Mark Smith
David Roche
Dominic Silvester
Paul O'Shea
Nicholas Packer

5.74 Kinsale
Brokers Limited
Nominees:
Shaun Holden
C. Paul Thomas
Alan Turner

5.75 Knapton
Holdings Limited
Nominees:
Derek Reid
C. Paul Thomas
Alan Turner

5.76 Knapton
Insurance Limited
Nominees:
Ruth McDiarmid
C. Paul Thomas
Alan Turner
Jeremy Riley

5.77 Laguna Life
(UK) Limited
Nominees:
Kieran Hayes
C. Paul Thomas
Alan Turner

5.78 Laguna Life
Holdings Limited
Nominees:
Guy Bowker
Mark Smith
David Roche
Paul O'Shea

5.79 Laguna Life
Holdings SARL
Nominees:

John Cassin
Nicholas Packer

5.80 Laguna Life
Limited
Nominees:
Kieran Hayes
Orla Gregory
C. Paul Thomas
David Allen
Alastair Nicoll

5.81 Marlon
Insurance Company
Limited
Nominees:
Patrick Cogavin
Gary Griffiths
C. Paul Thomas
Alan Turner
Steven Western

5.82 Mercantile
Indemnity Company
Limited
Nominees:
C. Paul Thomas
Alan Turner
Steven Western

5.83 New Castle
Reinsurance
Company Ltd
Nominees:
Paul O'Shea
Mark Smith
David Roche
Duncan Scott
Guy Bowker

5.84 North Bay
Holdings Limited
Nominees:
Paul O'Shea
Nicholas Packer
Mark Smith
James Carey
Darran Baird

5.85 Northshore
Holdings Limited
Nominees:
Mark Smith
Paul O'Shea
Darran Baird
James Carey
Nicholas Packer

5.86 Oceania
Holdings Ltd.
Nominees:
Guy Bowker
Elizabeth DaSilva
Duncan Scott
David Rocke

5.87 Overseas
Reinsurance
Corporation Limited
Nominees:
Paul O'Shea
Mark Smith
David Rocke
Duncan Scott
Guy Bowker

9

5.88 Paget Holdings
GmbH Limited
Nominees:
David Rocke
Duncan Scott
Elizabeth DaSilva

5.89 Paladin
Managed Care
Services, Inc.
Nominees:
Paul Brockman
Jeffrey D. Miller
Thomas Nichols
Steve Norrington

5.90 Pavonia Life
Insurance Company
of New York
Nominees:
Paul Brockman
Kieran Hayes
William Latza
Thomas Nichols
Daniel O'Brien
Robert Redpath
Philip Toohey

5.91 Pavonia
Holdings (US), Inc.
Nominees:
Paul Brockman
Kieran Hayes
Thomas Nichols
Robert Redpath

5.92 Pavonia Life
Insurance Company
of Michigan
Nominees:
Paul Brockman
Kieran Hayes
Jeanne Mitchell
Thomas Nichols
Francis Ortiz
Robert Redpath
Kristan Van Der
Meer

5.93 Point Bay
Insurance Limited
Nominees:
C. Paul Thomas
Phillip McDonald
Derek Patience

5.94 PointSure
Insurance Services,
Inc.
Nominees:
Paul Brockman
Thomas Nichols
Steve Norrington

5.95 Poseidon
Insurance Co Pty
Ltd
Nominees:
Nicholas Packer
Mark Smith
Gary Potts
Jann Skinner
Bruce Bollom

5.96 Providence
Washington
Insurance Company
Nominees:
Paul Brockman
Thomas Nichols
Teresa Reali
Robert Redpath
Richard Seelinger

5.97 Regis Agencies
Limited
Nominees:
C. Paul Thomas
Alan Turner

5.98 Revir Limited
Nominees:
Guy Bowker
Elizabeth DaSilva
David Rocke
Duncan Scott

5.99 River Thames
Insurance Company
Limited
Nominees:
Patrick Cogavin
Max Lewis
C. Paul Thomas
Alan Turner
Steve Western

5.100 Rombalds
Limited
Nominees:
Derek Reid
C. Paul Thomas
Alan Turner

5.101 Rosemont
Reinsurance Ltd
Nominees:
Paul O'Shea
Mark Smith
David Roche
Duncan Scott
Guy Bowker
Orla Gregory

10

5.102 Royston
Holdings Limited

Nominees:
Guy Bowker
David Roche
Duncan Scott

5.103 Royston
Run-off Limited

Nominees:
Derek Reid
C. Paul Thomas
Alan Turner

5.104 SeaBright
Insurance Company

Nominees:
Paul Brockman
John Dore
Anna Hajek
Jennifer Miu
Thomas Nichols
Robert Redpath
Michael Sheehan
Richard Seelinger
Cindy Traczyk

5.105 SGL No 1
Limited

Nominees:
Richard Phinn
Mark Smith
C. Paul Thomas
Alan Turner

5.106 SGL No 3
Limited

Nominees:
Richard Phinn

5.107 Shelbourne
Group Limited

Nominees:
Phillip Martin
Paul O'Shea
Nick Packer

5.108 Shelbourne
Syndicate Services
Limited

Nominees:
Andrew Elliott
Ewen Gilmour
Phillip Martin
Paul O'Shea
Richard Phinn
Dominic Sharp
Darren Truman

5.109 Simcoe
Holdings Ltd.
Nominees:
Elizabeth DaSilva
David Roche
Guy Bowker

5.110 StarStone
Corporate Capital
Limited
Nominees:
Theo Wilkes
Patrick Tiernan

5.111 StarStone
Corporate Capital 1
Limited
Nominees:
David Message
Theo Wilkes
Demian Smith

5.112 StarStone
Corporate Capital 2
Limited
Nominees:
David Message
Theo Wilkes
Demian Smith

5.113 StarStone
Corporate Capital 4
Limited
Nominees:
Theo Wilkes
Demian Smith

5.114 StarStone
Corporate Capital 5
Limited
Nominees:
Theo Wilkes
Demian Smith

5.115 StarStone
Finance Limited
Nominees:
Patrick Tiernan
Theo Wilkes
David Message

5.116 StarStone
Insurance Bermuda
Limited
Nominees:
Nicholas Packer
Paul O'Shea
Mark Smith
Darran Baird
James Carey
Walker Rainey
Patrick Tiernan
John Shettle
Orla Gregory
Kathleen Barker
Demian Smith
David Message
Norman Brown

5.117 StarStone
Insurance Europe
AG

Nominees:
Michael Handler
Donat Marxer
Patrick Tiernan
Theo Wilkes

5.118 StarStone
Insurance PLC

Nominees:
Timothy Fillingham
Michael Handler
David Message
Demian Smtih
Patrick Tiernan
Theo Wilkes
Ian Poynton
John Wardrop
Mark Smith

5.119 StarStone
Insurance Services
Limited

Nominees:
Timothy Fillingham
Theo Wilkes
Richard Grainger
Mick Summersgill

5.120 StarStone
National Insurance
Company

Nominees:
Kathleen Barker
Paul Brockman
Norman Brown
Min Huang
Thomas Nichols
Robert Redpath
John Shettle
R. Lincoln Trimble

5.121 StarStone
Specialty Holdings
Limited

Nominees:
Paul O'Shea
Mark Smith

Darran Baird
James Carey
Walker Rainey
John Shettle
Orla Gregory
Norman Brown
Kathleen Barker
Demian Smith
David Message
Patrick Tiernan
Nicholas Packer

5.122 StarStone
Specialty Insurance
Company
Nominees:
Kathleen Barker
Paul Brockman
Norman Brown
Min Huang
Thomas Nichols
Robert Redpath
John Shettle
R. Lincoln Trimble

5.123 StarStone
Underwriting
Limited
Nominees:
Angela Alecock
Nigel Barton
Paul O'Shea
Demian Smith
John Wardrop
Ewen Gilmour
Patrick Tiernan
David Message
Theo Wilkes
Darren Truman
Richard Phinn

5.124 StarStone US
Holdings Inc.
Nominees:
Norman Brown
Min Huang
John Shettle

5.125 StarStone US
Intermediaries Inc.
Nominees:
Norman Brown
Min Huang
John Shettle
R. Lincoln Trimble

5.126 StarStone US
Services
Nominees:
Norman Brown
Min Huang
John Shettle
R. Lincoln Trimble

5.127 Sundown
Holdings Ltd
Nominees:
Elizabeth DaSilva
David Rocke
Guy Bowker
Duncan Scott

5.128 Sussex
Holdings, Inc.
Nominees:
Paul Brockman
Thomas Nichols
Robert Redpath

5.129 Sussex
Insurance Company
Nominees:
Ian Millar
Robert Redpath
Richard Seelinger
Thomas Nichols
Paul Brockman

5.130 Torus
Bermuda
Intermediaries Ltd.
Nominees:
Elizabeth DaSilva
Duncan Scott
Guy Bowker

5.131 Torus
Bermuda Services
Limited
Nominees:
Elizabeth DaSilva
Duncan Scott
Guy Bowker

5.132 Torus
Business Solutions
Private Ltd.
Nominees:
Mark Kern
Patrick Tiernan
Theo Wilkes

5.133 Unionamerica
Acquisition
Company Limited
Nominees:
Derek Reid
C. Paul Thomas
Alan Turner

5.134 Unionamerica
Holdings Limited
Nominees:
Derek Reid
C. Paul Thomas
Alan Turner

5.135 Unionamerica
Insurance Company
Limited
Nominees:
Jeremy Riley
Ann Slade
C. Paul Thomas
Alan Turner

5.136 Vander
Haeghen & Co SA
Nominees:
Roger
VanderHaeghen
Bertrand
VanderHaeghen
Frederic de Haan
Marc Gilis
Kim Torbeyns
Richard Etridge
Timothy Fillingham

5.137 Virginia
Holdings Ltd.
Nominees:
David Rocke
Duncan Scott
Guy Bowker
Elizabeth DaSilva

Item 8.01. Other
Events.
The Description of
Enstar Group
Limited Share
Capital set forth in
Exhibit 99.1 (the
"Description of
Share Capital") is
being filed for the
purpose of
providing an
updated description
of the share capital

of the Company.
The Description of
Share Capital is
incorporated herein
by reference,
modifies and
supersedes any prior
description of the
share capital of the
Company in any
registration
statement or report
filed with the
Securities and
Exchange
Commission and
will be available for
incorporation by
reference into
certain of the
Company's filings
with the Securities
and Exchange
Commission
pursuant to the
Securities Act of
1933, as amended,
the Securities
Exchange Act of
1934, as amended,
and the rules and
forms promulgated
thereunder.
Item 9.01. Financial
Statements and
Exhibits
Exhibits
Refer to the Exhibit
Index attached
hereto, which is
incorporated herein
by reference.

SIGNATURES

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

ENSTAR
GROUP
LIMITED

Date:
June 17, 2016 By: /s/ Mark
W. Smith

Mark W.
Smith
Chief
Financial
Officer

EXHIBIT INDEX

Exhibit No.	Description
3.1	Certificate of Designations of Series C Participating Non-Voting Perpetual Preferred Stock of Enstar Group Limited, dated as of June 13, 2016
10.1	Enstar Group Limited 2016 Equity Incentive Plan
99.1	Description of Enstar Group Limited Share Capital