

Vera Bradley, Inc.
Form S-1/A
October 13, 2010
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As filed with the Securities and Exchange Commission on October 13, 2010

Registration No. 333-167934

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Amendment No. 6

to

Form S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

VERA BRADLEY, INC.

(Exact name of registrant as specified in its charter)

Indiana
*(State or other jurisdiction of
incorporation or organization)*

3171
*(Primary Standard Industrial
Classification Code Number)*
2208 Production Road

27-2935063
*(I.R.S. Employer
Identification Number)*

Fort Wayne, Indiana 46808

Phone: (877) 708-8372

*(Address, including zip code, and telephone number, including area code,
of registrant's principal executive offices)*

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Michael C. Ray

Chief Executive Officer

Vera Bradley, Inc.

2208 Production Road

Fort Wayne, Indiana 46808

Phone: (877) 708-8372

(Name, address, including zip code, and telephone number,

including area code, of agent for service)

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Approximate date of commencement of proposed sale to the public:

As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box: "

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: "

If this Form is to be a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: "

If this Form is a post-effective amendment pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: "

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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. (Check one):

Large accelerated filer
 Accelerated filer
 Non-accelerated filer
 Smaller reporting company

CALCULATION OF REGISTRATION FEE

Title of each class of Securities to be registered	Amount to be registered ⁽¹⁾	Proposed maximum offering price per share	Proposed maximum aggregate offering price ^{(1) (2)}	Amount of registration fee
Common Stock, without par value	12,650,000 shares	\$ 16.00	\$ 202,400,000	\$ 14,431.12

(1) Includes 1,650,000 that may be sold if the over-allotment option granted to the underwriters is exercised in full.

(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(a) under the Securities Act of 1933, as amended.

(3) Includes \$12,477.50 previously paid.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion, Dated October 13, 2010

PROSPECTUS

Vera Bradley, Inc.

11,000,000 Shares of Common Stock

We are selling 4,000,000 shares of common stock and the selling shareholders are selling 7,000,000 shares of common stock. We will not receive any of the proceeds from the shares of common stock sold by the selling shareholders.

Prior to this offering, there has been no public market for our common stock. The initial public offering price of our common stock is expected to be between \$14.00 and \$16.00 per share. We have applied to list our common stock on The Nasdaq Global Market under the symbol VRA .

Investing in our common stock involves risks. See **Risk Factors** section beginning on page 8 for a description of various risks you should consider in evaluating an investment in the shares.

	Per Share	Total
Initial public offering price	\$	\$
Underwriting discount	\$	\$
Proceeds, before expenses, to us	\$	\$
Proceeds, before expenses, to selling shareholders	\$	\$

The underwriters have a 30-day option to purchase up to 1,650,000 additional shares from certain selling shareholders on the same terms set forth above to cover over-allotments, if any.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of our common stock to purchasers on or about _____, 2010.

Baird

Piper Jaffray

Wells Fargo Securities

KeyBanc Capital Markets

Lazard Capital Markets

, 2010

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You should rely only on the information contained in this prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. The information in this prospectus is current as of the date such information is presented. Our business, financial condition, results of operations and prospects may have changed since those dates.

MARKET AND INDUSTRY DATA AND FORECASTS

This prospectus includes estimates of market share and industry data and forecasts that we obtained from industry publications and surveys. Industry publications and surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information. We have not independently verified any of the data from third party sources, nor have we ascertained the underlying economic assumptions relied upon therein.

BASIS OF PRESENTATION

In January 2008, we changed our fiscal year end from December 31 to the Saturday closest to January 31. Accordingly, references in this prospectus to fiscal years 2012, 2011, 2010 and 2009 refer to the years ended January 28, 2012, January 29, 2011, January 30, 2010 and January 31, 2009, respectively, and references to calendar years 2007, 2006 and 2005 refer to the years ended December 31, 2007, December 31, 2006 and December 31, 2005, respectively. Certain differences in the numbers in the tables and text throughout this prospectus may exist due to rounding.

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PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. You should read this entire prospectus carefully, including the sections titled Risk Factors, Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the notes thereto contained in this prospectus, before making an investment in shares of our common stock. Unless otherwise indicated, the information in this prospectus assumes (1) completion of the reorganization transaction (as defined below), (2) completion of the stock split (as defined below) and (3) that the underwriters will not exercise their over-allotment option to purchase an additional 1,650,000 shares.

We are a newly-formed Indiana corporation that has not, prior to the completion of the reorganization transaction, conducted any activities other than those incident to our formation and the preparation of this prospectus. We were formed solely for the purpose of reorganizing the corporate structure of Vera Bradley Designs, Inc. On October 3, 2010, the shareholders of Vera Bradley Designs, Inc. contributed all of their equity interests in that corporation to us in return for shares of our common stock on a one-for-one basis. As a result, Vera Bradley Designs, Inc. became our wholly-owned subsidiary. We refer to the foregoing as our reorganization transaction. As used in this prospectus, except where the context otherwise requires or where otherwise indicated, the terms company, Vera Bradley, we, our, and us refer to Vera Bradley Designs, Inc. and its subsidiaries before the reorganization transaction, and Vera Bradley, Inc. and its subsidiaries, including Vera Bradley Designs, Inc., after the reorganization transaction.

Our Company

Vera Bradley is a leading designer, producer, marketer and retailer of stylish and highly-functional accessories for women. Our products include a wide offering of handbags, accessories and travel and leisure items. Over our 28-year history, Vera Bradley has become a true lifestyle brand that appeals to a broad range of consumers. Our brand vision is accessible luxury that inspires a casual, fun and family-oriented lifestyle. We have positioned our brand to highlight the high quality, distinctive and vibrant styling and functional design of our products. Frequent releases of new designs help keep the brand fresh and our customers continually engaged.

Our recent growth reflects the expanding demographic appeal of our brand and product offerings. Our customers span generations and include young girls, teens, college students, young professionals, mothers and grandmothers. Our broad product offerings enable our customers to express their personal style in all aspects of their lives, whether at the beach, a weekend getaway, school or work.

We generate net revenues by selling products through two reportable segments: Indirect and Direct. As of July 31, 2010, our Indirect business consisted of sales of Vera Bradley products to approximately 3,300 independent retailers, substantially all of which are located in the U.S., as well as select national retailers and third party e-commerce sites. As of July 31, 2010, our Direct business consisted of sales of Vera Bradley products through our 31 full-price stores, our two outlet stores, verabradley.com, and our annual outlet sale in Fort Wayne, Indiana.

Our net revenues have grown from \$238.6 million in fiscal year 2009 to \$288.9 million in fiscal year 2010, reflecting a growth rate of 21.1%. During fiscal year 2010, net revenues in our Indirect and Direct segments grew 15.2% and 35.1%, respectively. In mid-September 2007, we opened our first full-price Vera Bradley store, growing our store base to 31 full-price stores as of July 31, 2010. Our full-price stores produced comparable-store sales increases of 36.4% in fiscal year 2010 compared to fiscal year 2009 and 26.0% in the six months ended July 31, 2010 compared to the six months ended August 1, 2009. In addition, we have experienced strong sales growth in our e-commerce business in recent years.

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Evolution of Our Business

Beginning in 2005, we embarked on a series of strategic initiatives designed to take advantage of the growing interest in the Vera Bradley brand. These initiatives were designed to strengthen and enhance our business and operating model, expand our demographic and geographic market opportunity and position us for future growth. The core components of these initiatives include the following:

Merchandising Strategy. To appeal to a broader range of consumers, we developed a mix of pattern and product offerings specifically targeted at different consumer demographics, refined our product release strategy to significantly expand our product portfolio and increased the number of new patterns released as well as the frequency of new product launches. In addition, we substantially enhanced our visual merchandising strategy, focusing on a consistent presentation of Vera Bradley as a lifestyle brand.

Multi-Channel Distribution Capability. In 2006, we initiated a Direct channel strategy that was designed to expand our brand presence and broaden our consumer demographic while complementing the growing Indirect channel of our business. The first step in establishing the Direct channel of our business was selling directly to consumers through verabradley.com beginning in 2006. In mid-September 2007, we opened our first full-price store. In fiscal year 2010, we had more than 23 million visits to verabradley.com, and as of July 31, 2010, we had 31 full-price stores and two outlet stores.

Infrastructure Investment. Beginning in 2005, we made a series of investments to strengthen our supply chain capabilities, product development processes and information systems, resulting in substantial cost savings and a more flexible and scalable operating structure. During this period, we shifted our production from a primarily domestic manufacturing model to a more cost-effective global sourcing platform. In 2007, we opened a state-of-the-art warehouse and distribution facility in Fort Wayne, Indiana.

Competitive Strengths

We believe the following competitive strengths differentiate us within the marketplace and provide a strong foundation for our future growth:

Strong Brand Identity and Positioning. We believe the Vera Bradley brand is highly recognized for its distinctive and vibrant style. Vera Bradley is positioned in the market as a lifestyle brand that inspires consumers to express their individuality and sense of style. We have also positioned our brand to highlight the high quality and functional attributes of our products. The Vera Bradley brand is more price accessible than many competing brands, which allows us to attract a wide range of consumers and inspire repeat purchases.

Exceptional Customer Loyalty. We believe that, as consumers become familiar with the Vera Bradley brand and begin using our products, they become loyal and enthusiastic brand advocates. We believe enthusiasm for our brand inspires repeat purchases and helps us expand our customer base. Our customers often purchase our products as gifts for family and friends, who, in turn, become loyal customers.

Product Development Expertise. Our product development team combines an understanding of consumer preferences with a knowledge of color, fashion and style trends to design our products. Our highly creative design associates utilize a disciplined product design process that seeks to maximize the productivity of our product releases and drive consumer demand.

Dynamic Multi-Channel Distribution Model. We offer our products through a diverse choice of shopping options across channels that are intimate, highly shop-able, fun and characteristic of our brand. Whether at a Vera Bradley store, an independent specialty retail store or verabradley.com, we believe consumers have an opportunity to find the brand in places that match their unique shopping interests. Our multi-channel distribution model enables us to maximize brand exposure and customer access to our products.

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Established Network of Indirect Retailers. Our Indirect business consists of an established and diverse network of over 3,300 independent retailers. This channel of gift, apparel and accessories, travel and specialty retailers, located throughout the U.S., provides a strong foundation for our future growth. Our Indirect retailers include some of the brand's strongest advocates and their passion has been instrumental in the development of our brand.

Distinctive Retail Stores. Our stores provide a shopping experience that is uniquely Vera Bradley. We bring the Vera Bradley brand to life in our stores through visual presentation of our wide range of product offerings, the stylish, inviting décor of our stores and personalized service from our friendly and knowledgeable sales associates. We believe the distinctive shopping experience and personalized service encourage repeat visits and multiple purchases.

Unique Company Culture. We were founded in 1982 by two friends, Barbara Bradley Baekgaard and Patricia R. Miller, who built our company around their passion for design and commitment to customer service. We believe our founders created a unique company culture that attracts passionate and motivated employees who are excited about our products and our brand. Our employees share our founders' commitment to Vera Bradley customers. We believe that a fun, friendly and welcoming work environment fosters creativity and collaboration and that, by empowering our employees to become personally involved in product design, testing and marketing, they become passionate and devoted brand advocates.

Experienced Management Team. Our senior management team led by Michael C. Ray, our Chief Executive Officer, has extensive experience across a diverse range of disciplines in product design, merchandising, marketing, store development, supply chain management and finance. The current management team has been instrumental in the development and execution of our long-term strategies.

Growth Strategies

We believe there are significant opportunities to expand our business and increase our net revenues and net income through the execution of the following growth strategies:

Grow in Underpenetrated U.S. Markets. Our historic growth focused primarily on the eastern U.S., and accordingly the Vera Bradley brand is most recognized in that region. In recent years, we have successfully expanded our Indirect and Direct channels in key developing markets in the midwest and southwest. We believe the success of our expansion efforts is a testament to the strength and portability of our brand and the power of our multi-channel distribution capabilities. We intend to rely on these strengths to further penetrate our existing markets and successfully expand both Direct and Indirect channels of our business into relatively underpenetrated markets in the midwest, southwest and west.

Expand Our U.S. Store Base. We plan to expand our retail presence in the U.S. by opening new stores. We believe that the market in the U.S. can support at least 300 Vera Bradley full-price stores. We plan to open nine full-price stores and three outlet stores over the course of fiscal year 2011. We plan to open 14 to 16 new stores over the course of fiscal year 2012 and 14 to 20 new stores annually for the following five fiscal years. We believe that expansion of our store base complements our Indirect segment by increasing brand awareness and reinforcing our brand image.

Drive Comparable-Store Sales and Our E-Commerce Business. We have several ongoing initiatives to drive comparable-store sales growth, including focusing on store-level merchandising programs and enhancing in-store customer service and selling capabilities. As a key element of our Direct channel strategy, we will continue to grow our e-commerce business through focused marketing efforts, online merchandising initiatives and social networking sites such as Facebook and Twitter. We believe our retail and e-commerce businesses are complementary and facilitate frequent contact with our customers.

Expand Our Product Offerings. We design products to accessorize a woman's life and believe this core competence serves as a platform for growth within and beyond our current product lines. We have expanded our product offerings to include new line extensions, such as our Vera Vera microfiber collection, and brand extensions, such as our recently launched paper and stationery collection. We believe that opportunities exist to accessorize a woman's life through complementary product collections that fit within our positioning as a lifestyle brand.

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Risk Factors

Our business is subject to risks, as discussed more fully in the section entitled "Risk Factors" beginning on page 8. In particular, the following risks, among others, may have an adverse effect on our growth strategies, which could cause a decrease in the price of our common stock and result in a loss of all or a portion of your investment:

- i possible adverse changes in general economic conditions and their impact on consumer confidence and consumer spending;
- i possible inability to predict and respond in a timely manner to changes in consumer demand;
- i possible loss of key management or design associates or inability to attract and retain the talent required for our business;
- i possible inability to maintain and enhance our brand;
- i possible inability to successfully implement our growth strategies or manage our growing business;
- i possible inability to successfully open and operate new stores as planned; and
- i possible inability to sustain levels of comparable-store sales.

Reorganization Transaction and Stock Split

Vera Bradley, Inc. is a newly-formed Indiana corporation that has not, prior to the completion of the reorganization transaction, conducted any activities other than those incident to our formation and the preparation of this prospectus. We were formed solely for the purpose of reorganizing the corporate structure of Vera Bradley Designs, Inc.

On October 3, 2010, the shareholders of Vera Bradley Designs, Inc. contributed all of their shares of Class A Voting Common Stock and Class B Non-Voting Common Stock of Vera Bradley Designs, Inc. to us in return for shares of our Class A Voting Common Stock and Class B Non-Voting Common Stock, respectively, on a one-for-one basis. As a result, Vera Bradley Designs, Inc. became our wholly-owned subsidiary. We refer to the foregoing in this prospectus as our reorganization transaction.

The only asset of Vera Bradley, Inc. is its investment in Vera Bradley Designs, Inc., and all of our operations are conducted through Vera Bradley Designs, Inc.

Prior to the effectiveness of the registration statement of which this prospectus is a part, we intend to recapitalize all of our Class A Voting Common Stock and Class B Non-Voting Common Stock into a single class of common stock and authorize and effectuate a 35.437-for-1 stock split of all outstanding shares of our common stock. We refer to the foregoing in this prospectus as our stock split.

Company Information

Our principal executive offices are located at 2208 Production Road, Fort Wayne, Indiana, 46808, and our telephone number at that address is (877) 708-8372. Our website is www.verabradley.com. The information contained on our website or that can be accessed through our website is not part of this prospectus.

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Prior to the completion of the reorganization transaction, we were taxed as an S Corporation for purposes of federal and state income taxes. Accordingly, each of our shareholders was required to include his or her portion of our taxable income or loss on his or her federal and state income tax returns. Upon the consummation of the reorganization transaction, our S Corporation status automatically terminated and we became subject to increased taxes.

Vera Bradley is a trademark of Vera Bradley. All other trademarks appearing in this prospectus are the property of their respective owners.

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The following table presents summary consolidated financial and other data for the periods and at the dates indicated and certain pro forma information to reflect our conversion from an S Corporation to a C Corporation for tax purposes and to reflect the reorganization transaction. The summary income statement data for the fiscal years ended January 31, 2009 and January 30, 2010 and summary consolidated balance sheet data as of January 31, 2009 and January 30, 2010 are derived from our consolidated financial statements audited by PricewaterhouseCoopers LLP, our independent registered public accounting firm, included elsewhere in this prospectus. The summary income statement data for the six months ended August 1, 2009 and July 31, 2010 and the summary balance sheet data as of July 31, 2010 are derived from our unaudited consolidated financial statements that are included elsewhere in this prospectus. The historical results presented below are not necessarily indicative of the results to be expected for any future period. You should read the following information together with the more detailed information contained in Selected Consolidated Financial and Other Data, Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the accompanying notes appearing elsewhere in this prospectus.

(\$ in thousands, except per share data and as otherwise indicated)

	Fiscal Years Ended		Six Months Ended	
	January 31, 2009⁽¹⁾	January 30, 2010	August 1, 2009 (unaudited)	July 31, 2010 (unaudited)
Consolidated Statements of Income:				
Net revenues	\$ 238,577	\$ 288,940	\$ 131,087	\$ 165,078
Cost of sales	115,473	137,803	66,850	69,441
Gross profit	123,104	151,137	64,237	95,637
Selling, general and administrative expenses	109,195	116,168	54,724	72,585
Other income	13,282	10,743	4,980	3,912
Operating income	27,191	45,712	14,493	26,964
Interest expense, net	2,511	1,604	1,015	644
Income before state income taxes	24,680	44,108	13,478	26,320
State income taxes	1,009	889	315	356
Net income	\$ 23,671	\$ 43,219	\$ 13,163	\$ 25,964
Basic net income per common share	\$ 0.67	\$ 1.22	\$ 0.37	\$ 0.73
Diluted net income per common share	0.67	1.22	0.37	0.73
Basic weighted average shares outstanding	35,440,547	35,440,547	35,440,547	35,440,547
Diluted weighted average shares outstanding	35,440,547	35,440,547	35,440,547	35,443,559
Pro Forma Data (unaudited):				
Pro forma interest expense, net		\$ 2,454		\$ 1,200
Pro forma income tax provision		17,303		10,306
Pro forma net income ⁽²⁾		25,955		15,458
Pro forma basic and diluted net income per common share ⁽³⁾		0.65		0.39
Net Revenues by Segment:				
Indirect	\$ 167,454	\$ 192,829	\$ 87,861	\$ 101,532
Direct	71,123	96,111	43,226	63,546
Total	\$ 238,577	\$ 288,940	\$ 131,087	\$ 165,078
Full-Price Store Data:⁽⁴⁾				
Total stores open at end of period	21	26	23	31
Comparable-store sales increase ⁽⁵⁾	8.0%	36.4%	36.1%	26.0%
Total gross square footage at end of period	39,285	48,285	43,199	56,264
Average net revenues per gross square foot ⁽⁶⁾	\$ 578	\$ 615	\$ 306	\$ 349

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<i>(\$ in thousands)</i>	Actual July 31, 2010 (unaudited)	Pro forma July 31, 2010⁽⁷⁾ (unaudited)	Pro forma as adjusted July 31, 2010⁽⁸⁾ (unaudited)
Consolidated Balance Sheet Data:			
Cash and cash equivalents	\$ 7,592	\$ 7,592	\$ 7,592
Working capital	71,314	84,741	84,741
Total assets	169,169	178,542	178,542
Long-term debt, including current portion	33,153	140,154	86,854
Shareholders' equity (deficit)	84,773	(18,768)	34,532

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(1) In January 2008, we changed our fiscal year end from December 31 to the Saturday closest to January 31. In connection with our fiscal year end change, fiscal year 2009 included activity for greater than 52 weeks. This was a one-time occurrence and did not have a material effect on our results of operations.

(2) The unaudited pro forma income statement information for the fiscal year ended January 30, 2010 and for the six months ended July 31, 2010 gives effect to:

not earlier than the close of business on the 120th day nor later than the close of business on the 90th day prior to the first anniversary of the date of mailing of the notice for the preceding year's annual meeting of stockholders; or

in the event that the date of the mailing of the notice for the annual meeting of stockholders is advanced or delayed by more than 30 days from the first anniversary of the date of mailing of the notice for the preceding year's annual meeting of stockholders, not earlier than the 120th day prior to the date of mailing of the notice for such annual meeting of stockholders and not later than the close of business on the later of the 90th day prior to the date of mailing of the notice for such annual meeting of stockholders or the tenth day following the day on which disclosure of the date of mailing of the notice for such meeting is first made by the Company.

The deadline for such notice of a stockholder nomination is the same as the deadline for notice of a stockholder proposal

submitted outside of Rule 14a-8 with respect to the 2016 annual meeting of stockholders, which is discussed in the section of this Proxy Statement entitled "Stockholder Proposals for the 2016 Annual Meeting." The Bylaws also provide that the stockholder nomination notice must contain all information relating to such nominee that is required to be disclosed in solicitations of proxies for elections of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act") (including such person's written consent to being named in the proxy statement as a nominee and to serve as director if elected).

As to the stockholder giving notice and the beneficial owner, if any, on whose behalf the proposal is being made, the notice must include:

the
name
and
record
address
of
the
stockholder,
as
they
appear
on
the
Company's
stock
ledger,
and
of
such

beneficial
owner;

the
number
of
shares
of
each
class
of
stock
of
the
Company
which
are
owned
beneficially
and
of
record
by
such
stockholder
and
such
beneficial
owner;
and

any
other
information
relating
to
the
stockholder
that
would
be
required
to
be
disclosed
in a
proxy
statement
or
other
filings
required
to
be
made
in
connection
with
solicitations

of
proxies
for
election
of
directors
pursuant
to
Section 14
of
the
Exchange
Act.

In considering the qualifications, attributes and criteria for serving as a director of the Company, the Nominating and Corporate Governance Committee examines a candidate's experience, skills, expertise, diversity, age, personal and professional integrity, character, business judgment, time availability in light of other commitments, dedication, independence, conflicts of interest and such other relevant factors that the committee considers appropriate in the context of the needs of the Board. Although there is no specific policy on diversity, the Nominating and Corporate Governance Committee also may seek to have the Board represent a diversity of backgrounds and experience.

The Nominating and Corporate Governance Committee identifies potential nominees by asking current directors and executive officers to notify the Nominating and Corporate Governance Committee if they become aware of suitable candidates. The Nominating and Corporate Governance

Committee also may, from time to time, engage firms that specialize in identifying director candidates. The Nominating and Corporate Governance Committee will also consider director candidates recommended by stockholders. The Nominating and Corporate Governance Committee's evaluation process does not vary based on whether or not a candidate is recommended by a stockholder. However, in addition to taking into consideration the needs of the Board of Directors and the qualifications of

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the candidate, the committee may also consider the number of shares held by the recommending stockholder and the length of time that such shares have been held.

Once a person has been identified by the Nominating and Corporate Governance Committee as a potential candidate, the Nominating and Corporate Committee may collect and review publicly available information regarding the person to assess whether the person should be considered further. If the Nominating and Corporate Governance Committee determines that the candidate warrants further consideration, the Chairman or another member of the Nominating and Corporate Governance Committee will contact the person. Generally, if the person expresses a willingness to be considered and to serve on the Board of Directors, the Nominating and Corporate Governance Committee requests information from the candidate and reviews the person's accomplishments and qualifications. The Nominating and Corporate Governance Committee's evaluation process does not vary based on whether or not a candidate is recommended by a stockholder; however, as stated above, the Board of Directors may take into consideration

the number of shares held by the recommending stockholder and the length of time that such shares have been held.

Compensation Committee

The Compensation Committee, presently composed of Mr. Bronson (Chairperson), Mr. Kumin and Mr. Zelnick, oversees the Company's compensation practices, including its executive compensation plans, and its incentive-compensation and equity-based plans. The Compensation Committee also oversees the annual review of the Management Agreement, dated as of August 11, 2009, by and among the Company and the Manager, as the same may be amended from time to time (the "Management Agreement"), and oversees the annual review of the Starwood Property Trust, Inc. Manager Equity Plan (the "Manager Equity Plan"), the Starwood Property Trust, Inc. Equity Plan (the "Equity Plan") and the Director Stock Plan, each as adopted on August 11, 2009, as the same may be amended from time to time. The primary responsibilities of the Compensation Committee additionally include reviewing and discussing with management the Company's compensation discussion and analysis (the "CD&A") to be included in the

Company's annual proxy statement or annual report on Form 10-K filed with the SEC and preparing the Compensation Committee Report as required by the rules of the SEC. Each Compensation Committee member is "independent" as defined in the NYSE listing standards. The Compensation Committee met two times during the calendar year ended December 31, 2014.

The Compensation Committee has authority to determine the compensation payable to the Company's directors and to grant awards under the Company's equity incentive plans and from time to time may solicit recommendations from the Company's executive officers and/or outside compensation consultants in determining the amount or form of such director compensation or awards. The Compensation Committee also has authority to approve base salary and target bonus levels to be paid by an affiliate of the Manager and equity-based compensation to be made to the Company's named executive officers. In determining the amount and form of such compensation, the Compensation Committee seeks recommendations from time to time from the Company's Chairman and Chief Executive Officer and/or outside compensation

consultants. The Compensation Committee also oversees risk when it considers granting equity awards to the Manager under the Management Agreement. In particular, the factors considered by the Compensation Committee in making grants to the Manager may include performance related factors such as achievement of specified levels of net income. In evaluating investments and other management strategies, the opportunity to earn incentive compensation based on net income may lead the Manager to place undue emphasis on the maximization of net income at the expense of other criteria, such as preservation of capital, maintaining sufficient liquidity and/or management of credit risk or market risk, in order to achieve higher incentive compensation. Investments with higher yield potential are generally riskier or more speculative. As a

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result, the Compensation Committee evaluates performance factors, such as net income, in conjunction with other key risk exposure factors in making grants to the Manager.

Compensation Committee Interlocks and Insider Participation

There were no compensation committee interlocks required to be disclosed during the calendar year ended December 31, 2014. The directors who were members of the Compensation Committee for some period during the calendar year ended December 31, 2014 included Mr. Bronson, Mr. DiModica, Mr. Kumin and Mr. Zelnick, none of whom were officers or employees of the Company during the calendar year ended December 31, 2014 (except for Mr. DiModica, who was appointed as the Company's President after ceasing to serve as a director), and none of whom had any relationship requiring disclosure by the Company under Item 404 of Regulation S-K.

Investment Committee

The Investment Committee, currently composed of Mr. Sternlicht (Chairperson), Mr. Dishner, Mr. Kumin and Mr. Zelnick, is

responsible for the supervision of our Manager's compliance with our investment guidelines and conducting periodic reviews of our investment portfolio at least quarterly or more frequently as necessary. In addition, any proposed investment valued between \$150 million and \$250 million of our equity capital will require the approval of the Investment Committee, while any proposed investment valued at more than \$250 million of our equity capital will require the approval of the full Board of Directors.

Executive Sessions of Non-Executive and Independent Directors

Executive sessions of the non-executive directors occur regularly during the course of the year. "Non-executive directors" include all Independent Directors and any other non-management directors. Mr. Bronson, our Lead Independent Director, is responsible for presiding over executive sessions of the non-executive directors. In addition, in the event that the non-executive directors include any director who is not an Independent Director, an executive session of only the Independent Directors will occur at least once a year.

Number of Meetings of the Board of Directors and Attendance in 2014

The Board of Directors met 15 times during the calendar year ended December 31, 2014, including both regularly scheduled and special meetings. Each director attended at least 75% of the meetings of the Board of Directors and of the committees of the Board of Directors on which such director served during the period in the calendar year ended December 31, 2014 for which such director served. The Company expects each director serving on its Board of Directors to regularly attend meetings of the Board of Directors and the committees on which such director serves, and to review, prior to meetings, material distributed in advance of such meetings. A director who is unable to attend a meeting is expected to notify the Chairman of the Board of Directors or the chairperson of the appropriate committee in advance of such meeting. The Company's policy regarding director attendance at the annual meetings of stockholders is to encourage directors to attend such meetings. Each then incumbent director attended our 2014 annual meeting of stockholders.

Report of the Audit Committee

The Board of Directors has appointed an Audit Committee consisting of three directors. All of the members of the Audit Committee are "independent" as

defined in the NYSE listing standards.

The Audit Committee's job is one of oversight, as set forth in its charter. It is not the duty of the Audit Committee to prepare the Company's financial statements, to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance

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with generally accepted accounting principles ("GAAP"). The independent registered public accounting firm is responsible for auditing the financial statements and expressing an opinion as to whether those audited financial statements fairly present the financial position, results of operations and cash flows of the Company in conformity with GAAP.

The Audit Committee has reviewed and discussed the Company's audited financial statements with management and with Deloitte & Touche LLP, the Company's independent registered public accounting firm for the calendar year ended December 31, 2014. The Audit Committee has also discussed with Deloitte & Touche LLP the other matters required to be discussed under applicable accounting standards.

The Audit Committee has received from Deloitte & Touche LLP the written disclosures and the letter required by applicable requirements of the Public Company Accounting Oversight Board regarding Deloitte & Touche LLP's communications with the Audit Committee concerning independence, has discussed Deloitte & Touche LLP's independence with Deloitte & Touche LLP

and has considered the compatibility of non-audit services with independence of the independent registered public accounting firm.

Based on the review and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the calendar year ended December 31, 2014 for filing with the SEC.

Respectfully submitted by the Audit Committee of the Board of Directors.

Strauss
Zelnick
(Chairperson)
Richard D.
Bronson
Camille J.
Douglas

Information on Corporate Governance and Communications with the Board

The Company maintains a corporate governance section on its website to provide relevant information to stockholders and other interested parties. Corporate governance information available on the website includes the charters of the Audit Committee, Nominating and Corporate Governance Committee and Compensation Committee of the Board of Directors, the Corporate Governance Guidelines of the Company, the Code of Business Conduct and Ethics and the Code of Ethics applicable to the Principal Executive Officer and Senior Financial Officers of the Company. This information is available on the Company's website, *www.starwoodpropertytrust.com*, under the heading "Investor Relations" and the subheading "Corporate Governance," and the information is available in print without charge to any stockholder upon written request to the Company's Secretary at Starwood Property Trust, Inc., 591 West Putnam Avenue, Greenwich, Connecticut 06830.

You may initiate communications with the Board, the Chairman, the Lead Independent Director, the Independent Directors as a group or any individual director or directors by writing to our Secretary at the address set forth above. You should indicate on the outside of the envelope the intended recipient of your communication (i.e., the full Board, the Independent Directors as a group or any individual director or directors). The Board has instructed our Secretary to review such correspondence and, at his discretion, not to forward items if he deems them to be of a commercial or frivolous nature or otherwise inappropriate for the recipient's consideration.

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Information concerning the names, ages, terms and positions with the Company and business experience of the executive officers of the Company is set forth below. Ages shown for all executive officers are as of December 31, 2014.

Name	Age	Position(s)
Barry S. Sternlicht	54	Chairman of the Board of Directors and Chief Executive Officer
Jeffrey F. DiModica	47	President
Andrew J. Sossen	38	Executive Vice President, General Counsel, Chief Operating Officer, Chief Compliance Officer and Secretary
Rina Paniry	41	Chief Financial Officer, Treasurer, Principal Financial Officer and Chief Accounting Officer

In addition to Mr. Sternlicht, for whom biographical information is provided in the section of this Proxy Statement entitled "Proposal 1: Election of Directors," the following individuals serve as the Company's executive officers.

Jeffrey F. DiModica, CFA, has been the Company's President since September 2014. He has also served as a Managing Director of an affiliate of the Manager since July 2014. Mr. DiModica served as a director of the Company from its inception in 2009 to July 2014. From 2007 to 2014, Mr. DiModica was a Managing Director and the Head of MBS/ABS/CMBS Sales and Strategy for RBS, a global financial services firm, in Stamford, Connecticut. In that role, he was responsible for the distribution of mortgage-backed securities ("MBS"), asset-backed securities ("ABS") and commercial mortgage-backed securities ("CMBS") to institutional clients, including banks, hedge funds, insurance companies and money managers. Previously, from 2001 to 2007, Mr. DiModica headed the Boston sales office for RBS. Prior to joining RBS, from 1993 to 2001, Mr. DiModica sold derivative and MBS products for Merrill Lynch. Mr. DiModica began his career in the Merchant and Investment Banking Group of the Commercial Real Estate Department at Chemical Bank from 1989 to 1991. Mr. DiModica received a B.S./B.A. degree with a concentration in Finance from Boston University, an M.B.A. degree from the Amos Tuck School at Dartmouth College and a Chartered Financial Analyst designation.

Andrew J. Sossen has been the Company's Chief Operating Officer since July 2011 and the Company's Executive Vice President, General Counsel, Chief Compliance Officer and Secretary since January 2010. Prior to joining the Company, Mr. Sossen served from 2006 to 2009 as the General Counsel of KKR & Co.'s asset management business and of KKR Financial Holdings LLC, a publicly traded specialty finance company, where he was a member of senior management and was integrally involved in the policy and strategic decision-making, as well as the day-to-day operations, of the businesses. Mr. Sossen's career began at Simpson Thacher & Bartlett LLP, where he was a member of the firm's corporate department, specializing in capital markets and mergers and acquisitions. Mr. Sossen serves as a trustee of SWAY, an affiliate of the Company. Mr. Sossen received both a Juris Doctor and a Bachelor of Arts degree from the University of Pennsylvania.

Rina Paniry has been the Company's Chief Financial Officer, Treasurer, Principal Financial Officer and Chief Accounting Officer since May 2014. She has also served as an employee of Starwood Capital Operations, LLC since May 2014. Previously, Ms. Paniry served from 2013 to 2014 as the Chief Financial Officer and from 2006 to 2013 as the Chief Accounting Officer of LNR Property LLC ("LNR Property"), a wholly owned subsidiary of the Company that was acquired by the Company in 2013. Prior to joining LNR Property, she spent 11 years at Deloitte & Touche in various roles, principally in the real estate industry and in the functional areas of audit and mergers and acquisitions. Ms. Paniry is a Certified Public Accountant in Florida. Ms. Paniry received a Bachelor of Accounting degree and a Master of Accounting degree from Florida International University.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS, DIRECTORS AND MANAGEMENT

The following table sets forth the beneficial ownership of our Common Stock as of March 3, 2015 with respect to:

each of the Company's directors and director nominees;

each of the Company's named executive officers; and

all of the Company's directors, director nominees and executive officers as a group.

Except as indicated in the table below, the business address of each person listed in the table below is the address of our principal executive offices, Starwood Property Trust, Inc., 591 West Putnam Avenue, Greenwich, Connecticut 06830.

Directors and Named Executive Officers	Amount and Nature Of Beneficial Ownership	Percent of Class
Richard D. Bronson(1)(2)	39,163	*
Jeffrey F. DiModica(3)	27,268	*
Jeffrey G. Dishner	193,672	*
Camille J. Douglas(1)	15,163	*
Solomon J. Kumin(4)	4,871	*
Rina Paniry	15,837	*
Andrew J. Sossen	80,828	*
Barry S. Sternlicht(5)	4,953,311	2.2%
Strauss Zelnick(1)(6)	32,163	*
Directors and Executive Officers as a Group (9 persons)	5,362,276	2.4%

*

Less than 1%

(1) Includes 15,163 shares of restricted Common Stock granted to non-executive directors pursuant to the Director Stock Plan.

(2) Includes 15,000 shares owned by Mr. Bronson's spouse.

(3) Includes 5,542 shares of restricted Common Stock granted to Mr. DiModica when he was a non-executive director pursuant to the Director Stock Plan.

(4) Includes 4,871 shares of restricted Common Stock granted to Mr. Kumin as a non-executive director pursuant to the Director Stock Plan.

(5) Includes 253,421 shares owned in a trust of which Mr. Sternlicht is the trustee.

(6) Includes 11,800 shares owned in trusts of which Mr. Zelnick is the trustee and includes 2,600 shares owned by Mr. Zelnick's spouse.

The following table sets forth certain information relating to the beneficial ownership of our Common Stock by each person, entity or group known to the Company to be the beneficial owner of

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more than five percent of our Common Stock based on a review of publicly available statements of beneficial ownership filed with the SEC on Schedules 13D and 13G through March 3, 2015.

Name and Address of Beneficial Owner	Amount and Nature Of Beneficial Ownership	Percent of Class
Capital Research Global Investors(1) 333 South Hope Street Los Angeles, California 90071	17,657,000	7.9%
BlackRock, Inc.(2) 55 East 52nd Street New York, New York 10022	13,447,737	6.0%
The Vanguard Group(3) 100 Vanguard Boulevard Malvern, Pennsylvania 19355	13,053,279	5.9%
EJF Capital LLC(4) 2107 Wilson Boulevard, Suite 410 Arlington, Virginia 22201	12,284,237	5.5%

- (1) Based on information as of December 31, 2014 set forth in Schedule 13G/A filed with the SEC on February 13, 2015 by Capital Research Global Investors, a division of Capital Research and Management Company, which has sole voting power and sole dispositive power with respect to 17,657,000 shares of Common Stock.
- (2) Based on information as of December 31, 2014 set forth in Schedule 13G/A filed with the SEC on February 9, 2015 by BlackRock, Inc., which has sole voting power with respect to 12,746,234 shares of Common Stock and sole dispositive power with respect to 13,447,737 shares of Common Stock.
- (3) Based on information as of December 31, 2014 set forth in Schedule 13G/A filed with the SEC on February 11, 2015 by the Vanguard Group, which has sole voting power with respect to 147,204 shares of Common Stock, sole dispositive power with respect to 12,924,475 shares of Common Stock and shared dispositive power with respect to 128,804 shares of Common Stock.
- (4) Based on information as of December 31, 2014 set forth in Schedule 13G/A filed with the SEC on February 17, 2015 by EJF Capital LLC and Emanuel J. Friedman, which have shared voting power and shared dispositive power with respect to 12,284,237 shares of Common Stock, among others.

Unless otherwise indicated, all shares set forth in the tables above are owned directly and the indicated person has sole voting and investment power with respect thereto. Unless otherwise indicated, the percentage of beneficial ownership is calculated based on 223,927,291 shares of Common Stock outstanding as of March 3, 2015. In accordance with SEC rules, each listed person's beneficial ownership includes:

all shares of our Common Stock the investor actually owns beneficially or of record;

all shares of our Common Stock over which the investor has or shares voting or dispositive control (such as in the capacity as a general partner of an investment fund); and

all shares of our Common Stock the investor has the right to acquire within 60 days (such as shares of restricted Common Stock that are currently vested or which are scheduled to vest within 60 days).

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EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

None of the named executive officers of the Company is currently an employee of the Company. We are managed by the Manager, pursuant to the terms of the Management Agreement. All of our named executive officers are employees of an affiliate of the Manager. Because the Management Agreement with the Manager provides that the Manager is responsible for managing the Company's affairs, the Company's Chief Executive Officer and each of its other current executive officers (other than Ms. Paniry), each of whom is an executive of Starwood Capital Group or an affiliate thereof, do not receive cash compensation from the Company for serving as the Company's executive officers. Instead, the Company pays the Manager management fees and reimbursements, as described in the section of this Proxy Statement entitled "Certain Relationships and Related Transactions Management Agreement," and, at the discretion of the Compensation Committee of the Board of Directors, the Company may also grant the Manager equity-based awards, as described in the section of this Proxy Statement entitled "Certain Relationships and Related Transactions Grants of Equity Compensation to the Manager."

The Company also considers the results of the stockholder advisory vote on executive compensation. More than 99% of the votes cast at our 2014 annual meeting of stockholders voted to approve, on an advisory basis, our executive compensation. The Company did not make any change to the Company's executive compensation program in response to this advisory vote.

Cash Compensation

We have not paid directly, and do not intend to pay directly, any cash compensation to our named executive officers (other than Ms. Paniry). However, Mr. Sossen, the Company's Executive Vice President, General Counsel, Chief Operating Officer, Chief Compliance Officer and Secretary, Ms. Paniry, the Company's Chief Financial Officer, Treasurer, Principal Financial Officer and Chief Accounting Officer, and, previously, Perry Stewart Ward, the Company's former Chief Financial Officer, Treasurer and Principal Financial Officer, were each seconded to the Company by an affiliate of the Manager under the terms of the Secondment Agreements (as defined below), pursuant to which the Company and certain of its subsidiaries, as applicable, reimburse the affiliate of the Manager for a portion of its expenses incurred in employing the person or persons serving those roles, including annual base salary, annual bonus, equity incentive awards, employee benefit costs and any related employee withholding taxes, as applicable. For 2014, the Company and certain of its subsidiaries paid cash compensation directly to Ms. Paniry. For additional details, see the section of this Proxy Statement entitled "Certain Relationships and Related Transactions Management Agreement Reimbursement of Expenses."

Mr. Sossen's annual base salary for 2014 was \$300,000 and his cash bonus for 2014 was \$1,200,000. Effective as of May 7, 2014 in connection with Ms. Paniry's appointment as the Company's Chief Financial Officer, Treasurer, Principal Financial Officer and Chief Accounting Officer, Ms. Paniry's annual base salary for 2014 was \$600,000, of which she became entitled to receive a prorated portion. Ms. Paniry's cash bonus for 2014 was \$450,000. Mr. Sossen's and Ms. Paniry's annual base salaries were recommended by our Chairman and Chief Executive Officer in consultation with the Manager based on a general understanding of compensation practice in our industry, as well as anticipated salary requirements of other candidates who could potentially fill the positions. The Compensation Committee reviewed and approved Mr. Sossen's and Ms. Paniry's annual base salaries for 2014. Mr. Sossen's and Ms. Paniry's cash bonuses for 2014 were recommended by our Chairman and Chief Executive Officer in consultation with the Manager, with the assistance of Meridian, the Compensation Committee's independent outside compensation consultant, based upon a review of compensation paid by the Compensation Peer Group for comparable positions as well as broader industry compensation levels

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(including an evaluation of industry survey data provided by Meridian). The Compensation Committee reviewed and approved Mr. Sossen's and Ms. Paniry's cash bonuses for 2014. In approving Mr. Sossen's and Ms. Paniry's cash bonuses, the Compensation Committee targeted the 50th percentile relative to the market data, including Compensation Peer Group and survey data.

The base salary for 2014 to which Mr. Ward became entitled prior to his resignation effective as of May 7, 2014 was \$141,088. The bonus for 2014 to which Mr. Ward became entitled prior to his resignation was paid one half in cash and one half in Common Stock, resulting in a payment of \$185,364 in cash to Mr. Ward. Mr. Ward also received a severance payment of \$500,000 in connection with his resignation. Mr. Ward's base salary was recommended by our Chairman and Chief Executive Officer in consultation with the Manager based on a general understanding of compensation practice in our industry, as well as a review of Mr. Ward's compensation history. The Compensation Committee reviewed and approved Mr. Ward's bonus for 2014. The amount of the severance payment made to Mr. Ward was determined by applying Starwood Capital Group's standard severance practices for executives at Mr. Ward's seniority level and was reviewed and approved by the Compensation Committee.

Equity-Based Compensation

The Compensation Committee may, from time to time pursuant to our equity incentive plans, grant our named executive officers certain equity-based awards, including stock options, restricted shares of Common Stock, restricted stock units, dividend equivalent rights and other equity-based awards. These awards are designed to align the interests of our named executive officers with those of our stockholders, by allowing our named executive officers to share in the creation of value for our stockholders through capital appreciation and dividends. These equity awards are generally subject to vesting requirements over a number of years, and are designed to promote the retention of management and to achieve strong performance for the Company. These awards provide a further benefit to us by enabling our Manager to attract, motivate and retain talented individuals to serve as our executive officers. In 2014, the Company granted 20,991 restricted shares of Common Stock to Mr. Sossen, which vest in quarterly installments over a three-year period, subject to Mr. Sossen's continued service to the Company, pursuant to the Equity Plan. In 2014, the Company granted 17,644 restricted shares of Common Stock to Ms. Paniry in the aggregate, which vest in quarterly installments over a three-year period, subject to Ms. Paniry's continued service to the Company, pursuant to the Equity Plan. In 2014, the Company granted 11,545 restricted shares of Common Stock to Mr. Ward, which vested in full on the date of grant, pursuant to the Equity Plan. In determining the equity-based awards for 2014, the Compensation Committee considered input from Meridian, its independent outside compensation consultant.

Additionally, as discussed above, the bonus for 2014 to which Mr. Ward became entitled prior to his resignation was paid one half in cash and one half in Common Stock, resulting in a grant of shares of Common Stock to Mr. Ward with a value of \$185,364.

Role of Compensation Committee

The Compensation Committee reviews and approves base salary and target bonus levels as well as any equity-based awards to be made to our named executive officers based on recommendations from the Company's Chairman and Chief Executive Officer and outside compensation consultants. Information on the Compensation Committee's processes and procedures for consideration of executive compensation are addressed in the section of this Proxy Statement entitled "Corporate Governance Board and Committee Meetings Compensation Committee."

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Independent Compensation Consultant

Meridian provides executive compensation consulting services to the Compensation Committee. Meridian:

participates in the design of the Company's executive compensation programs;

provides and reviews market data and advises the Compensation Committee on setting executive compensation levels and the competitiveness and reasonableness of the Company's executive compensation program;

reviews and advises the Compensation Committee regarding the elements of the Company's executive compensation program, as relative to the Company's peers; and

reviews and advises the Compensation Committee regarding director compensation.

Meridian does not provide any other services to the Company or the Manager.

Role of Chief Executive Officer

As noted above, the Compensation Committee is responsible for approving compensation for our named executive officers. Our Chairman of the Board and Chief Executive Officer, Mr. Sternlicht, annually reviews the performance of each member of senior management (other than Mr. Sternlicht's own performance). Recommendations based on these reviews, including salary adjustments, annual bonuses and equity-based grants, if any, are presented by Mr. Sternlicht to the Compensation Committee. All decisions for 2014 made by the Compensation Committee with respect to the named executive officers (other than Mr. Sternlicht) were made after deliberation with Mr. Sternlicht. As noted elsewhere in this Proxy Statement, Mr. Sternlicht does not receive any compensation from the Company for his services as Chairman and Chief Executive Officer of the Company (other than his interest in fees paid and equity awards granted to the Manager), and the Company does not reimburse Starwood Capital Group or any of its affiliates for cash compensation paid to Mr. Sternlicht.

In addition, at various times during the year at the request of the Compensation Committee, Mr. Sternlicht, our Chairman and Chief Executive Officer, attended Compensation Committee meetings, or portions of Compensation Committee meetings, to provide the Compensation Committee with information regarding the Company's operational performance, financial performance or other topics requested by the Compensation Committee to assist the Compensation Committee in making its compensation decisions.

Compensation Committee Report

The Compensation Committee has reviewed and discussed the CD&A included in this Proxy Statement with management. Based on that review and discussion, the Compensation Committee recommended to the Board of Directors that the CD&A be included in this Proxy Statement.

Respectfully submitted by the Compensation Committee of the Board of Directors.

Richard D. Bronson (Chairperson)
Solomon J. Kumin
Strauss Zelnick

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Summary Compensation Table

The following table provides information regarding compensation earned by the Company's named executive officers for the calendar year ended December 31, 2014, as well as for the calendar years ended December 31, 2013 and 2012. As described in the CD&A included in this Proxy Statement, none of the named executive officers of the Company are employees of the Company and the Company did not directly pay any cash compensation to the named executive officers (other than Ms. Paniry) for or in 2014.

Name and Principal Position(1)	Calendar Year	Salary (\$)(2)	Bonus (\$)(2)	Non-Equity Incentive			Total (\$)
				Stock Awards (\$)	Plan Compensation (\$)	All Other Compensation (\$)	
Andrew J. Sossen	2014	\$ 300,000	\$ 1,200,000	\$ 500,006(3)			\$ 2,000,006
Executive Vice President,	2013	\$ 300,000	\$ 1,100,000	\$ 694,000(4)			\$ 2,094,000
General Counsel, Chief	2012	\$ 250,000	\$ 850,000	\$ 262,750(5)			\$ 1,362,750
Operating Officer, Chief Compliance Officer and Secretary							
Rina Paniry	2014	\$ 534,140(7)	\$ 450,000	\$ 424,676(8)			\$ 1,408,816
Chief Financial Officer, Treasurer, Principal Financial Officer and Chief Accounting Officer(6)							
Perry Stewart Ward	2014	\$ 141,088	\$ 370,728(10)	\$ 275,002(11)		\$ 500,000(12)	\$ 1,286,818
Former Chief Financial	2013	\$ 300,000	\$ 1,425,000				\$ 1,725,000
Officer,	2012	\$ 300,000	\$ 968,321	\$ 105,100(13)			\$ 1,373,421
Treasurer and Principal Financial Officer(9)							

- (1) Mr. Sternlicht, the Company's Chairman and Chief Executive Officer, Mr. DiModica, the Company's President, and Mr. Fellows, the Company's former President, have not directly received any compensation from the Company in connection with their service in such positions.
- (2) The amounts reported in these columns include the portion of the compensation paid by an affiliate of the Manager to these individuals for which such affiliate of the Manager has been reimbursed by the Company and certain of its subsidiaries.
- (3) On March 19, 2014, Mr. Sossen received an annual award of 20,991 restricted shares of Common Stock. The amount reported in this column is based on a closing price of \$23.82 per share of Common Stock on the date of grant.
- (4) On March 28, 2013, Mr. Sossen received an annual award of 25,000 restricted shares of Common Stock. The amount reported in this column is based on a closing price of \$27.76 per share of Common Stock on the date of grant.
- (5) On March 30, 2012, Mr. Sossen received an annual award of 12,500 restricted shares of Common Stock. The amount reported in this column is based on a closing price of \$21.02 per share of Common Stock on the date of grant.
- (6) Ms. Paniry was appointed as the Company's Chief Financial Officer, Treasurer, Principal Financial Officer and Chief Accounting Officer effective as of May 7, 2014.
- (7) Ms. Paniry received \$157,986 of base salary from the Company in her former role prior to her appointment as the Company's Chief Financial Officer, Treasurer, Principal Financial Officer and Chief Accounting Officer effective as of May 7, 2014.
- (8) On March 5, 2014, Ms. Paniry received an annual award of 3,097 restricted shares of Common Stock. The amount reported in this column for such award is based on a closing price of \$24.11 per share of Common Stock on the date of grant. On May 7, 2014, Ms. Paniry received an additional award of 14,547 restricted shares of Common Stock in connection with her appointment as the Company's Chief Financial Officer, Treasurer, Principal Financial Officer and Chief Accounting Officer. The amount reported in this column for such award is based on a closing price of \$24.06 per share of Common Stock on the date of grant.

- (9) Mr. Ward resigned from his positions as the Company's Chief Financial Officer, Treasurer and Principal Financial Officer effective as of May 7, 2014.

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- (10) The bonus for 2014 to which Mr. Ward became entitled prior to his resignation effective as of May 7, 2014 was paid one half in cash and one half in Common Stock, resulting in a payment of \$185,364 in cash and a grant of shares of Common Stock with a value of \$185,364.
- (11) On March 19, 2014, Mr. Ward received an annual award of 11,545 restricted shares of Common Stock. The amount reported in this column is based on a closing price of \$23.82 per share of Common Stock on the date of grant.
- (12) On May 16, 2014, Mr. Ward received a severance payment of \$500,000 in connection with his resignation from his positions as the Company's Chief Financial Officer, Treasurer and Principal Financial Officer.
- (13) On March 30, 2012, Mr. Ward received an annual award of 5,000 restricted shares of Common Stock. The amount reported in this column is based on a closing price of \$21.02 per share of Common Stock on the date of grant.

Grants of Plan-Based Awards During Calendar Year Ended December 31, 2014

The following table provides information regarding plan-based awards granted to the Company's named executive officers during the calendar year ended December 31, 2014.

Name	Grant Date	All Other Stock Awards: Number of Shares of Stock or Units (#)	Grant Date Fair Value of Equity Awards (\$)
Andrew J. Sossen			
Restricted Stock Award	March 19, 2014	20,991(1)	\$ 500,006
Rina Paniry			
Restricted Stock Award	March 5, 2014	3,097(2)	\$ 74,675
Restricted Stock Award	May 7, 2014	14,547(3)	\$ 350,001
Perry Steward Ward			
Restricted Stock Award	March 19, 2014	11,545(4)	\$ 275,002

- (1) The restricted shares received by Mr. Sossen will vest in quarterly installments over a three-year period that began on March 31, 2014.
- (2) The restricted shares received by Ms. Paniry will vest in quarterly installments over a three-year period that began on March 31, 2014.
- (3) The restricted shares received by Ms. Paniry will vest in quarterly installments over a three-year period that began on June 30, 2014.
- (4) The restricted shares received by Mr. Ward vested in full on the date of grant.

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The following table provides information regarding outstanding equity awards of the Company's named executive officers as of December 31, 2014.

Name	Stock Awards	
	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(3)
Andrew J. Sossen	22,328(1)	\$ 518,903
Rina Paniry	12,973(2)	\$ 301,493
Perry Stewart Ward		

- (1) Reflects restricted stock awards granted to Mr. Sossen which vest in quarterly installments over three-year periods that began on March 31, 2013 and March 31, 2014. The number of Mr. Sossen's restricted stock awards that had not vested as of December 31, 2014 and the respective vesting dates for such awards are as follows: 3,832 on each of March 31, 2015, June 30, 2015, September 30, 2015 and December 31, 2015, 1,749 on each of March 31, 2016, June 30, 2016 and September 30, 2016 and 1,752 on December 31, 2016.
- (2) Reflects restricted stock awards granted to Ms. Paniry which vest in quarterly installments over three-year periods that began on March 31, 2014 and June 30, 2014. The number of Ms. Paniry's restricted stock awards that had not vested as of December 31, 2014 and the respective vesting dates for such awards are as follows: 1,471 on each of March 31, 2015, June 30, 2015, September 30, 2015, December 31, 2015, March 31, 2016, June 30, 2016, September 30, 2016 and December 31, 2016 and 1,205 on March 31, 2017.
- (3) The amount reported in this column is based on a closing price of \$23.24 per share of Common Stock on December 31, 2014.

Stock Vested in Calendar Year Ended December 31, 2014

The following table provides information for each named executive officer with respect to the vesting of stock awards during the calendar year ended December 31, 2014 and the value realized upon such vesting.

Name	Stock Awards	
	Number of Shares Acquired on Vesting (#)(1)	Value Realized on Vesting (\$)(2)
Andrew J. Sossen	19,497	\$ 451,160
Rina Paniry	4,671	\$ 107,541
Perry Stewart Ward	13,212	\$ 315,110

- (1) Represents the vesting of restricted stock awards under the Equity Plan.
- (2) Value realized on vesting of restricted stock awards is the fair market value on the date of vesting. Fair market value is based on the closing price of the Company's Common Stock as reported by the NYSE.

Table of Contents**Potential Payments upon Termination of Employment**

The Company does not have any employment agreements with any of its named executive officers and is not obligated to make any payments to them upon termination of employment. In the event that the employment of a named executive officer of the Company is terminated, such named executive officer will forfeit any and all unvested restricted stock awards that he or she has been granted by the Company under the Equity Plan.

Potential Post-Employment Payments and Payments upon Change in Control

None of the Company's named executive officers has the right to terminate employment and receive severance payments from the Company and the Company is not required to make payments to a named executive officer upon a change of control. However, all unvested restricted stock awards that the Company has granted under the Equity Plan will vest immediately upon a change of control (as defined in the Equity Plan). Assuming for the sake of analysis that the triggering event took place on December 31, 2014, the value of the vested restricted stock awards for each named executive officer would be the same as the respective values set forth in the third column of the table presented in the section of this Proxy Statement entitled " Outstanding Equity Awards at December 31, 2014."

We have not included tables for pension benefits or nonqualified deferred compensation because, due to the limited nature of our compensation program, we have nothing to report with respect to these items.

Equity Compensation Plan Information

The following table provides information regarding the number of shares of our Common Stock that may be issued under the Company's equity compensation plans as of December 31, 2014.

	(a)	(b)	(c)
Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity compensation plans approved by security holders	1,854,585	N/A	3,851,097
Equity compensation plans not approved by security holders			
Total	1,854,585	N/A	3,851,097

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires the Company's directors, executive officers and persons beneficially owning more than ten percent of a registered class of the Company's equity securities to file reports of beneficial ownership and changes in such ownership on Forms 3, 4 and 5 with the SEC and the NYSE. These persons are also required to furnish the Company with copies of all Forms 3, 4 and 5 that they file. Based solely on the Company's review of the copies of such forms it has received, the Company believes that all its executive officers, directors and greater than ten percent beneficial owners complied with all filing requirements applicable to them since January 1, 2014, other than the filing of (a) a Form 4 for Mr. Fellows reporting two transactions, which was inadvertently filed late on October 15, 2014 on behalf of Mr. Fellows, (b) a Form 4 for Mr. Sternlicht reporting two transactions, which was inadvertently filed late on November 14, 2014 on behalf of Mr. Sternlicht, and (c) a Form 4 for Ms. Paniry reporting three transactions, which was inadvertently filed late on January 6, 2015 on behalf of Ms. Paniry. The Company has recently evaluated the cause of such delinquent filings and is putting in place controls to prevent future delinquent filings.

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**PROPOSAL 2:
ADVISORY VOTE ON EXECUTIVE COMPENSATION**

Pursuant to Section 14A of the Exchange Act, we are providing stockholders with an opportunity to vote to approve, on an advisory basis, the compensation of our named executive officers as disclosed in this Proxy Statement. The advisory vote on executive compensation described in this proposal is commonly referred to as a "say-on-pay vote." More than 99% of the votes cast at the 2014 annual meeting of stockholders voted to approve our executive compensation. At the 2011 annual meeting of stockholders, we asked our stockholders to indicate if we should hold an advisory vote on the compensation of our named executive officers every one, two or three years. Because at such 2011 annual meeting of stockholders our stockholders voted in favor of an annual advisory vote, we again are asking our stockholders to approve the compensation of our named executive officers as disclosed in this Proxy Statement in accordance with the SEC's rules. We expect to hold a say-on-pay vote on an annual basis in the foreseeable future.

As described in the CD&A included in this Proxy Statement, none of the named executive officers of the Company are employees of the Company and the Company has not directly paid, and does not intend to directly pay, any cash compensation to the named executive officers. However, we are charged by an affiliate of the Manager for certain of its expenses incurred in employing certain of our named executive officers. Additionally, from time to time we may grant to our named executive officers equity-based awards pursuant to our equity incentive plans, which we believe serve to align the interests of named executive officers with the interests of our stockholders in receiving attractive risk-adjusted dividends and growth.

This proposal gives our stockholders the opportunity to express their views on the overall compensation of our named executive officers and the philosophy, policies and practices described in this Proxy Statement. For the reasons discussed above, we are asking our stockholders to indicate their support for our named executive officer compensation by voting **FOR** the following resolution at the Annual Meeting:

"RESOLVED, that Starwood Property Trust, Inc.'s stockholders approve, on an advisory basis, the compensation of the named executive officers, as disclosed in the Proxy Statement pursuant to the compensation disclosure rules of the U.S. Securities and Exchange Commission, which disclosure includes the Compensation Discussion and Analysis, the Summary Compensation Table and the other related tables and disclosure."

The say-on-pay vote is an advisory vote, and therefore it will not bind the Company or our Board of Directors. However, the Board of Directors and the Compensation Committee will consider the voting results as appropriate when making decisions regarding executive compensation.

Recommendation of the Board of Directors

The Board of Directors recommends a vote **FOR** the approval, on an advisory basis, of the compensation of our named executive officers as disclosed in this Proxy Statement.

**PROPOSAL 3:
RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Proposed Independent Registered Public Accounting Firm

Deloitte & Touche LLP, independent certified public accountants, served as the independent registered public accounting firm of the Company and its subsidiaries for the calendar year ended December 31, 2014. The Audit Committee has appointed Deloitte & Touche LLP to be the Company's independent registered public accounting firm for the calendar year ending December 31, 2015 and has further directed that the appointment of the independent registered public accounting firm be submitted for ratification by the stockholders at the Annual Meeting.

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Although there is no requirement that Deloitte & Touche LLP's appointment be terminated if the ratification fails, the Audit Committee will consider the appointment of other independent registered public accounting firms if the stockholders choose not to ratify the appointment of Deloitte & Touche LLP. The Audit Committee may terminate the appointment of Deloitte & Touche LLP as our independent registered public accounting firm without the approval of the stockholders whenever the Audit Committee deems such termination appropriate.

Representatives of Deloitte & Touche LLP are expected to be present at the Annual Meeting. The representatives of Deloitte & Touche LLP will be given the opportunity to make a statement, if they so desire, and will be available to respond to appropriate questions from stockholders.

Recommendation of the Board of Directors

The Board of Directors and its Audit Committee recommend a vote **FOR** the ratification of the appointment of Deloitte & Touche LLP as the independent registered public accounting firm for the Company for the calendar year ending December 31, 2015.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

On February 12, 2015, the Audit Committee appointed Deloitte & Touche LLP to serve as the Company's independent registered public accounting firm for the calendar year ending December 31, 2015, subject to stockholder ratification. The Audit Committee considered the non-audit services provided by Deloitte & Touche LLP and determined that the provision of such services was compatible with maintaining Deloitte & Touche LLP's independence.

The following table presents fees for professional audit services rendered by Deloitte & Touche LLP with respect to the Company's annual financial statements for the calendar years ended December 31, 2014 and 2013 and fees billed for other services rendered by Deloitte & Touche LLP during those periods.

	2014	2013
Audit Fees(1)	\$ 1,887,865	\$ 2,387,300
Audit Related Fees(2)	\$ 2,200	\$ 2,200
Tax Fees(3)	\$ 493,377	\$ 463,423
All Other Fees(4)	\$ 299,260	\$ 1,625,845
Total Fees	\$ 2,682,702	\$ 4,478,768

- (1) Audit Fees primarily represent, for the calendar years ended December 31, 2014 and 2013, fees for the audits and quarterly reviews of the consolidated financial statements filed with the SEC in annual reports on Form 10-K and quarterly reports on Form 10-Q, as well as work generally only the independent registered public accounting firm can be reasonably expected to provide, such as comfort letters, statutory audits, consents and review of documents filed with the SEC, including certain Form 8-K filings. For the calendar year ended December 31, 2013, such fees additionally represent non-recurring fees associated with the issuance of separate company financial statements in connection with the SWAY Spin-Off (as defined below) and with the opening balance sheet audit in connection with the LNR Property Acquisition (as defined below).
- (2) Audit Related Fees primarily represent, for the calendar years ended December 31, 2014 and 2013, fees for the Company's subscription to Deloitte & Touche LLP's online accounting and reporting technical library.

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- (3) Tax Fees primarily represent, for the calendar years ended December 31, 2014 and 2013, fees for professional services for tax compliance, tax advice and tax planning. For the calendar year ended December 31, 2013, such fees additionally represent those primarily related to the taxable structure of LNR Property and its affiliated entities as a result of the LNR Property Acquisition.
- (4) All Other Fees primarily represent, for the calendar years ended December 31, 2014 and 2013, fees in connection with convertible debt and equity offerings and certain other transactions completed during the years. For the calendar year ended December 31, 2013, such fees additionally represent those primarily related to due diligence in connection with the LNR Property Acquisition.

Pre-Approval Policies for Services of Independent Registered Public Accounting Firm

In accordance with Audit Committee policy and requirements of law, the Audit Committee pre-approves all services to be provided by the independent registered public accounting firm, including all audit services, audit-related services, tax services and other services. In some cases, the full Audit Committee provides pre-approval for up to a year, related to a particular defined task or scope of work and subject to a specific budget. The Audit Committee has authorized its Chairperson to pre-approve additional services and, if the Chairperson of the Audit Committee pre-approves a service pursuant to this authority, he or she reviews the matter with the full Audit Committee at its next regularly scheduled meeting. To avoid potential conflicts of interest, the law prohibits a publicly traded company from obtaining certain non-audit services from its independent registered public accounting firm. The Company obtains these services from other firms as needed.

For the calendar years ended December 31, 2014 and 2013, all services provided by Deloitte & Touche LLP were pre-approved by the Audit Committee pursuant to such policies.

Procedures

Requests or applications to provide services that require specific approval by the Audit Committee or its Chairperson will be submitted to the Audit Committee or its Chairperson, as the case may be, by both the independent registered public accounting firm and the Company's Chief Financial Officer, and must include a joint statement as to whether, in their view, the request or application is consistent with the rules of the SEC on auditor independence and the requested services are not non-audit services prohibited by the SEC.

**PROPOSAL 4:
STOCKHOLDER PROPOSAL**

The CtW Investment Group, 1900 L Street, N.W., Suite 900, Washington, D.C. 20036, the beneficial owner of more than \$2,000 worth of our Common Stock, has notified the Company that it intends to present a proposal at the Annual Meeting. The stockholder proposal is set forth below. The Company is not responsible for the accuracy of the proposal or the proponent's supporting statement.

Stockholder Proposal

RESOLVED: The stockholders of Starwood Property Trust, Inc. (the "Company") ask the board of directors to adopt a policy that, whenever possible, the board's chairman should be a director who has not previously served as an executive officer of the Company and who is "independent" of management. For these purposes, a director shall not be considered "independent" if, during the last three years, he or she

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was, or was affiliated with a company that was, an advisor or consultant to the Company, or a significant customer or supplier of the Company;

was employed by or had a personal service contract(s) with the Company or its senior management;

was affiliated with a company or non-profit entity that received the greater of \$2 million or 2% of its gross annual revenues from the Company;

had a business relationship with the Company that the Company had to disclose under the Securities and Exchange Commission regulations;

has been employed by a public company at which an executive officer of the Company serves as a director;

had a relationship of the sort described above with any affiliate of the Company; and

was a spouse, parent, child, sibling or in-law of any person described above.

The policy should be implemented without violating any contractual obligation and should specify how to select a new independent chairman if a current chairman ceases to be independent between annual shareholder meetings. Compliance with the policy may be excused if no independent director is available and willing to serve as chairman.

SUPPORTING STATEMENT

The Board of Directors is responsible for protecting shareholders' long-term interests by providing independent oversight of management, including the Chief Executive Officer ("CEO"), in directing the corporation's business and affairs. CEO Barry S. Sternlicht has served as both Chairman and CEO since 2009.

We question whether this approach is in the best long-term interest of shareholders. We believe that an independent Chairman who sets agendas, priorities and procedures for the board can enhance board oversight of management and help ensure the objective functioning of an effective board. We also believe that having an independent Chairman (in practice as well as appearance) can improve oversight of management and accountability to shareowners. We view the alternative of having a lead outside director, even one with a robust set of duties, as inadequate to fulfil these functions.

A number of respected institutions recommend such separation. CalPERS' Corporate Core Principles and Guidelines state that "the independence of a majority of the Board is not enough"; "the leadership of the board must embrace independence, and it must ultimately change the way in which directors interact with management." In 2009 the Milstein Center at Yale School of Management issued a report, endorsed by a number of investors and board members, that recommended splitting the two positions as the default provision for U.S. companies.

We urge you to vote **FOR** this proposal.

Board of Directors Statement in Opposition to the Stockholder Proposal

The Board of Directors has carefully considered the foregoing proposal and has determined that its adoption is not in the best interests of the Company's stockholders for the reasons set forth below. Accordingly, the Board of Directors recommends a vote **AGAINST** the proposal.

The Board of Directors is committed to protecting stockholders' interests by providing independent oversight of management and has already adopted numerous measures that foster director independence. As such, the Board of Directors believes that the current leadership structure fully supports the accountability of management to the independent directors. In ensuring this, the Board of

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Directors has taken affirmative steps to facilitate accountability to stockholders and independent oversight of management, including, for example, through the following:

The Company retains a majority of independent directors on the Board. The Board's independent members are fully involved in the Company's operations and meet regularly without management, including the Chief Executive Officer, present.

Our Corporate Governance Guidelines provide that if the Chairman of the Board is not an independent director, a Lead Independent Director will be designated by the other independent members of the Board. Currently, Mr. Bronson serves in this role. The Lead Independent Director works with the Chief Executive Officer and Chairman to ensure that the Board of Directors discharges its responsibilities, has structures and procedures in place to enable it to function independently of management and clearly understands the respective roles and responsibilities of the Board of Directors and management. In addition, the Lead Independent Director's duties include: presiding over all meetings of the Board at which the Chairman is not present, including executive sessions of the Board's independent directors; serving as a liaison between the Chairman and the independent directors; approving information sent to the Board, including meeting agendas; approving meeting schedules; having the authority to call meetings of the independent directors; and being available at the request of major stockholders for consultation and direct communication. Executive sessions of the non-executive directors, which include all independent directors, occur regularly during the course of the year.

The Board of Directors also maintains a strong and involved committee system, with each of the principal standing committees (the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee) being composed entirely of independent directors. This means that oversight of critical issues such as the integrity of the Company's financial statements, the compensation of executive management, and the development and implementation of the Company's corporate governance policies is entrusted to independent directors.

Moreover, in addition to this carefully considered leadership structure, our directors, including the Chairman, are bound by the same fiduciary duties to act in a manner that they believe to be in the best interests of the Company and the stockholders. Separating the Chairman and Chief Executive Officer positions would not enhance or change the fiduciary duties applicable to our directors.

Furthermore, the Board of Directors believes the current governance structure enhances stockholder value. The primary responsibility of the Board of Directors is to foster long-term success of the Company, and a key element in fulfilling this responsibility is to determine periodically which person or persons should serve as our Chairman and Chief Executive Officer based on the best interests of the Company and its stockholders at that time. The members of the Board of Directors are in the best position to make this decision based on their knowledge of the Company. At the present time, the Board of Directors believes that (a) Mr. Sternlicht serving as both Chairman and Chief Executive Officer provides substantial benefits to the Company and (b) it would be unwise to impose an inflexible requirement that the position of Chairman always be limited to only an independent director.

The Board of Directors currently believes that Mr. Sternlicht, in particular, is well-suited to act in this dual role, and his service as both Chairman and Chief Executive Officer is appropriate and in the best interests of the Company and our stockholders because of his years of experience with the Company, his deep institutional knowledge, and the demonstrated performance of the Company under his leadership. Having an executive who possesses broad experience and information about the Company's operations and the industry, with authority and access to management, contributes to the highest level of informed judgment, effective feedback and oversight. As the Chief Executive Officer of the Company, Mr. Sternlicht is ultimately responsible for the Company's management of risk and is

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therefore best able to bring key business issues and risks to the attention of the Board of Directors. The combined role strikes the appropriate balance between active leadership and independent oversight of business, it facilitates the efficient and effective functioning of the Board of Directors, and it allows for the pursuit of a unified vision for the Company, in each case without compromising management accountability.

This is also consistent with the historical practices of a majority of U.S. public companies, which have typically followed a model in which the Chief Executive Officer also serves as the Chairman of the Board. Recognizing, however, that there are differing viewpoints concerning the optimal leadership structure for public companies, in considering this proposal and a substantially similar proposal presented in the proxy statement for last year's annual meeting, the Company has engaged in discussions with a number of our stockholders in order to understand their views and take into account their feedback. Based on those discussions, the Board took into consideration that most of our major stockholders value the current combined Chairman/Chief Executive Officer role and support providing the Board of Directors the flexibility to change the allocation of leadership responsibilities over time, depending on the circumstances. The Board's current view was also developed in light of the vote at last year's annual meeting, at which stockholders already considered and rejected a substantially similar proposal.

In contrast, implementing a policy as requested by the stockholder proposal would mandate a fixed, inflexible, one-size-fits-all leadership structure for the Company and would prevent the Board of Directors, including future boards, from determining the most appropriate leadership structure for the Company. In our view, the Board of Directors is best positioned to determine the appropriate leadership structure for our Company, and it can most effectively perform its leadership responsibilities and best protect its stockholders' interests when it can exercise its judgment in light of the challenges facing the Company from time to time.

The Board of Directors, of course, recognizes that there may be circumstances in which there is value in having separate individuals serve as Chairman and Chief Executive Officer. The Board would consider making a change to the combined Chairman and Chief Executive Officer structure if it determined that would be the best course of action for the Company. Currently, however, the Board of Directors believes that the Company and the stockholders are best served by Mr. Sternlicht's dual role and by having the option going forward to have the same individual serve as Chairman and Chief Executive Officer. Restricting the Board's discretion by adopting a one-size-fits-all policy would deprive the Company of the value created by Mr. Sternlicht's current role and limit the Board's ability to select the most qualified and appropriate individual to lead the Board as Chairman in the future.

Required Vote

A majority of the votes cast at a meeting of stockholders duly called and at which a quorum is present is required to approve the stockholder proposal disclosed in this Proxy Statement. Stockholders should be aware that this stockholder proposal is simply a precatory request that the Board of Directors take the action stated in the proposal.

Recommendation of the Board of Directors

The Board of Directors recommends a vote **AGAINST** the stockholder proposal disclosed in this Proxy Statement.

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CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Management Agreement

The Company is party to the Management Agreement with the Manager, pursuant to which the Manager provides the day-to-day management of the Company's operations. The Management Agreement requires the Manager to manage the Company's business affairs in conformity with the policies and the investment guidelines that are approved and monitored by the Company's Board of Directors. The Management Agreement had an initial three-year term and is now renewed for one-year terms unless terminated by either the Company (upon payment of a termination fee if terminated without cause per the terms of the Management Agreement) or the Manager.

Base Management Fee

The Company pays the Manager a base management fee in an amount equal to 1.5% of the Company's stockholders' equity, per annum, calculated and payable quarterly in arrears in cash. For purposes of calculating the base management fee, the Company's stockholders' equity means: (a) the sum of (i) the net proceeds from all issuances of the Company's equity securities since inception (allocated on a pro rata basis for such issuances during the calendar quarter of any such issuance), plus (ii) the Company's retained earnings at the end of the most recently completed calendar quarter (without taking into account any non-cash equity compensation expense incurred in current or prior periods), less (b) any amount that the Company has paid to repurchase its Common Stock since inception. It also excludes (1) any unrealized gains and losses and other non-cash items that have impacted stockholders' equity as reported in the Company's financial statements prepared in accordance with GAAP, and (2) one-time events pursuant to changes in GAAP, and certain non-cash items not otherwise described above, in each case after discussions between the Manager and the Company's Independent Directors and approval by a majority of the Company's Independent Directors. As a result, the Company's stockholders' equity, for purposes of calculating the management fee, could be greater or less than the amount of stockholders' equity shown on the Company's financial statements. The Manager uses the proceeds from its management fee in part to pay compensation to its officers and personnel who, notwithstanding that certain of them also are the Company's officers, receive no cash compensation directly from the Company. The management fee is payable independent of the performance of the Company's portfolio.

The management fee of the Manager shall be calculated within 30 days after the end of each quarter and such calculation shall be promptly delivered to the Company. The Company is obligated to pay the management fee in cash within five business days after delivery to the Company of the written statement of the Manager setting forth the computation of the management fee for such quarter.

Incentive Fee

The Company pays the Manager an incentive fee with respect to each calendar quarter (or part thereof that the Management Agreement is in effect) in arrears. The incentive fee will be an amount, not less than zero, equal to the difference between (a) the product of (i) 20% and (ii) the difference between (1) the Company's Core Earnings (as defined below) for the previous 12-month period, and (2) the product of (A) the weighted average of the issue price per share of Common Stock of all of the Company's public offerings of Common Stock multiplied by the weighted average number of all shares of Common Stock outstanding (including any restricted stock units, any restricted shares of Common Stock and any other shares of Common Stock underlying awards granted under the Company's equity incentive plans) in the previous 12-month period, and (B) 8% and (b) the sum of any incentive fee paid to the Manager with respect to the first three calendar quarters of such previous 12-month period; provided, however, that (x) no incentive fee is payable with respect to any calendar quarter unless Core Earnings for the 12 most recently completed calendar quarters is greater than zero and (y) as provided

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in an amendment to the Management Agreement entered into on December 4, 2014 to account for the SWAY Spin-Off, for purposes of clause (a)(i)(2)(A) above, on and after January 31, 2014, the computation of the weighted average issue price per share of Common Stock is decreased to give effect to the book value per share on January 31, 2014 of the assets of SWAY and the computation of the average number of shares of Common Stock outstanding is decreased by the weighted-average number of shares of SWAY distributed in the SWAY Spin-Off on January 31, 2014.

"Core Earnings" is a non-GAAP measure and is defined as GAAP net income (loss) excluding (a) non-cash equity compensation expense, (b) the incentive fee, (c) depreciation and amortization of real estate, (d) any unrealized gains, losses or other non-cash items recorded in net income for the period, regardless of whether such items are included in other comprehensive income or loss, or in net income, (e) one-time events pursuant to changes in GAAP and (f) certain other non-cash adjustments, in each case after discussions between the Manager and the Company's Independent Directors and after approval by a majority of the Company's Independent Directors.

Reimbursement of Expenses

The Company is required to reimburse the Manager for the expenses described below. Expense reimbursements to the Manager are made in cash on a monthly basis following the end of each month. The Company's reimbursement obligation is not subject to any dollar limitation. Because the Manager's personnel perform certain legal, accounting, due diligence tasks and other services that outside professionals or outside consultants otherwise would perform, the Manager is paid or reimbursed for the documented cost of performing such tasks, provided that such costs and reimbursements are in amounts which are no greater than those which would be payable to outside professionals or consultants engaged to perform such services pursuant to agreements negotiated on an arm's-length basis.

The Company also pays all operating expenses, except those specifically required to be borne by the Manager under the Management Agreement. The expenses required to be paid by the Company include, but are not limited to:

expenses in connection with the issuance and transaction costs incident to the acquisition, disposition and financing of the Company's investments;

costs of legal, tax, accounting, consulting, auditing and other similar services rendered for the Company by providers retained by the Manager or, if provided by the Manager's personnel, in amounts which are no greater than those which would be payable to outside professionals or consultants engaged to perform such services pursuant to agreements negotiated on an arm's-length basis;

the compensation and expenses of the Company's directors and the cost of liability insurance to indemnify the Company's directors and officers;

costs associated with the establishment and maintenance of any of the Company's credit facilities, other financing arrangements, or other indebtedness of the Company (including commitment fees, accounting fees, legal fees, closing and other similar costs) or any of the Company's securities offerings;

expenses connected with communications to holders of the Company's securities or of the Company's subsidiaries and other bookkeeping and clerical work necessary in maintaining relations with holders of such securities and in complying with the continuous reporting and other requirements of governmental bodies or agencies, including, without limitation, all costs of preparing and filing required reports with the SEC, the costs payable by the Company to any transfer agent and registrar in connection with the listing and/or trading of the Company's stock on any exchange, the fees payable by the Company to any such exchange in connection with its listing, costs of preparing, printing and mailing the Company's annual report to its stockholders and proxy materials with respect to any meeting of the Company's stockholders;

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costs associated with any computer software or hardware, electronic equipment or purchased information technology services from third-party vendors that is used for the Company;

expenses incurred by managers, officers, personnel and agents of the Manager for travel on the Company's behalf and other out-of-pocket expenses incurred by managers, officers, personnel and agents of the Manager in connection with the purchase, financing, refinancing, sale or other disposition of an investment or establishment and maintenance of any of the Company's securitizations or any of the Company's securities offerings;

costs and expenses incurred with respect to market information systems and publications, research publications and materials and settlement, clearing and custodial fees and expenses;

compensation and expenses of the Company's custodian and transfer agent, if any;

the costs of maintaining compliance with all federal, state and local rules and regulations or any other regulatory agency;

all taxes and license fees;

all insurance costs incurred in connection with the operation of the Company's business except for the costs attributable to the insurance that the Manager elects to carry for itself and its personnel;

costs and expenses incurred in contracting with third parties;

all other costs and expenses relating to the Company's business and investment operations, including, without limitation, the costs and expenses of acquiring, owning, protecting, maintaining, developing and disposing of investments, including appraisal, reporting, audit and legal fees;

expenses relating to any office(s) or office facilities, including, but not limited to, disaster backup recovery sites and facilities, maintained for the Company or its investments separate from the office or offices of the Manager;

expenses connected with the payments of interest, dividends or distributions in cash or any other form authorized or caused to be made by the Board of Directors to or on account of holders of the Company's securities or of the Company's subsidiaries, including, without limitation, in connection with any dividend reinvestment plan;

any judgment or settlement of pending or threatened proceedings (whether civil, criminal or otherwise) against the Company or any subsidiary, or against any trustee, director, partner, member or officer of the Company or of any subsidiary in his capacity as such for which we or any subsidiary is required to indemnify such trustee, director, partner, member or officer by any court or governmental agency; and

all other expenses actually incurred by the Manager (except as described below) which are reasonably necessary for the performance by the Manager of its duties and functions under the Management Agreement.

The Company and its subsidiaries do not reimburse the Manager or its affiliates for the salaries and other compensation of its personnel, except that:

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pursuant to the Secondment Agreement, dated effective as of January 1, 2014 (the "Sossen Secondment Agreement"), between an affiliate of the Manager and the Company, the Company is responsible for reimbursing a portion of such affiliate of the Manager's expenses incurred in employing Mr. Sossen as the Company's Executive Vice President, General Counsel, Chief Operating Officer, Chief Compliance Officer and Secretary, including annual base salary, annual incentive bonus, employee benefits and any related employee withholding taxes; and

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pursuant to the Secondment Agreement, dated effective as of January 1, 2014 (the "Paniry Secondment Agreement" and, together with the Sossen Secondment Agreement, the "Secondment Agreements"), among an affiliate of the Manager, the Company and LNR Property, the Company and LNR Property are responsible for reimbursing a portion of such affiliate of the Manager's expenses incurred in employing Ms. Paniry as the Company's Chief Financial Officer, Treasurer, Principal Financial Officer and Chief Accounting Officer, including annual base salary, annual incentive bonus, equity incentive awards and employee benefits (of which there have been none to date).

Mr. Ward, the Company's former Chief Financial Officer, Treasurer and Principal Financial Officer, was the subject of a similar secondment arrangement until its termination in connection with his resignation effective as of May 7, 2014. In addition, the Company may be required to pay its pro rata portion of rent, telephone, utilities, office furniture, equipment, machinery and other office, internal and overhead expenses of the Manager and its affiliates required for the Company's operations.

Fees Incurred and Paid for 2014

For the calendar year ended December 31, 2014, the Company incurred \$54.5 million in base management fees. The Company incurred \$34.4 million in incentive compensation payable to the Manager during the calendar year ended December 31, 2014. However, the total incentive fee paid during the calendar year ended December 31, 2014 was \$22.2 million, of which one half was paid in Common Stock, as required by the Management Agreement. In February 2015, an additional \$18.9 million of the total incentive fee was paid, one half of which was similarly paid in Common Stock. The Company also was obligated to reimburse the Manager for \$8.2 million of certain expenses incurred on the Company's behalf during 2014.

Grants of Equity Compensation to the Manager

Under the Company's equity incentive plans, our Compensation Committee is authorized to approve grants of equity-based awards to the Company's officers or directors and to the Manager and its personnel and affiliates. On October 10, 2012, concurrently with the closing of a public offering of Common Stock, the Company granted to the Manager 875,000 restricted stock units. This award of restricted stock units vests ratably on a quarterly basis over a three-year period that began on December 31, 2012. Restricted stock units are settled promptly, but in no event later than 30 days, following the applicable quarterly vesting date. On January 2, 2014, the Company granted to the Manager 2,000,000 shares of restricted stock. This award of restricted stock units vests ratably on a quarterly basis over a three-year period that began on March 31, 2014. On January 31, 2014, in connection with the SWAY Spin-Off, the Company granted to the Manager 489,281 restricted stock units. Of these restricted stock units, 99,480 vest ratably on a quarterly basis over a 21-month period that began on March 31, 2014 and 389,801 vest ratably over a three-year period that began on March 31, 2014. This award of restricted stock units, once vested, is settled in shares of Common Stock. The Manager is entitled to receive "distribution equivalents" with respect to these restricted stock units and restricted stock shares, whether or not vested, at the same time and in the same amounts as distributions are paid to the Company's holders of Common Stock.

The Company's Chief Executive Officer is also an executive of Starwood Capital Group. As a result, the Management Agreement between the Company and the Manager was negotiated between related parties, and the terms, including fees and other amounts payable, may not be as favorable to the Company as if it had been negotiated with an unaffiliated third party. The Management Agreement is intended to provide the Company with access to the Manager's pipeline of investment opportunities and its personnel and its experience in capital markets, credit analysis, debt structuring and risk and asset management, as well as assistance with corporate operations, legal and compliance functions and governance.

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Mammoth Mountain Ski Area Participation Interest

In 2011, the Company purchased a \$35,000,000 *pari passu* participation interest (the "Mammoth Participation Interest") in a \$75,000,000 subordinate loan (the "Mammoth Loan") from Apollo Commercial Real Estate Finance, Inc. ("Apollo") and a syndicate of financial institutions and other entities acting as subordinate lenders to Mammoth Mountain Ski Area, LLC ("Mammoth"). Mammoth is a single-purpose, bankruptcy remote entity that is owned and controlled by Starwood Global Opportunity Fund VII-A, L.P., Starwood Global Opportunity Fund VII-B, L.P., Starwood U.S. Opportunity Fund VII-D, L.P. and Starwood U.S. Opportunity Fund VII-D-2, L.P. (collectively, the "Mammoth Sponsors"). Each of the Mammoth Sponsors is indirectly wholly owned by Starwood Capital Group Global I, L.L.C., an affiliate of our Chief Executive Officer and the Manager ("SCGG I"). The Mammoth Loan was approved by the Company's non-executive directors in accordance with the Company's related party transaction practice described below under " Related Party Transaction Practice."

The Mammoth Loan has a term of up to six years and an interest rate of 13.25% through June 13, 2012, 14% through the earlier of May 1, 2014 and the date that certain financial tests are passed and 13.25% thereafter. The Company acquired its Mammoth Participation Interest from Apollo and owns such Mammoth Participation Interest subject to a participation agreement between Apollo and the Company (the "Mammoth Participation Agreement"). The Mammoth Participation Agreement provides for the payment to the Company, on a pro rata basis with Apollo, of customary payments in respect of the Company's Mammoth Participation Interest and affords the Company customary voting, approval and consent rights so long as no event of default is continuing under the Mammoth Loan. However, the Mammoth Participation Agreement provides that after the occurrence and during the continuation of an event of default under the Mammoth Loan, (a) if at such time the Company is a loan party or an equity holder or an affiliate of a loan party, the Company has no right to grant any consent pursuant to any Mammoth Loan document or otherwise exercise any voting rights with respect to any Mammoth Loan document, and (b) Apollo has the sole right without restriction to (i) exercise or enforce any right or remedy with respect to the Mammoth Loan obligations (including the Mammoth Participation Interest) under any Mammoth Loan document, (ii) approve with respect to the Mammoth Loan (including the Mammoth Participation Interest) any amendment, modification or waiver of any provision of any Mammoth Loan document and (iii) exercise any other voting or consent rights with respect to the Mammoth Loan (including the Mammoth Participation Interest) under any Mammoth Loan document.

Le Méridien Hotels Participation Interest

In 2012, the Company purchased a 50% undivided participation interest (the "Le Méridien Participation Interest") in a EUR-denominated mezzanine loan for \$68.4 million (the "Le Méridien Loan"). In June 2014, the Le Méridien Loan was paid off in full. The borrower was Starman Luxembourg Holdings S.À R.L. ("Luxembourg Holdings"), an entity that indirectly owns and operates a portfolio of hotels in France and Germany. Luxembourg Holdings is owned 50% by an independent third party and 50% by several private investment funds previously sponsored by SCGG I. The Le Méridien Loan had an initial term of two years with an option to extend for an additional year, subject to certain conditions, and an interest rate of 12.5%, an upfront fee of 2.0% and an exit fee of 1.0%. The Company acquired the Le Méridien Participation Interest from an independent third party and owned the Le Méridien Participation Interest subject to a participation agreement with the independent third party (the "Le Méridien Participation Agreement"). The Le Méridien Participation Agreement provided for the payment to the Company, on a pro rata basis with an independent third party, of customary payments in respect of the Le Méridien Participation Interest and afforded the Company customary voting, approval and consent rights. The Le Méridien Loan was approved by the Company's

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non-executive directors in accordance with the Company's related party transaction practice described below under " Related Party Transaction Practice."

701 Seventh Avenue Financing and Refinancing

In 2012, the Company and Starwood Distressed Opportunity Fund IX, an affiliate of our Chief Executive Officer and the Manager ("Fund IX"), co-originated a \$475 million first mortgage and mezzanine loan (the "701 Seventh Avenue Financing") for the acquisition and redevelopment of a 10-story retail building located at 701 Seventh Avenue in the Times Square area of Manhattan ("701 Seventh Avenue") through a joint venture. Of the total loan amount, \$375 million was funded at closing, \$281.2 million of which was funded by the Company and \$93.8 million of which was funded by Fund IX. In addition, \$100 million was to be funded upon reaching certain milestones during the transformation of the property. The joint venture subsequently sold a 25% participation interest in the 701 Seventh Avenue Financing to Vornado Realty Trust ("Vornado"). Upon settling this sale, the interests of the Company, Fund IX and Vornado in the first mortgage and mezzanine loans were 56.25%, 18.75% and 25.0%, respectively, and each party was to fund their pro rata share of any subsequent fundings. In addition, Fund IX made a \$10 million passive equity investment in an entity holding an indirect ownership interest in the property. In March 2013, the joint venture, along with Vornado, sold its interest in the first mortgage loan to a third party. Immediately following the sale of the first mortgage loan, the Company repurchased a 56.25% participation interest in the same first mortgage loan through a wholly owned subsidiary, resulting in no change in net interest for the Company. The joint venture distributed \$43.9 million from the sale, net of fees, to Fund IX. The joint venture remained the holder of the mezzanine loan.

In January 2014, an affiliate of the Company and an affiliate of iStar Financial Inc. co-originated a \$500 million mortgage loan and a \$315 million mezzanine loan for the redevelopment of 701 Seventh Avenue, in which each party holds a 50% interest and of which \$237.5 million of the mortgage loan and \$109 million of the mezzanine loan were funded at closing (the "701 Seventh Avenue Refinancing"). The 701 Seventh Avenue Refinancing paid off in full the interests of the Company and Fund IX in the 701 Seventh Avenue Financing. Fund IX and Vornado had an "equity kicker" under the prior mezzanine loan that was converted to a passive equity interest in a joint venture that owns 20% of the indirect interests in 701 Seventh Avenue. Of this 20% interest, Fund IX holds a 75% interest and Vornado holds a 25% interest. Fund IX also continues to own a 16.8% passive equity investment in another entity holding an indirect ownership interest in 701 Seventh Avenue.

In August 2014, the 701 Seventh Avenue Refinancing was restructured to reduce the \$500 million mortgage loan to an aggregate amount equal to \$315 million and to increase the \$315 million mezzanine loan to an aggregate amount equal to \$500 million (the "701 Seventh Avenue Refinancing Restructuring"). Under the 701 Seventh Avenue Refinancing Restructuring, the affiliate of the Company and the affiliate of iStar Financial Inc. each continue to hold a 50% interest in the mortgage and mezzanine loans, but each anticipates selling \$100 million of its interest in the mezzanine loan to a third party lender that would lend the aggregate \$200 million to the borrower using "EB-5" financing.

The 701 Seventh Avenue Financing, the 701 Seventh Avenue Refinancing and the 701 Seventh Avenue Refinancing Restructuring were approved by the Company's non-executive directors in accordance with the Company's related party transaction practice described below under " Related Party Transaction Practice."

SEREF and Private Account Transactions

In 2012, the Company acquired 9,140,000 ordinary shares for approximately \$14.7 million in Starwood European Real Estate Finance Limited, a debt fund that is managed by an affiliate of the Manager and is listed on the London Stock Exchange ("SEREF"), in connection with SEREF's initial

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public offering (the "SEREF Investment"). As a result, the Company owns approximately 4% of SEREF.

Subsequently in 2012, the Company, SEREF and an unaffiliated third party co-originated a GBP-denominated junior mezzanine loan in the amount of \$158.1 million for the refinancing of the Maybourne Hotel Group's mezzanine debt (the "Maybourne Refinancing"). The Company and SEREF (which lends through its indirect subsidiary, Starfin Lux Sarl ("Starfin")) owned a 50% *pari passu* interest, of which the Company's and SEREF's shares were \$48.4 million and \$30.6 million, respectively. The Company funded \$48 million at the close, net of deferred fees. At the time, the Maybourne Refinancing bore interest at three-month LIBOR plus 11.65%. In January 2015, the Maybourne Refinancing was restructured to reduce the participation interest and margin of each of the Company and SEREF. The Company now holds a participation interest in the Maybourne Refinancing equal to \$26.6 million, which bears interest at three-month LIBOR plus 7.36%. The Maybourne Refinancing matures in January 2018 and is secured primarily by the ownership interest in entities that own a portfolio of three five-star luxury hotels located in London, England.

In August 2013, the Company co-originated GBP-denominated first mortgage and mezzanine loans (the "Battersea Park Loans") with SEREF. The Battersea Park Loans are collateralized by a development of a 109-unit retirement community and a 30-key nursing home in Battersea Park, London, England. The Company and Starfin committed \$11.3 million and \$22.5 million, respectively, for the two Battersea Park Loans. The first mortgage loan bears interest at 5.02% and the mezzanine loan bears interest at 15.12%, and each has a term of three-years.

In September 2013, the Company co-originated a EUR-denominated first mortgage loan with SEREF (the "Finland Loan"). The Finland Loan was for a total commitment of \$126.3 million, which was funded in two tranches. In September 2013, the Company funded \$53.8 million of such total commitment. The Finland Loan bears interest at three-month EURIBOR plus 7.00% and was originally secured by a portfolio of approximately 225 retail properties located throughout Finland. The Finland Loan matures in October 2016.

In October 2013, the Company co-originated a GBP-denominated \$467.2 million first mortgage loan with SEREF that is secured by the Heron Tower in London, England (the "Heron Tower Loan"). The facility was advanced in October 2013 in a single utilization, with SEREF taking \$29.2 million of the total advance. The most senior tranche funded by the Company, which is of \$340.6 million, carries a return of LIBOR plus 3.90% and the other tranche funded by the Company, which is of \$97.3 million, carries a fixed rate of 5.61% per annum. The Heron Tower Loan matures in October 2018.

In October 2013, the Company co-originated a GBP-denominated first mortgage loan with SEREF that is secured by Centre Point, an iconic tower located in Central London, England (the "Centre Point Loan"). In November 2013, the Company funded \$24.1 million of the initial \$88.3 million funding and committed to future funding of \$264.8 million. The first tranche funded carries interest at a fixed rate of 8.55% and the remaining tranches bear interest at three-month LIBOR (with a floor of 1.00%) plus 7.0%, unless the fixed rate option is elected. In December 2014, the Centre Point Loan was amended to increase the total commitment by \$70.5 million, which made the Company's total commitment equal to \$329.1 million. The Centre Point Loan matures on the earlier of December 30, 2017 and 38 months after the refurbishment start date.

In June 2014, the Company co-originated a GBP-denominated \$173.2 million first mortgage loan with private funds affiliated with the Manager that is secured by Baltimore Wharf, a 46-story residential tower and 18-story housing development containing a total of 366 private residential and affordable housing units located in London, England (the "Baltimore Wharf Loan"). As of January 2015, the Company has funded \$5.2 million of such commitment. The Baltimore Wharf Loan bears interest at one-month LIBOR (with a floor of 1.00%) plus 7.65% and matures in October 2017.

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In July 2014, the Company co-originated a EUR-denominated \$119.6 million mortgage loan with SEREF and other private funds affiliated with the Manager for the refinancing and refurbishment of a 239-key full service hotel located in Amsterdam, Netherlands (the "Amsterdam Loan"). The Amsterdam Loan provides for interest capitalization in an amount of up to \$15.2 million. As of January 2015, the Company has funded \$40.8 million of such commitment. The Amsterdam Loan bears interest at three-month EURIBOR (with a floor of 0.50%) plus 7.00% and matures in July 2016, subject to a one-year extension option if certain conditions are satisfied.

In December 2014, the Company co-originated a GBP-denominated \$244.6 million mortgage loan with SEREF and other private funds affiliated with the Manager for the refinancing of the development of Aldgate Tower, a new Grade A office tower located in London, England (the "Aldgate Tower Loan" and, together with the SEREF Investment, Maybourne Refinancing, Battersea Park Loans, Finland Loan, Heron Tower Loan, Centre Point Loan, Baltimore Wharf Loan and Amsterdam Loan, the "SEREF and Private Account Transactions"). The Company's participation interest in the Aldgate Tower Loan is equal to \$169.1 million. Part of the Aldgate Tower Loan bears interest at three-month LIBOR plus 4.50% and matures in December 2016.

The SEREF and Private Account Transactions were approved by the Company's non-executive directors in accordance with the Company's related party transaction practice described below under " Related Party Transaction Practice."

LNR Property Acquisition

In April 2013, the Company completed the acquisition (the "LNR Property Acquisition") of all the outstanding equity interests of LNR Property from Aozora Investments LLC ("Aozora"), CBR I LLC ("Cerberus"), iStar Marlin LLC ("iStar Marlin"), Opps VIIb LProp, L.P. ("Oaktree") and VNO LNR Holdco LLC (together with Aozora, Cerberus, iStar Marlin and Oaktree, the "LNR Property Sellers"), for an initial agreed upon purchase price of \$859 million pursuant to a purchase and sale agreement among the Company, LNR Property and the LNR Property Sellers (the "LNR Property Purchase Agreement"). The initial purchase price was reduced for transaction expenses and distributions occurring after September 30, 2012, resulting in cash consideration of approximately \$730 million. LNR Property is a diversified real estate services and investment management company that, among other things, invests in commercial real estate securities, whole loans and equity. The purchase price is subject to reduction under certain circumstances in the event any LNR Property Seller takes specified actions during the two-year period following the date of the LNR Property Purchase Agreement, January 23, 2013, that result in LNR Property's replacement as special servicer under specified pooling and servicing agreements. An additional \$194 million was paid by SOF-IX U.S. Holdings, L.P., an affiliate of our Chief Executive Officer and the Manager ("SCG"), in connection with SCG's acquisition of certain assets of LNR Property and its subsidiaries immediately prior to the completion of the LNR Property Acquisition, pursuant to a purchase and sale agreement among SCG, LNR Property and the LNR Property Sellers (the "CPG Purchase Agreement"). The assets acquired by SCG included, among other things, a 50% interest in LNR Property's equity interest in Auction.com, a privately-held entity which provides services to sellers of residential, commercial, multi-family and hospitality properties, land and performing and non-performing notes and loan pools in an auction format.

In connection with the LNR Property Acquisition, the Company entered into several additional arrangements with SCG or its affiliates.

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Side Letter Agreement

The Company and SCG entered into an agreement governing their relative rights and responsibilities under the LNR Property Purchase Agreement and the CPG Purchase Agreement (the "Side Letter Agreement"). Under the Side Letter Agreement, the Company and SCG generally agreed to allocate their obligations with respect to the deposits with the escrow agent and their rights with respect to indemnification and other payments in the proportion of 79.34% and 20.66%, respectively, which corresponds to their respective portions of the purchase price. The Company and SCG have also agreed under the Side Letter Agreement to cooperate with respect to the preparation and review of tax returns and other matters. In 2014, \$1.8 million became payable from the Company to SCG under the Side Letter Agreement as certain deposits were released.

Shared Services Agreement

A subsidiary of the Company and SCG entered into a shared services agreement that allows for the provision of certain transitional and shared services to LNR Property's commercial property business, which was acquired by SCG (the "Shared Services Agreement"). Under the Shared Services Agreement, the services are to be provided for a period of up to three years, and include general ledger support, human resources services and information technology support. The fees for each of these services vary depending upon the nature of the service being provided. In 2014, the subsidiary of the Company earned approximately \$0.2 million in such fees from SCG.

Newport Beach Sublease

SCG assumed all obligations under a lease in Newport Beach, California whose obligor was a subsidiary of LNR Property's commercial property business, which was acquired by SCG. The leased space also housed personnel dedicated to other of LNR Property's businesses, including those acquired by the Company. As a result, a subsidiary of the Company entered into a sublease with an affiliate of SCG whereby the subsidiary of the Company subleases a portion of this space (the "Newport Beach Sublease" and, together with the Side Letter Agreement, Employee Lease Agreement and Shared Services Agreement, the "SCG Ancillary Arrangements"). In 2014, the subsidiary of the Company incurred approximately \$0.1 million in rent and other costs in connection with the Newport Beach Sublease payable to the affiliate of SCG. The Newport Beach Sublease continues through September 2017.

The LNR Property Purchase Agreement, LNR Property Acquisition and SCG Ancillary Arrangements were approved by the Company's non-executive directors in accordance with the Company's related party transaction practice described below under " Related Party Transaction Practice."

B-Notes Purchase

In April 2013, the Company purchased two B-notes for \$146.7 million from entities substantially all of whose equity was owned by an affiliate of the Manager (the "B-Notes Purchase"). The B-notes are secured by two Class-A office buildings located in Austin, Texas. In May 2013, the Company sold senior participation interests in the B-notes to a third party, generating \$95.0 million in aggregate proceeds. The Company retained the subordinated interests. The B-Notes Purchase was approved by the Company's non-executive directors in accordance with the Company's related party transaction practice described below under " Related Party Transaction Practice."

Regional Mall Securitization Investment

In December 2013, the Company acquired a subordinate CMBS investment in a securitization issued by several special purpose entities that are affiliates of the Manager and indirectly owned and

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controlled by Starwood Capital Group (the "Regional Mall Securitization Investment"). The Regional Mall Securitization Investment was acquired for \$84.1 million and is secured by five regional malls in Ohio, California and Washington. The Regional Mall Securitization Investment was approved by the Company's non-executive directors in accordance with the Company's related party transaction practice described below under " Related Party Transaction Practice."

SWAY Spin-Off

In January 2014, the Company completed the spin-off of SWAY, which contained the Company's single-family residential business and is now managed by an affiliate of Starwood Capital Group (the "SWAY Spin-Off"). The SWAY Spin-Off was effected as a distribution by the Company of all of the common shares of SWAY to the stockholders of record of the Company pursuant to a separation and distribution agreement between the Company and SWAY (the "Separation and Distribution Agreement"). Each such stockholder of the Company received one SWAY common share for every five shares of the Company's Common Stock held on January 24, 2014. As of January 21, 2014, the SWAY Spin-Off was valued at \$1.05 billion. In February 2014, SWAY began trading on the NYSE. The Separation and Distribution Agreement also provides a framework for the Company's relationship with SWAY following the SWAY Spin-Off, including provisions that regard the maintenance of director and officer liability insurance, the absence of competition restrictions, access to financial and other information and confidentiality. The Separation and Distribution Agreement and the SWAY Spin-Off were approved by the Company's non-executive directors in accordance with the Company's related party transaction practice described below under " Related Party Transaction Practice."

SCG Core-Plus Investment

In October 2014, the Company committed \$150.0 million for a 33% limited partner equity interest in SCG Core-Plus Retail Fund, L.P., an affiliate of the Manager ("SCG Core-Plus"), of which \$132.0 million was funded in October 2014 (the "SCG Core-Plus Investment"). An unaffiliated third party has made an additional investment as a limited partner in SCG Core-Plus on substantially similar terms. SCG Core-Plus was a newly formed partnership established for the purpose of acquiring and operating four regional shopping malls located in Florida, Michigan, North Carolina and Virginia. All leasing services and asset management functions for the acquired properties are conducted by an affiliate of the Manager that specializes in redeveloping, managing and repositioning retail real estate assets. In addition, another affiliate of the Manager serves as the general partner of SCG Core-Plus. In consideration for its services, such general partner earns incentive distributions that are payable once the Company, along with the other limited partners, receives 100% of its capital and a preferred return of 8%. The SCG Core-Plus Investment was approved by the Company's non-executive directors in accordance with the Company's related party transaction practice described below under " Related Party Transaction Practice."

Related Party Transaction Practice

The Board of Directors does not have a written policy regarding the approval of any related party transaction. However, it is the practice of the Board of Directors to seek approval of the non-executive directors for any related party transaction (which means any transaction or series of transactions in which the Company or any of its subsidiaries is or are to be a participant, the amount involved exceeds \$120,000, and a "related person" (as defined under SEC rules) has a direct or indirect material interest) involving a potential conflict of interest.

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STOCKHOLDER PROPOSALS FOR THE 2016 ANNUAL MEETING

Proposals received from stockholders are given careful consideration by the Company in accordance with Rule 14a-8 under the Exchange Act. Stockholder proposals are eligible for consideration for inclusion in the proxy statement for the 2016 annual meeting of stockholders if they are received by the Company on or before November 25, 2015. Any proposal should be directed to the attention of the Company's Secretary at Starwood Property Trust, Inc., 591 West Putnam Avenue, Greenwich, Connecticut 06830. In order for a stockholder proposal submitted outside of Rule 14a-8 to be considered "timely" within the meaning of Rule 14a-4(c), such proposal must be delivered to the Company's Secretary at the Company's principal executive offices not later than the last date for submission of stockholder proposals under the Company's Bylaws. In order for a proposal to be "timely" under the Company's Bylaws, it must be received not less than 90 days (i.e., December 25, 2015) nor more than 120 days (i.e., November 25, 2015) prior to the first anniversary of the date of the mailing of the notice for the 2015 Annual Meeting, March 24, 2015; provided, however, that in the event that the date of the mailing of the notice for the 2016 Annual Meeting is advanced or delayed by more than 30 days from such anniversary date, notice by stockholders to be timely must be received not earlier than the 120th day prior to the date of mailing of the notice for the 2016 annual meeting of stockholders and not later than the close of business on the later of the 90th day prior to the date of mailing of the notice for the 2016 annual meeting of stockholders or the 10th day following the day on which disclosure of the date of mailing of the notice for the 2016 annual meeting of stockholders is made.

OTHER MATTERS

The Board of Directors knows of no other business to be brought before the Annual Meeting. If any other matters properly come before the Annual Meeting, including a proposal omitted from this Proxy Statement in accordance with Rule 14a-8 under the Exchange Act, the proxies will be voted on such matters in accordance with the judgment of the persons named as proxies therein, or their substitutes, present and acting at the meeting.

No person is authorized to give any information or to make any representation not contained in this Proxy Statement, and, if given or made, such information or representation should not be relied upon as having been authorized. The delivery of this Proxy Statement shall not, under any circumstances, imply that there has not been any change in the information set forth herein since the date of the Proxy Statement.

ADDITIONAL INFORMATION

The SEC has adopted rules that permit companies and intermediaries such as brokers to satisfy delivery requirements for proxy statements and annual reports with respect to two or more stockholders sharing the same address by delivering a single proxy statement and annual report addressed to those stockholders. This process, which is commonly referred to as "householding," potentially provides extra convenience for stockholders and cost savings for companies. The Company and some brokers household proxy materials, delivering a single proxy statement and annual report to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from your broker or the Company that they or the Company will be householding materials to your address, householding will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in householding and would prefer to receive a separate proxy statement and annual report, please notify your broker if your shares are held in a brokerage account or the Company if you hold registered shares. You can notify the Company by phone at (203) 422-7700 or send a written request to the Company's Secretary at Starwood Property Trust, Inc., 591 West Putnam Avenue, Greenwich, Connecticut 06830.

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If your household has received multiple copies of proxy statements and annual reports, you can request the delivery of single copies in the future by notifying the Company as set forth above.

By Order of the Board of Directors,

Andrew J. Sossen
Secretary

Dated: March 24, 2015
Greenwich, Connecticut

