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

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**FORM 10-Q**

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

For the Quarterly Period Ended May 3, 2014

OR

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

For the Transition Period From \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-34918

**VERA BRADLEY, INC.**

(Exact name of registrant as specified in its charter)

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**Indiana**

(State or other jurisdiction of  
incorporation or organization)

**27-2935063**

(I.R.S. Employer  
Identification No.)

**12420 Stonebridge Road,  
Roanoke, Indiana**

(Address of principal executive offices)

**46783**

(Zip Code)

**(877) 708-8372**

(Registrant's telephone number, including area code)

**None**

(Former name, former address and former fiscal year, if changed since last report)

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
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Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>
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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The registrant had 40,686,315 shares of its common stock outstanding as of June 12, 2014.

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## FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements that are subject to risks and uncertainties. All statements other than statements of historical or current fact included in this report are forward-looking statements. Forward-looking statements refer to our current expectations and projections relating to our financial condition, results of operations, plans, objectives, strategies, future performance, and business. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. These statements may include words such as “anticipate,” “estimate,” “expect,” “project,” “plan,” “intend,” “believe,” “may,” “might,” “will,” “should,” “can have,” and “likely” and other words and terms of similar meaning in connection with any discussion of the timing or nature of future operating or financial performance or other events. For example, all statements we make relating to our estimated and projected earnings, revenues, costs, expenditures, cash flows, growth rates, and financial results, our plans and objectives for future operations, growth, initiatives, or strategies, or the expected outcome or impact of pending or threatened litigation are forward-looking statements. All forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those that we expected, including:

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

We derive many of our forward-looking statements from our operating plans and forecasts, which are based upon detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is difficult to predict the impact of known factors, and it is impossible for us to anticipate all factors that could affect our actual results.

For a discussion of these risks and other risks and uncertainties that could cause actual results to differ materially from those contained in our forward-looking statements, please refer to “Risk Factors” in Item 1A of our Annual Report on Form 10-K for the fiscal year ended February 1, 2014, as well as Item 1A of Part II of this Quarterly Report on Form 10-Q.

We caution you that the risks and uncertainties identified by us may not be all of the factors that are important to you. Furthermore, the forward-looking statements included in this report are made only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events, or otherwise, except as required by law.

**PART I. FINANCIAL INFORMATION**
**ITEM 1. FINANCIAL STATEMENTS**

**Vera Bradley, Inc.**  
**Consolidated Balance Sheets**  
  
**(in thousands)**  
  
**(unaudited)**

	May 3, 2014	February 1, 2014
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 81,524	\$ 59,215
Accounts receivable, net	18,557	27,718
Inventories	126,562	136,923
Prepaid expenses and other current assets	9,417	9,952
Deferred income taxes	13,981	13,094
Total current assets	250,041	246,902
Property, plant, and equipment, net	88,433	84,940
Other assets	879	1,085
Total assets	<u>\$ 339,353</u>	<u>\$ 332,927</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 23,686	\$ 27,745
Accrued employment costs	10,871	10,586
Other accrued liabilities	22,365	20,403
Income taxes payable	3,397	1,625
Total current liabilities	60,319	60,359
Deferred income taxes	4,267	4,643
Other long-term liabilities	12,645	12,778
Total liabilities	<u>77,231</u>	<u>77,780</u>
Commitments and contingencies		
Shareholders' equity:		
Preferred stock; 5,000 shares authorized, no shares issued or outstanding	—	—
Common stock, without par value; 200,000 shares authorized, 40,686 and 40,607 shares issued and outstanding, respectively	—	—
Additional paid-in-capital	78,551	78,153
Retained earnings	184,569	178,002
Accumulated other comprehensive loss	(998)	(1,008)
Total shareholders' equity	<u>262,122</u>	<u>255,147</u>
Total liabilities and shareholders' equity	<u>\$ 339,353</u>	<u>\$ 332,927</u>

The accompanying notes are an integral part of these financial statements.

**Vera Bradley, Inc.**  
**Consolidated Statements of Income**  
(in thousands, except per share data)  
(unaudited)

	<b>Thirteen Weeks Ended</b>	
	<b>May 3, 2014</b>	<b>May 4, 2013</b>
Net revenues	\$ 113,461	\$ 123,033
Cost of sales	52,936	54,567
Gross profit	60,525	68,466
Selling, general, and administrative expenses	51,312	55,227
Other income	1,577	1,951
Operating income	10,790	15,190
Interest expense, net	80	141
Income before income taxes	10,710	15,049
Income tax expense	4,143	5,860
Net income	\$ 6,567	\$ 9,189
Basic weighted-average shares outstanding	40,639	40,580
Diluted weighted-average shares outstanding	40,725	40,624
Basic net income per share	\$ 0.16	\$ 0.23
Diluted net income per share	\$ 0.16	\$ 0.23

The accompanying notes are an integral part of these financial statements.

**Vera Bradley, Inc.**  
**Consolidated Statements of Comprehensive Income**  
**(in thousands)**  
**(unaudited)**

	<b>Thirteen Weeks Ended</b>	
	<b>May 3, 2014</b>	<b>May 4, 2013</b>
Net income	\$ 6,567	\$ 9,189
Cumulative translation adjustment	10	(255)
Comprehensive income	<u>\$ 6,577</u>	<u>\$ 8,934</u>

The accompanying notes are an integral part of these financial statements.

**Vera Bradley, Inc.**  
**Consolidated Statements of Cash Flows**

(in thousands)

(unaudited)

	Thirteen Weeks Ended	
	May 3, 2014	May 4, 2013
<b>Cash flows from operating activities</b>		
Net income	\$ 6,567	\$ 9,189
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property, plant, and equipment	3,563	3,323
Provision for doubtful accounts	(115)	(213)
Loss on disposal of property, plant, and equipment	—	2
Stock-based compensation	980	806
Deferred income taxes	(1,263)	(548)
Changes in assets and liabilities:		
Accounts receivable	9,276	8,266
Inventories	10,373	(7,567)
Prepaid expenses and other assets	741	1,943
Accounts payable	(7,075)	2,915
Income taxes payable	1,772	(1,333)
Accrued and other liabilities	2,138	(1,904)
Net cash provided by operating activities	26,957	14,879
<b>Cash flows from investing activities</b>		
Purchases of property, plant, and equipment	(4,040)	(5,811)
Net cash used in investing activities	(4,040)	(5,811)
<b>Cash flows from financing activities</b>		
Payments on financial-institution debt	—	(35,000)
Borrowings on financial-institution debt	—	25,000
Tax withholdings for equity compensation	(582)	(389)
Other financing activities, net	(24)	(23)
Net cash used in financing activities	(606)	(10,412)
Effect of exchange rate changes on cash and cash equivalents	(2)	(30)
Net increase (decrease) in cash and cash equivalents	22,309	(1,374)
Cash and cash equivalents, beginning of period	59,215	9,603
Cash and cash equivalents, end of period	\$ 81,524	\$ 8,229
<b>Supplemental disclosure of cash flow information</b>		
Non-cash operating and investing activities		
Property, plant, and equipment expenditures incurred but not yet paid	\$ 3,016	\$ —

The accompanying notes are an integral part of these financial statements.

**Vera Bradley, Inc.**  
**Notes to the Consolidated Financial Statements**  
**(unaudited)**

**1. Description of the Company and Basis of Presentation**

The terms “Company” and “Vera Bradley” refer to Vera Bradley, Inc. and its subsidiaries, except where context requires or where otherwise indicated.

Vera Bradley is a leading designer of women’s handbags and accessories, luggage and travel items, eyewear, and stationery and gifts. Founded in 1982 by friends Barbara Bradley Baekgaard and Patricia R. Miller, the brand’s iconic designs and versatile styles offer women of all ages a colorful way to accessorize every look.

Vera Bradley offers a unique, multi-channel sales model, as well as a focus on service and a high level of customer engagement. The Company sells its products through two reportable segments: Direct and Indirect. The Direct business consists of sales of Vera Bradley products through the Company’s full-line and factory outlet stores in the United States, department store locations in Japan, its websites, verabradley.com and verabradley.co.jp, and its annual outlet sale in Fort Wayne, Indiana. As of May 3, 2014, the Company operated 88 full-line stores and 16 factory outlet stores. The Indirect business consists of sales of Vera Bradley products to approximately 3,000 specialty retail doors, substantially all of which are located in the United States, as well as select department stores, national accounts, third party e-commerce sites, and third party inventory liquidation.

The accompanying unaudited consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (“SEC”). Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) have been omitted. These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes included in the Company’s Annual Report on Form 10-K for the fiscal year ended February 1, 2014, filed with the SEC.

The interim financial statements reflect all adjustments that are, in the opinion of management, necessary to present fairly the results for the interim periods presented. All such adjustments are of a normal, recurring nature. The results of operations for the thirteen weeks ended May 3, 2014, are not necessarily indicative of the results to be expected for the full fiscal year.

**Principles of Consolidation**

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. The Company has eliminated intercompany balances and transactions in consolidation.

**Fiscal Periods**

The Company’s fiscal year ends on the Saturday closest to January 31. References to the fiscal quarters ended May 3, 2014, and May 4, 2013, refer to the thirteen-week periods ended on those dates.

**Operating Leases and Tenant-Improvement Allowances**

The Company has leases that contain rent holidays and predetermined, fixed escalations of minimum rentals. For each of these leases, the Company recognizes the related rent expense on a straight-line basis commencing on the date of initial possession of the leased property. The Company records the difference between the recognized rent expense and the amount payable under the lease as a step-up rent liability. As of May 3, 2014 and February 1, 2014, step-up rent liability was \$7.4 million and \$7.0 million, respectively, and is included within other accrued liabilities on the Consolidated Balance Sheets.

The Company receives tenant-improvement allowances from some of the landlords of its leased properties. These allowances generally are in the form of cash received by the Company from its landlords as part of the negotiated lease terms. The Company records each tenant-improvement allowance as a deferred credit and amortizes the allowance on a straight-line basis as a reduction to rent expense over the term of the lease, commencing on the possession date. As of May 3, 2014 and February 1, 2014, the deferred lease credit liability was \$10.5 million and \$10.3 million, respectively. Of this, \$1.4 million is included within other accrued liabilities for both May 3, 2014 and February 1, 2014; \$9.1 million and \$8.9 million is included within other long-term liabilities as of May 3, 2014 and February 1, 2014, respectively.



**Vera Bradley, Inc.**  
**Notes to the Consolidated Financial Statements**  
**(unaudited)**

### Recently Issued Accounting Pronouncements

In April 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*. This guidance states that the disposal of a component of an entity is to be reported in discontinued operations only if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results. The pronouncement also requires additional disclosures regarding individually significant disposals of components that do not meet the criteria to be recognized as a discontinued operation as well as additional and expanded disclosures. The guidance is effective for all disposals (or classifications as held for sale) of components of an entity and all businesses or nonprofit activities that, on acquisition, are classified as held for sale that occur within annual periods beginning on or after December 15, 2014, and interim periods within annual periods beginning on or after December 15, 2015; it is applied prospectively. Early adoption is permitted, but only for disposals (or classifications as held for sale) that have not been reported in financial statements previously issued or available for issuance. The Company does not expect this standard to have a material impact on the Company's consolidated financial statements upon adoption.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, to clarify the principles used to recognize revenue for all entities. The new guidance is effective for annual and interim periods beginning after December 15, 2016, with no early adoption permitted. The Company is currently evaluating the impact, if any, the adoption of this guidance will have on its financial position, results of operations or cash flows.

## 2. Earnings Per Share

Earnings per share is computed under the provisions of Accounting Standards Codification (ASC) 260, *Earnings Per Share*. Basic earnings per share is computed based on the weighted-average number of common shares outstanding during the period. Diluted earnings per share is computed based on the weighted-average number of common shares outstanding, plus the effect of dilutive potential common shares outstanding during the period using the treasury stock method. Dilutive potential common shares represent outstanding restricted stock. The components of basic and diluted earnings per share were as follows (in thousands, except per share data):

	Thirteen Weeks Ended	
	May 3, 2014	May 4, 2013
<i>Numerator:</i>		
Net income	\$ 6,567	\$ 9,189
<i>Denominator:</i>		
Weighted-average number of common shares (basic)	40,639	40,580
Dilutive effect of stock-based awards	86	44
Weighted-average number of common shares (diluted)	40,725	40,624
<i>Earnings per share:</i>		
Basic	\$ 0.16	\$ 0.23
Diluted	\$ 0.16	\$ 0.23

As of May 3, 2014 and May 4, 2013, there were an immaterial number of additional shares issuable upon the vesting of restricted stock units that were excluded from the diluted share calculations because they were anti-dilutive.

**Vera Bradley, Inc.**  
**Notes to the Consolidated Financial Statements**  
**(unaudited)**

### 3. Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Assets and liabilities measured at fair value are classified using the following hierarchy, which is based upon the transparency of inputs to the valuation as of the measurement date:

- Level 1 – Quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly;
- Level 3 – Unobservable inputs based on the Company's own assumptions.

The classification of fair value measurements within the hierarchy is based upon the lowest level of input that is significant to the measurement.

The carrying amounts reflected on the Consolidated Balance Sheets for cash and cash equivalents, receivables, other current assets, and payables as of May 3, 2014, and May 4, 2013, approximated their fair values.

The carrying amount for the amended and restated credit agreement ("credit agreement") approximated its fair value at May 4, 2013, as the interest rates of these borrowings fluctuate with the market. The credit agreement falls within Level 2 of the fair value hierarchy.

### 4. Inventories

The components of inventories were as follows (in thousands):

	May 3, 2014	February 1, 2014
Raw materials	\$ 12,253	\$ 10,772
Work in process	567	850
Finished goods	113,742	125,301
Total inventories	<u>\$ 126,562</u>	<u>\$ 136,923</u>

### 5. Debt

As of May 3, 2014, the Company had borrowing availability of \$125.0 million under the amended and restated credit agreement.

### 6. Income Taxes

The provision for income taxes for interim periods is based on an estimate of the annual effective tax rate adjusted to reflect the impact of discrete items. Management judgment is required in projecting ordinary income to estimate the Company's annual effective tax rate.

The effective tax rate for the thirteen weeks ended May 3, 2014, was 38.7%, compared to 38.9% for the thirteen weeks ended May 4, 2013.

### 7. Stock-Based Compensation

The Company accounts for stock-based compensation under the fair value recognition provisions of ASC 718, *Stock Compensation*. Under these provisions, for its awards of restricted stock and restricted stock units, the Company recognizes share-based compensation expense in an amount equal to the fair market value of the underlying stock on the grant date of the respective award.

The Company reserved 6,076,001 shares of common stock for issuance or transfer under the 2010 Equity and Incentive Plan, which allows for grants of restricted stock units as well as other equity awards.

#### *Awards of Restricted Stock Units*

During the thirteen weeks ended May 3, 2014, the Company granted 217,980 time-based and performance-based restricted stock units with an aggregate fair value of \$5.9 million to certain employees and non-employee directors

**Vera Bradley, Inc.**  
**Notes to the Consolidated Financial Statements**  
**(unaudited)**

under the 2010 Equity and Incentive Plan compared to a total of 244,814 time-based and performance-based restricted stock units with an aggregate fair value of \$5.8 million granted in the same period of the prior year. The Company determined the fair value of the awards based on the closing price of the Company's common stock on the grant date.

The majority of time-based restricted stock units vest and settle in shares of the Company's common stock, on a one-for-one basis, in equal installments on each of the first three anniversaries of the grant date. Beginning in fiscal 2014, all restricted stock awards issued to non-employee directors vest after a one-year period from grant date. The Company is recognizing the expense relating to these units, net of estimated forfeitures, on a straight-line basis over the vesting period.

Performance-based restricted stock units vest upon the completion of a three-year period of time (cliff vesting), subject to the employee's continuing employment throughout the three-year performance period and the Company's achievement of annual net income or earnings per share targets during the three-year performance period. The Company is recognizing the expense relating to these units, net of estimated forfeitures, based on the probable outcome of achievement of the financial targets, on a straight-line basis over three years.

The following table sets forth a summary of restricted stock unit activity for the period ended May 3, 2014 (units in thousands):

	Time-based Restricted Stock Units		Performance-based Restricted Stock Units	
	Number of Units	Weighted- Average Grant Date Fair Value (per unit)	Number of Units	Weighted- Average Grant Date Fair Value (per unit)
Nonvested units outstanding at February 1, 2014	231	\$ 26.92	160	\$ 25.75
Granted	121	27.26	97	27.28
Vested	(101)	27.26	—	—
Forfeited	(16)	25.76	(17)	25.58
Nonvested units outstanding at May 3, 2014	235	\$ 27.03	240	\$ 26.38

As of May 3, 2014, there was \$8.6 million of total unrecognized compensation cost, net of estimated forfeitures, related to nonvested restricted stock units. That cost is expected to be recognized over a weighted-average period of 2.2 years.

## 8. Commitments and Contingencies

The Company is subject to various claims and contingencies arising in the normal course of business, including those relating to product liability, legal, employee benefit, environmental, and other matters. Management believes that it is not reasonably possible that any of these claims will have a material adverse effect on the Company's financial condition, results of operations, or cash flows.

## 9. Segment Reporting

The Company has two operating segments, which are also its reportable segments: Direct and Indirect. These operating segments are components of the Company for which separate financial information is available and for which operating results are evaluated on a regular basis by the chief operating decision maker in deciding how to allocate resources and in assessing the performance of the segments.

The Direct segment includes the Company's full-line and factory outlet stores, department store locations in Japan, the Company's websites, verabradley.com and verabradley.co.jp, and the annual outlet sale. Revenues generated through this segment are driven through the sale of Company-branded products from Vera Bradley to end consumers. The Indirect segment represents revenues generated through the distribution of Company-branded products to specialty retailers representing approximately 3,000 doors, substantially all of which are located in the United States, as well as key accounts, which include select department stores, national accounts and third party e-commerce sites. Corporate costs represent the Company's administrative expenses, which include, but are not limited to: human resources, legal,

**Vera Bradley, Inc.**  
**Notes to the Consolidated Financial Statements**  
**(unaudited)**

finance, information technology, design, merchandising, and various other corporate-level-activity-related expenses. All intercompany-related activities are eliminated in consolidation and are excluded from the segment reporting.

Company management evaluates segment operating results based on several indicators. The primary or key performance indicators for each segment are net revenues and operating income. Net revenues and operating income information for the Company's reportable segments consisted of the following (in thousands):

	Thirteen Weeks Ended	
	May 3, 2014	May 4, 2013
Segment net revenues:		
Direct	\$ 73,448	\$ 73,687
Indirect	40,013	49,346
Total	<u>\$ 113,461</u>	<u>\$ 123,033</u>
Segment operating income:		
Direct	\$ 13,449	\$ 16,965
Indirect	15,439	17,739
Total	<u>\$ 28,888</u>	<u>\$ 34,704</u>
Reconciliation:		
Segment operating income	\$ 28,888	\$ 34,704
Less:		
Unallocated corporate expenses	(18,098)	(19,514)
Operating income	<u>\$ 10,790</u>	<u>\$ 15,190</u>

#### 10. Subsequent Event

On June 4, 2014, the Company entered into a five-year agreement with Mitsubishi Corporation and Look Inc. to import and distribute Vera Bradley products in Japan. As a result of moving to this wholesale business model, the Company will exit its direct business in Japan during the third quarter and will account for this business as a discontinued operation from that point forward. The Company expects to incur pre-tax charges related to the exit from Japan during the third quarter of approximately \$2.0 million, equating to \$0.03 per share, which will be reflected in discontinued operations. Approximately \$1.0 million of that amount relates to a non-cash charge for a currency translation loss that has accumulated in equity since entering the Japan market over three years ago. The remaining charge relates to the write off of certain assets, employee severance, and other exit charges.

**ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion summarizes the significant factors affecting the consolidated operating results, financial condition, liquidity, and cash flows of our Company as of and for the thirteen weeks ended May 3, 2014 and May 4, 2013. The following discussion should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended February 1, 2014, and our unaudited consolidated financial statements and the related notes included in Item 1 of this Quarterly Report.

**Executive Summary**

Below is a summary of our strategic progress and financial highlights:

**Strategic Progress**

- We opened four new full-line stores and one factory outlet store during the first quarter in both current and underpenetrated markets.
- We hired key executives in sales, e-commerce, merchandising, and sourcing.
- We implemented omni-customer capabilities so that we can better understand what our customer is purchasing in all channels.
- We made improvements to our website which we believe will improve customer acquisition, full-price conversion, and retention.

**Quarterly Financial Summary**

- Net revenues decreased 7.8% to \$113.5 million.
- Direct segment sales decreased 0.3% to \$73.4 million. Total comparable-store net sales declined 9.4%.
- Indirect segment sales decreased 18.9% to \$40.0 million.
- Gross profit was \$60.5 million (53.3% of net revenue).
- Operating income was \$10.8 million (9.5% of net revenue).
- Net income was \$6.6 million, or \$0.16 per diluted share.
- Cash and cash equivalents were \$81.5 million at May 3, 2014.
- Cash generated from operations of \$27.0 million was used to fund capital expenditures of \$4.0 million.

**How We Assess the Performance of Our Business**

In assessing the performance of our business, we consider a variety of performance and financial measures.

*Net Revenues*

Net revenues reflect revenues from the sale of our merchandise and from distribution and shipping and handling fees, less returns and discounts. Revenues for the Direct segment reflect sales through our full-line and factory outlet stores, department store locations in Japan, our websites, verabradley.com and verabradley.co.jp, and our annual outlet sale in Fort Wayne, Indiana. Revenues for the Indirect segment reflect sales to specialty retail partners, department stores, national accounts and third party e-commerce sites.

*Comparable-Store Sales*

Comparable-store sales are calculated based upon our stores that have been open at least 12 full fiscal months. Remodeled stores are included in comparable-store sales unless the store was closed for a portion of the current or comparable prior period or the remodel resulted in a significant change in square footage. Total comparable-store sales includes net revenues from our e-commerce site verabradley.com. Some of our competitors and other retailers calculate comparable or “same store” sales differently than we do. As a result, data in this report regarding our comparable-store sales may not be comparable to similar data made available by other companies. Non-comparable store sales include sales from stores not included in comparable-store sales.

Measuring the change in year-over-year comparable-store sales allows us to evaluate how our store base is performing. Various factors affect our comparable-store sales, including:

- Overall economic trends;
- Consumer preferences and fashion trends;
- Competition;
- The timing of our releases of new patterns and collections;
- Changes in our product mix;
- Pricing;
- The level of customer service that we provide in stores;
- Our ability to source and distribute products efficiently;
- The number of stores we open and close in any period; and
- The timing and success of promotional and advertising efforts.

#### *Gross Profit*

Gross profit is equal to our net revenues less our cost of sales. Cost of sales includes the direct cost of purchased and manufactured merchandise, distribution center costs, operations overhead, duty, and all inbound freight costs incurred. The components of our reported cost of sales may not be comparable to those of other retail and wholesale companies.

Gross profit can be impacted by changes in volume, fluctuations in sales price, operational efficiencies, such as leveraging of fixed costs, promotional activities, such as free shipping, commodity prices, such as cotton, and labor costs in Asia.

#### *Selling, General, and Administrative Expenses (SG&A)*

SG&A expenses include selling; advertising, marketing, and product development; and administrative. Selling expenses include Direct business expenses, such as store expenses, employee compensation, and store occupancy and supply costs, as well as Indirect business expenses consisting primarily of employee compensation and other expenses associated with sales to Indirect retailers. Advertising, marketing, and product development expenses include employee compensation, media costs, creative production expenses, marketing agency fees, new product design costs, public relations expenses, and market research expenses. A portion of our advertising expenses may be reimbursed by Indirect retailers, and such amount is classified as other income. Administrative expenses include employee compensation for corporate functions, corporate headquarters occupancy costs, consulting and software expenses, and charitable donations.

#### *Other Income*

We support many of our Indirect retailers' marketing efforts by distributing certain catalogs and promotional mailers to current and prospective customers. Our Indirect retailers reimburse us for a portion of the cost to produce these materials. Reimbursement received is recorded as other income. The related cost to design, produce, and distribute the catalogs and mailers is recorded as SG&A expense. Other income also includes proceeds from the sales of tickets to our annual outlet sale.

#### *Operating Income*

Operating income equals gross profit less SG&A expenses plus other income. Operating income excludes interest income, interest expense, and income taxes.

## Results of Operations

The following tables summarize key components of our consolidated results of operations for the periods indicated, both in dollars and as a percentage of our net revenues (\$ in thousands):

	Thirteen Weeks Ended	
	May 3, 2014	May 4, 2013
	(unaudited)	(unaudited)
<b>Statement of Income Data:</b>		
Net revenues	\$ 113,461	\$ 123,033
Cost of sales	52,936	54,567
Gross profit	60,525	68,466
Selling, general, and administrative expenses	51,312	55,227
Other income	1,577	1,951
Operating income	10,790	15,190
Interest expense, net	80	141
Income before income taxes	10,710	15,049
Income tax expense	4,143	5,860
Net income	<u>\$ 6,567</u>	<u>\$ 9,189</u>
<b>Percentage of Net Revenues:</b>		
Net revenues	100.0%	100.0%
Cost of sales	46.7%	44.4%
Gross profit	53.3%	55.6%
Selling, general, and administrative expenses	45.2%	44.9%
Other income	1.4%	1.6%
Operating income	9.5%	12.3%
Interest expense, net	0.1%	0.1%
Income before income taxes	9.4%	12.2%
Income tax expense	3.7%	4.8%
Net income	<u>5.8%</u>	<u>7.5%</u>

The following tables present net revenues and operating income by operating segment, both in dollars and as a percentage of our net revenues, and store data for the periods indicated (\$ in thousands, except as otherwise indicated):

	Thirteen Weeks Ended	
	May 3, 2014	May 4, 2013
	(unaudited)	(unaudited)
<b>Net Revenues by Segment:</b>		
Direct	\$ 73,448	\$ 73,687
Indirect	40,013	49,346
Total	<u>\$ 113,461</u>	<u>\$ 123,033</u>
<b>Percentage of Net Revenues by Segment:</b>		
Direct	64.7%	59.9%
Indirect	35.3%	40.1%
Total	<u>100.0%</u>	<u>100.0%</u>

	Thirteen Weeks Ended	
	May 3, 2014	May 4, 2013
	(unaudited)	(unaudited)
<b>Operating Income by Segment:</b>		
Direct	\$ 13,449	\$ 16,965
Indirect	15,439	17,739
Less: Corporate unallocated	(18,098)	(19,514)
Total	<u>\$ 10,790</u>	<u>\$ 15,190</u>
<b>Operating Income as a Percentage of Net Revenues by Segment:</b>		
Direct	18.3 %	23.0%
Indirect	38.6 %	35.9%
<b>Store Data <sup>(1)</sup>:</b>		
Total stores open at end of period	104	85
Total comparable-store sales (decrease) increase <sup>(2)</sup>	(9.4)%	10.9%
Total gross square footage at end of period (all stores)	219,212	176,437
Average net revenues per gross square foot <sup>(3)</sup>	\$ 162	\$ 226

(1) Includes our full-line and factory outlet stores.

(2) Comparable-store sales are the net revenues of our stores that have been open at least 12 full fiscal months. Increase or decrease is reported as a percentage of the comparable-store sales for the same period in the prior fiscal year. Remodeled stores are included in comparable-store sales unless the store was closed for a portion of the current or comparable prior period or the remodel resulted in a significant change in square footage. Total comparable-store sales includes net revenues from our e-commerce site verabradley.com.

(3) Dollars not in thousands. Average net revenues per gross square foot are calculated by dividing total net revenues for our stores that have been open at least 12 full fiscal months as of the end of the period by total gross square footage for those stores. Remodeled stores are included in average net revenues per gross square foot unless the store was closed for a portion of the period.

### Thirteen Weeks Ended May 3, 2014, Compared to Thirteen Weeks Ended May 4, 2013

#### Net Revenues

For the thirteen weeks ended May 3, 2014, net revenues decreased \$9.6 million, or 7.8%, to \$113.5 million, from \$123.0 million in the comparable prior-year period.

*Direct.* For the thirteen weeks ended May 3, 2014, net revenues in the Direct segment decreased \$0.2 million, or 0.3%, to \$73.4 million, from \$73.7 million in the comparable prior-year period. This change resulted primarily from a \$6.7 million increase in revenues at our stores due to 19 additional full-line and factory outlet stores which was partially offset by a total comparable-store sales decrease of \$5.7 million, or 9.4%, and a decrease in total sales at our annual outlet sale compared to the prior year. The total comparable-store sales decrease was primarily due to declines in traffic, underperformance of the product offering, and severe weather in the first two months of the quarter. Comparable-store sales related to our e-commerce operations decreased by approximately 3.2% compared to the same period in the prior year, but favorably impacted our total comparable-store sales by 5.0% due to a smaller percentage decline in sales from our e-commerce channel, which accounts for approximately half of total comparable-store sales. Our comparable-store sales excluding e-commerce decreased 14.4%. The aggregate number of full-line and factory outlet stores grew from 85 at May 4, 2013, to 104 at May 3, 2014.

*Indirect.* For the thirteen weeks ended May 3, 2014, net revenues in the Indirect segment decreased \$9.3 million, or 18.9%, to \$40.0 million, from \$49.3 million in the comparable prior-year period, primarily due to an increase in key account orders offset by a decrease in the specialty gift channel.

#### Gross Profit

For the thirteen weeks ended May 3, 2014, gross profit decreased \$7.9 million, or 11.6%, to \$60.5 million, from \$68.5 million in the comparable prior-year period. As a percentage of net revenues, gross profit decreased to 53.3% for the thirteen weeks ended May 3, 2014, from 55.6% in the comparable prior-year period. The decrease as a percentage of net revenues was primarily due to overhead costs deleveraging and increased year-over-year promotional activity.



### *Selling, General, and Administrative Expenses*

For the thirteen weeks ended May 3, 2014, SG&A expenses decreased \$3.9 million, or 7.1%, to \$51.3 million, from \$55.2 million in the comparable prior-year period. As a percentage of net revenues, SG&A expenses increased to 45.2% for the thirteen weeks ended May 3, 2014, from 44.9% in the comparable prior-year period. The increase in SG&A expenses as a percent of net revenues was primarily due to fixed expenses being spread over lower revenues in the Indirect segment and the deleveraging of store operating expenses, which were partially offset by expense management measures.

### *Other Income*

For the thirteen weeks ended May 3, 2014, other income decreased \$0.4 million, or 19.2%, to \$1.6 million, from \$2.0 million in the comparable prior-year period. The decrease in other income was in line with a decrease in associated advertising costs related to mailers for our specialty retailers.

### *Operating Income*

For the thirteen weeks ended May 3, 2014, operating income decreased \$4.4 million, or 29.0%, to \$10.8 million, from \$15.2 million in the comparable prior-year period. As a percentage of net revenues, operating income was 9.5% and 12.3% for the thirteen weeks ended May 3, 2014 and May 4, 2013, respectively.

*Direct.* For the thirteen weeks ended May 3, 2014, operating income in the Direct segment decreased \$3.5 million, or 20.7%. As a percentage of Direct segment net revenues, operating income in the Direct segment was 18.3% and 23.0% for the thirteen weeks ended May 3, 2014 and May 4, 2013, respectively.

*Indirect.* For the thirteen weeks ended May 3, 2014, operating income in the Indirect segment decreased \$2.3 million, or 13.0%. As a percentage of Indirect segment net revenues, operating income in the Indirect segment was 38.6% and 35.9% for the thirteen weeks ended May 3, 2014 and May 4, 2013, respectively.

*Corporate Unallocated.* For the thirteen weeks ended May 3, 2014, unallocated expenses decreased \$1.4 million, or 7.3%, primarily due to expense management measures.

### *Income Tax Expense*

The effective tax rate for the thirteen weeks ended May 3, 2014, was 38.7%, compared to 38.9% for the thirteen weeks ended May 4, 2013.

## **Liquidity and Capital Resources**

### *General*

Our primary source of liquidity is cash flow from operations. We also have access to additional liquidity, if needed, through borrowings under our \$125.0 million amended and restated credit agreement. Historically, our primary cash needs have been for merchandise inventories, payroll, store rent, capital expenditures associated with operational equipment, buildings, information technology, opening new stores, and debt repayments. The most significant components of our working capital are cash and cash equivalents, merchandise inventories, accounts receivable, accounts payable, and other current liabilities. We do not believe that the expansion of our Direct business or campus consolidation will materially increase borrowings under our amended and restated credit agreement in the near term.

We believe that cash flows from operating activities and the availability of borrowings under our amended and restated credit agreement or other financing arrangements will be sufficient to meet working capital requirements, anticipated capital expenditures, and debt payments for the foreseeable future.

### Cash Flow Analysis

A summary of operating, investing, and financing activities is shown in the following table (in thousands):

	Thirteen Weeks Ended	
	May 3, 2014	May 4, 2013
	(unaudited)	(unaudited)
Net cash provided by operating activities	\$ 26,957	\$ 14,879
Net cash used in investing activities	(4,040)	(5,811)
Net cash used in financing activities	(606)	(10,412)

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities consists primarily of net income adjusted for non-cash items, including depreciation, amortization, deferred taxes, and stock-based compensation, the effect of changes in assets and liabilities, and tenant-improvement allowances received from landlords under our store leases.

Net cash provided by operating activities for the thirteen weeks ended May 3, 2014, was \$27.0 million, compared to \$14.9 million for the thirteen weeks ended May 4, 2013, an increase primarily due to less growth in inventory.

#### Net Cash Used in Investing Activities

Investing activities consist primarily of capital expenditures for growth related to new store openings, buildings, operational equipment, and information technology investments.

Net cash used in investing activities was \$4.0 million and \$5.8 million for the thirteen weeks ended May 3, 2014 and May 4, 2013, respectively; capital expenditures of \$3.0 million were incurred but not paid at May 3, 2014. The \$1.2 million increase in capital expenditures was due primarily to the campus consolidation project, which was not in the prior year, partially offset by the opening of five stores during the thirteen weeks ended May 3, 2014, compared to nine stores during the thirteen weeks ended May 4, 2013.

Capital expenditures for fiscal year 2015 are expected to be approximately \$40.0 million, which includes approximately \$20.0 million related to the campus consolidation.

#### Net Cash Used in Financing Activities

Net cash used in financing activities was \$0.6 million for the thirteen weeks ended May 3, 2014. This compares to net cash used in financing activities of \$10.4 million for the thirteen weeks ended May 4, 2013, resulting primarily from \$10.0 million net payments under our amended and restated credit agreement.

#### Amended and Restated Credit Agreement

On October 4, 2010, Vera Bradley Designs, Inc. entered into an agreement to amend and restate our credit agreement with JPMorgan Chase Bank, as administrative agent, and certain other lenders. The amended and restated credit agreement provides for a revolving credit commitment of \$125.0 million and matures on October 3, 2015. On June 1, 2012, Vera Bradley Designs Inc., entered into an amendment to the credit agreement. The amendment extends the maturity date from October 3, 2015, to June 1, 2017. Certain permitted indebtedness covenants were also amended. All borrowings under the amended and restated credit agreement are collateralized by substantially all of our assets. The credit agreement is also guaranteed by the Company. The credit agreement requires us to comply with various financial covenants, including a fixed charge coverage ratio of not less than 1.20 to 1.00 and a leverage ratio of not more than 3.50 to 1.00. The agreement also contains various other covenants, including restrictions on the incurrence of certain indebtedness, liens, investments, acquisitions, and asset sales. We were in compliance with these covenants as of May 3, 2014.

Borrowings under the amended and restated credit agreement bear interest at either LIBOR plus the applicable margin (ranging from 1.05% to 2.05%) or the alternate base rate (as defined in the agreement) plus the applicable margin (ranging from 0.05% to 1.05%). The applicable margin is tied to our leverage ratio. In addition, we are required to pay a quarterly facility fee (as defined in the agreement) ranging from 0.20% to 0.45% of the revolving credit commitment. As of May 3, 2014, the Company had borrowing availability of \$125.0 million under the agreement.

## **Off-Balance-Sheet Arrangements**

We do not have any off-balance-sheet financing or unconsolidated special-purpose entities.

## **Critical Accounting Policies and Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses, as well as the related disclosures of contingent assets and liabilities at the date of the financial statements. A summary of the Company's significant accounting policies is included in Note 2 to the Company's consolidated financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended February 1, 2014.

Certain accounting policies and estimates of the Company are considered critical, as these policies and estimates are the most important to the depiction of the Company's consolidated financial statements and require significant, difficult, or complex judgments, often about the effect of matters that are inherently uncertain. Such policies are summarized in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Annual Report on Form 10-K for the fiscal year ended February 1, 2014. There was no significant change to any of the critical accounting policies and estimates described in the Annual Report.

## **Recently Issued Accounting Pronouncements**

In April 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*. This guidance states that the disposal of a component of an entity is to be reported in discontinued operations only if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results. The pronouncement also requires additional disclosures regarding individually significant disposals of components that do not meet the criteria to be recognized as a discontinued operation as well as additional and expanded disclosures. The guidance is effective for all disposals (or classifications as held for sale) of components of an entity and all businesses or nonprofit activities that, on acquisition, are classified as held for sale that occur within annual periods beginning on or after December 15, 2014, and interim periods within annual periods beginning on or after December 15, 2015; it is applied prospectively. Early adoption is permitted, but only for disposals (or classifications as held for sale) that have not been reported in financial statements previously issued or available for issuance. The Company does not expect this standard to have a material impact on the Company's consolidated financial statements upon adoption.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, to clarify the principles used to recognize revenue for all entities. The new guidance is effective for annual and interim periods beginning after December 15, 2016, with no early adoption permitted. The Company is currently evaluating the impact, if any, the adoption of this guidance will have on its financial position, results of operations or cash flows.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

As of May 3, 2014, there was no material change in the market risks described in “Quantitative and Qualitative Disclosures About Market Risks” in the Company’s Annual Report on Form 10-K for the fiscal year ended February 1, 2014.

**ITEM 4. CONTROLS AND PROCEDURES**

At the end of the period covered by this Quarterly Report on Form 10-Q, the Company carried out an evaluation, under the supervision and with the participation of the Company’s Disclosure Committee and management, including the Chief Executive Officer and the Chief Financial Officer of the effectiveness of the design and operation of the Company’s disclosure controls and procedures pursuant to Rule 13a-15 of the Securities Exchange Act of 1934. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures were effective as of May 3, 2014.

There has been no change in our internal control over financial reporting during the most recent fiscal quarter that has materially affected, or that is reasonably likely to materially affect, our internal control over financial reporting.

**PART II. OTHER INFORMATION****ITEM 1A. RISK FACTORS****Risks Related to Our Business**

***Our inability to predict trends and to respond in a timely manner to changes in consumer demand could adversely affect our net revenues and results of operations.***

Our success depends on our ability to gauge the fashion tastes of our customers and to provide merchandise that satisfies consumer demand in a timely manner. Our products must appeal to a broad range of consumers whose preferences cannot be predicted with certainty and are subject to rapid change. We cannot assure you that we will be able to continue to develop appealing products or meet changing consumer demands. If we misjudge the market for our products, including changes to our patterns and our fabrications, revenue may be negatively impacted. In addition, we may be faced with significant excess inventories for some products and missed opportunities for other products. Changes to our product assortment, as well as the availability and breadth of pattern assortment and new fabrications may not gain consumer acceptance. Merchandise misjudgments could adversely impact our net revenues and results of operations.

Additional risk factors have been previously set forth in the Company's Annual Report on Form 10-K for the fiscal year ended February 1, 2014.

**ITEM 6. EXHIBITS**

## a. Exhibits

Exhibit No.	Description
10.1	Fiscal 2015 Restricted Stock Unit/Performance Unit Terms and Conditions
10.2	Fiscal 2015 Outside Director Restricted Stock Unit Terms and Conditions
10.3	Fiscal 2015 Annual Incentive Compensation Plan (Executives)
10.4	Letter of Agreement with Karen Peters dated as of May 12, 2014
10.5	Vera Bradley, Inc. 2014 Executive Severance Plan
10.6	Form of Performance-Based Award Agreement under the 2010 Equity and Incentive Plan
31.1	CEO Section 302 Certification
31.2	CFO Section 302 Certification
32.1	Section 906 Certifications*
101	The following materials from the Vera Bradley, Inc.'s Quarterly Report on Form 10-Q for the quarter ended May 3, 2014 formatted in Extensible Business Reporting Language (XBRL): (i) Consolidated Statements of Income for the Thirteen Weeks ended May 3, 2014 and May 4, 2013; (ii) Consolidated Statements of Comprehensive Income for the Thirteen Weeks ended May 3, 2014 and May 4, 2013; (iii) Consolidated Balance Sheets as of May 3, 2014 and February 1, 2014; (iv) Consolidated Statements of Cash Flows for the Thirteen Weeks ended May 3, 2014 and May 4, 2013, and (v) Notes to Consolidated Financial Statements. **
*	Furnished, not filed.
**	Pursuant to Rule 406T of SEC Regulation S-T, the Interactive Data Files included as Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under these Sections.

**SIGNATURE**

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

Vera Bradley, Inc.  
(Registrant)

Date: June 12, 2014

/s/ Kevin J. Sierks

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Kevin J. Sierks

Executive Vice President – Chief Financial Officer

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**Vera Bradley, Inc.**  
**2010 Equity and Incentive Plan**

**FISCAL 2015 RESTRICTED STOCK UNIT/PERFORMANCE UNIT**

**TERMS AND CONDITIONS**

1. **Definitions.** Any term capitalized herein but not defined will have the meaning set forth in the Vera Bradley, Inc. 2010 Equity and Incentive Plan (the "Plan").
  
2. **Grant and Vesting of Restricted Stock Units.**
  - (a) As of the grant date specified in the Award Agreement (the "Grant Date"), the Participant will be credited with the number of Restricted Stock Units set forth in the Award Agreement. Each Restricted Stock Unit is a notional amount that represents one unvested share of Common Stock. Each Restricted Stock Unit constitutes the right, subject to the terms and conditions of the Plan and this document, to the distribution of a Share if and when the Restricted Stock Unit vests.
  - (b) Restricted Stock Units will vest on each of the first three anniversaries of the Grant Date. If the Participant's Service with the Company and all of its Affiliates terminates before the date that a grant of Restricted Stock Units vests, his or her right to receive the Shares underlying such unvested Restricted Stock Units will be only as provided in Section 5.
  
3. **Grant and Vesting of Performance Units ("Performance RSUs").**
  - (a) As of the Grant Date, the Participant will be credited with the number of Performance RSUs set forth in the Award Agreement. Each Performance RSU is a notional amount that represents one unvested share of Common Stock. Each Performance RSU constitutes the right, subject to the terms and conditions of the Plan and this document, to the distribution of a Share if and when the Performance RSU is deemed earned and vested.
  - (b) Performance RSUs granted under the Plan are intended to qualify as performance-based compensation under section 162(m) of the Internal Revenue Code of 1986, as amended ("Code"). Performance RSUs (or tranches of such Performance RSUs) will become earned only if the Company achieves a stated level of "Earnings Per Share" (as defined below) during the applicable Performance Year within the Performance Period as set forth in the Award Agreement. Except as provided in Section 5, any earned Performance RSUs (and the Participant's right to receive the Shares underlying such Performance RSUs) will become vested only if the Participant remains continuously employed with the Company during the Performance Period. The following additional provisions apply to grants of Performance RSUs:
    - (i) ***Certification of Results.*** Before any award of Performance RSUs is deemed earned with respect to a Performance Period, the Committee shall certify, in accordance with Section 9.5 of the Plan, in writing (i) that the performance goals described in the Award Agreement has been achieved for the Performance Period, and (ii) the calculation of "Earnings Per Share" (as defined below) for each Performance Year within the Performance Period.
    - (ii) ***Definition of "Earnings Per Share."*** For purposes of this Subsection 3(b), the term "Earnings Per Share" means, with respect to any Awards of Performance RSUs, the Company's consolidated earnings per share, as determined in accordance with U.S. GAAP, adjusted to exclude the effects, as shown on the financial statements furnished as part of Form 8-K (announcing the Company's fiscal year-end financial results) for any fiscal year of the Company ending with or within the Performance Period, of (i) any acquisition during the Performance Period, including the amortization expense of intangible assets acquired during the Performance Period, (ii) material charges or income arising from litigation, (iii) corporate restructuring, asset impairment, or other special charges, and (iv) cumulative effect of changes to U.S. GAAP accounting.
    - (iii) ***Definition of "Performance Year."*** For purposes of this Subsection 3(b), the term "Performance Year" means, with respect to any Awards of Performance RSUs, each fiscal year of the Company ending within the Performance Period.
    - (iv) ***Finality of Committee Determinations.*** Any determination by the Committee of Net Income and the level and entitlement to the Award of Performance RSUs, and any interpretation, rule, or decision adopted by the Committee under the Plan or in carrying out or administering the Plan, is final and binding for all purposes and upon all interested persons, their heirs, and personal representatives. The Committee may rely conclusively on determinations made by the Company and its auditors to determine Net Income and related information for purposes of administration of the Plan, whether such information is determined by the Company, its auditors, or a third-party vendor engaged to provide such information to the Company. This Subsection is not intended to limit the Committee's power, to the extent it deems proper in its sole discretion, to take any action permitted under the Plan and Code Section 162(m).



4. Rights as a Stockholder.

(a) Unless and until a Restricted Stock Unit or an earned Performance RSU, as applicable, has vested and the Share underlying it has been distributed to the Participant, the Participant will not be entitled to vote in respect of that Restricted Stock Unit or Performance RSU (as applicable) or that Share.

(b) If the Company declares a cash dividend on its Shares, then, on the payment date of the dividend, the Participant will be credited with dividend equivalents equal to the amount of cash dividend per Share multiplied by the number of outstanding Restricted Stock Units or Performance RSUs (as applicable) credited to the Participant through the record date. The dollar amount credited to a Participant under the preceding sentence will be credited to an account ("Account") established for the Participant for bookkeeping purposes only on the books of the Company. The amounts credited to the Account will be credited as of the last day of each month with interest, compounded monthly, until the amount credited to the Account is paid to the Participant. The rate of interest credited under the previous sentence will be the prime rate of interest as reported by the Midwest edition of the Wall Street Journal for the second business day of each fiscal quarter on an annual basis. The balance in the Account will be subject to the same terms regarding vesting and forfeiture as the Participant's Restricted Stock Units or Performance RSUs, as applicable, awarded under the applicable Award Agreement, and will be paid in cash in a single sum at the time that the Shares associated with the Participant's Restricted Stock Units or Performance RSUs, as applicable, are delivered (or forfeited at the time that the Participant's Restricted Stock Units or Performance RSUs, as applicable, are forfeited).

5. Termination of Service; Change in Control. If a Participant's Service is terminated for any reason during the applicable Restricted Period or Performance Period, the terms and conditions of the underlying Award Agreement will govern when and whether the Participant will forfeit the right to receive Shares underlying any Restricted Stock Units or Performance RSUs, as applicable, that have not yet vested. To the extent provided in the underlying Award Agreement, all or a portion of the previously unvested Restricted Stock Units or Performance RSUs, as applicable, then outstanding will vest immediately prior to or upon the consummation of a Change in Control.

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

6. Timing and Form of Payment. Except as provided in this Section or in clauses 2(b) or 3(b) or Section 5, above, once a Restricted Stock Unit vests or a Performance RSU is earned and vested, as applicable, the Participant will be entitled to receive a Share in its place. Delivery of the Share will be made, including delivery with respect to a Disabled Participant, or to the estate of a deceased Participant, after the end of the Restricted Period or Performance Period, as applicable, and not later than the 15<sup>th</sup> day of the third month following the end of the Restricted Period or Performance Period, as applicable. Shares will be credited to an account established for the benefit of the Participant with the Company's administrative agent. The Participant will have full legal and beneficial ownership with respect to the Shares at that time.

7. Assignment and Transfers. The Participant may not assign, encumber or transfer any of his or her rights and interests under the Award described in this document, except, in the event of his or her death, by will or the laws of descent and distribution.

8. Withholding Tax. The Company shall have the power and the right to deduct or withhold an amount sufficient to satisfy federal, state, and local taxes (including FICA obligations), domestic or foreign, and other deductions required by law to be withheld with respect to the Award. Unless the Committee or its designee agrees to a different method for withholding such taxes, the number of Shares (underlying the Award) necessary to cover applicable withholdings will be withheld from the issuance of any Shares of exchange for the Award.

9. Securities Law Requirements.

(a) The Restricted Stock Units and Performance RSUs are subject to the further requirement that, if at any time the Committee determines in its sole discretion that the listing or qualification of the Shares subject to the Restricted Stock Units and Performance RSUs under any securities exchange requirements or under any applicable law, or the consent or approval of any governmental regulatory body, is necessary as a condition of, or in connection with, the issuance of Shares under it, then Shares will not be issued under the Restricted Stock Units and Performance RSUs, unless the necessary listing, qualification, consent or approval has been effected or obtained free of any conditions not acceptable to the Committee.

(b) No person who acquires Shares pursuant to the Award reflected in this document may, during any period of time during which that person is an affiliate of the Company (within the meaning of the rules and regulations of the Securities and Exchange Commission under the Securities Act), sell the Shares, unless the offer and sale is made pursuant to (i) an effective registration statement under the Securities Act, which is current and includes the Shares to be sold, or (ii) an appropriate exemption from the registration requirements of the Securities Act, such as that set forth in Rule 144 promulgated under the Securities Act. With respect to individuals subject to Section 16 of the Exchange Act, transactions under this Award are intended to comply with all applicable conditions of Rule 16b-3, or its successors under the Exchange Act. To the extent any provision of the Award or action by the Committee fails to so comply, the Committee may determine, to the extent permitted by law, that the provision or action will be null and void.

10. No Limitation on Rights of the Company. Subject to Sections 4.3, 14.1 and 14.2 of the Plan, the grant of the Award described in this document will not in any way affect the right or power of the Company to make adjustments, reclassifications or changes in its capital or business structure, or to merge, consolidate, dissolve, liquidate, sell or transfer all or any part of its business or assets.

11. Plan, Restricted Stock Units, Performance RSUs and Award Not a Contract of Employment. Neither the Plan, the Restricted Stock Units, the Performance RSUs nor any other right or interest that is part of the Award granted under the Plan or this document is a contract of employment, and no terms of employment or Service of the Participant will be affected in any way by the Plan, the Restricted Stock Units, the Performance RSUs, the Award, this document or related instruments, except as specifically provided therein. Neither the establishment of the Plan nor the Award will be construed as conferring any legal rights upon the Participant for a continuation of employment or Service, nor will it interfere with the right of the Company or any Affiliate to discharge the Participant and to treat him or her without regard to the effect that treatment might have upon him or her as a Participant.

12. Participant to Have No Rights as a Stockholder. Except as provided in Section 4 above, the Participant will have no rights as a stockholder with respect to any Shares subject to the Restricted Stock Units or Performance RSUs, as applicable, prior to the date on which he or she is recorded as the holder of those Shares on the records of the Company.

13. Notice. Any notice or other communication required or permitted hereunder must be in writing and must be delivered personally, or sent by certified, registered or express mail, postage prepaid. Any such notice will be deemed given when so delivered personally or, if mailed, three days after the date of deposit in the United States mail, in the case of the Company to 2208 Production Road, Fort Wayne, Indiana 46808, Attn: Corporate Secretary, and, in the case of the Participant, to the last known address of the Participant in the Company's records.

14. Governing Law. This document and the Award will be construed and enforced in accordance with, and governed by, the laws of the State of Indiana, determined without regard to its conflict of law rules.

15. Code Section 409A. Notwithstanding any other provision in this document, if a Participant is a "specified employee" (as such term is defined for purposes of Code Section 409A) at the time of his or her termination of Service, no amount that is subject to Code Section 409A and that becomes payable by reason of such termination of Service shall be paid to the Participant before the earlier of (i) the expiration of the six-month period measured from the date of the Participant's termination of Service, and (ii) the date of the Participant's death.

16. Plan Document Controls. The rights granted under this document are in all respects subject to the provisions of the Plan to the same extent and with the same effect as if they were set forth fully therein. If the terms of this document or the Award conflict with the terms of the Plan, the Plan will control.

**Vera Bradley, Inc.**  
**2010 Equity and Incentive Plan**

**OUTSIDE DIRECTOR RESTRICTED STOCK UNIT TERMS AND CONDITIONS**

1. **Definitions.** Any term capitalized herein but not defined will have the meaning set forth in the Vera Bradley, Inc. 2010 Equity and Incentive Plan (the "Plan").

2. **Grant and Vesting of Restricted Stock Units.**

(a) As of the grant date specified in the letter that accompanies this document (the "Grant Date"), the Participant will be credited with the number of Restricted Stock Units set forth in the letter that accompanies this document. Each Restricted Stock Unit is a notional amount that represents one unvested share of Common Stock. Each Restricted Stock Unit constitutes the right, subject to the terms and conditions of the Plan and this document, to the distribution of a Share if and when the Restricted Stock Unit vests.

(b) Restricted Stock Units will vest on the first anniversaries of the Grant Date. If the Participant's Service with the Company and all of its Affiliates terminates before the date that all of the Restricted Stock Units vest, his or her right to receive the Shares underlying such unvested Restricted Stock Units will be only as provided in Section 4.

3. **Rights as a Stockholder.**

(a) Unless and until a Restricted Stock Unit has vested and the Share underlying it has been distributed to the Participant, the Participant will not be entitled to vote in respect of that Restricted Stock Unit or that Share.

(b) If the Company declares a cash dividend on its Shares, then, on the payment date of the dividend, the Participant will be credited with dividend equivalents equal to the amount of cash dividend per Share multiplied by the number of outstanding Restricted Stock Units credited to the Participant through the record date. The dollar amount credited to a Participant under the preceding sentence will be credited to an account ("Account") established for the Participant for bookkeeping purposes only on the books of the Company. The amounts credited to the Account will be credited as of the last day of each month with interest, compounded monthly, until the amount credited to the Account is paid to the Participant. The rate of interest credited under the previous sentence will be the prime rate of interest as reported by the Midwest edition of the Wall Street Journal for the second business day of each fiscal quarter on an annual basis. The balance in the Account will be subject to the same terms regarding vesting and forfeiture as the Participant's Restricted Stock Units or awarded under the applicable Award Agreement, and will be paid in cash in a single sum at the time that the Shares associated with the Participant's Restricted Stock Units are delivered (or forfeited at the time that the Participant's Restricted Stock Units are forfeited).

4. **Termination of Service; Change in Control.** A Participant's right to receive the Shares underlying his or her Restricted Stock Units after termination of his or her Service will be only as provided in this Section. If a Participant's Service is terminated due to the Participant's death or Disability, the Participant (or his or her estate) will be immediately entitled to receive the Shares underlying all of the Restricted Stock Units that have not yet vested under Section 2 above. If a Participant's Service is terminated for any other reason, the Participant will forfeit the right to receive Shares underlying under Restricted Stock Units that have not yet vested. Notwithstanding anything to the contrary herein, all previously unvested Restricted Stock Units then outstanding will vest immediately upon the occurrence of a Change in Control.

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

at least fifty percent (50%) of the combined voting power of the voting securities of the Company (or such surviving entity) outstanding immediately after such merger, consolidation or reorganization.

5. Timing and Form of Payment. Except as provided in this Section or in clauses 2(b) or Section 4, once a Restricted Stock Unit vests, the Participant will be entitled to receive a Share in its place. Delivery of the Share will be made, including delivery with respect to a Disabled Participant, or to the estate of a deceased Participant, as soon as administratively feasible after its associated Restricted Stock Unit vests. Shares will be credited to an account established for the benefit of the Participant with the Company's administrative agent. The Participant will have full legal and beneficial ownership with respect to the Shares at that time.

6. Assignment and Transfers. The Participant may not assign, encumber or transfer any of his or her rights and interests under the Award described in this document, except, in the event of his or her death, by will or the laws of descent and distribution.

7. Withholding Tax. The Company and any Affiliate will have the right to retain Shares or cash that are distributable to the Participant hereunder to the extent necessary to satisfy any withholding taxes, whether federal or state, triggered by the distribution of Shares or cash pursuant to the Award reflected in this document.

8. Securities Law Requirements.

(a) The Restricted Stock Units are subject to the further requirement that, if at any time the Committee determines in its sole discretion that the listing or qualification of the Shares subject to the Restricted Stock Units under any securities exchange requirements or under any applicable law, or the consent or approval of any governmental regulatory body, is necessary as a condition of, or in connection with, the issuance of Shares under it, then Shares will not be issued under the Restricted Stock Units, unless the necessary listing, qualification, consent or approval has been effected or obtained free of any conditions not acceptable to the Committee.

(b) No person who acquires Shares pursuant to the Award reflected in this document may, during any period of time during which that person is an affiliate of the Company (within the meaning of the rules and regulations of the Securities and Exchange Commission under the Securities Act), sell the Shares, unless the offer and sale is made pursuant to (i) an effective registration statement under the Securities Act, which is current and includes the Shares to be sold, or (ii) an appropriate exemption from the registration requirements of the Securities Act, such as that set forth in Rule 144 promulgated under the Securities Act. With respect to individuals subject to Section 16 of the Exchange Act, transactions under this Award are intended to comply with all applicable conditions of Rule 16b-3, or its successors under the Exchange Act. To the extent any provision of the Award or action by the Committee fails to so comply, the Committee may determine, to the extent permitted by law, that the provision or action will be null and void.

9. No Limitation on Rights of the Company. Subject to Sections 4.3, 14.1 and 14.2 of the Plan, the grant of the Award described in this document will not in any way affect the right or power of the Company to make adjustments, reclassifications or changes in its capital or business structure, or to merge, consolidate, dissolve, liquidate, sell or transfer all or any part of its business or assets.

10. Plan, Restricted Stock Units, and Award Not a Contract of Employment. Neither the Plan, the Restricted Stock Units, nor any other right or interest that is part of the Award granted under the Plan or this document is a contract of employment, and no terms of employment or Service of the Participant will be affected in any way by the Plan, the Restricted Stock Units, the Award, this document or related instruments, except as specifically provided therein. Neither the establishment of the Plan nor the Award will be construed as conferring any legal rights upon the Participant for a continuation of employment or Service, nor will it interfere with the right of the Company or any Affiliate to discharge the Participant and to treat him or her without regard to the effect that treatment might have upon him or her as a Participant.

11. Participant to Have No Rights as a Stockholder. Except as provided in Section 4 above, the Participant will have no rights as a stockholder with respect to any Shares subject to the Restricted Stock Units prior to the date on which he or she is recorded as the holder of those Shares on the records of the Company.

12. Notice. Any notice or other communication required or permitted hereunder must be in writing and must be delivered personally, or sent by certified, registered or express mail, postage prepaid. Any such notice will be deemed given when so delivered personally or, if mailed, three days after the date of deposit in the United States mail, in the case of the Company to 2208 Production Road, Fort Wayne, Indiana 46808, Attn: Corporate Secretary, and, in the case of the Participant, to the last known address of the Participant in the Company's records.

13. Governing Law. This document and the Award will be construed and enforced in accordance with, and governed by, the laws of the State of Indiana, determined without regard to its conflict of law rules.

14. Code Section 409A. Notwithstanding any other provision in this document, if a Participant is a "specified employee" (as such term is defined for purposes of Code Section 409A) at the time of his or her termination of Service, no amount that is subject to Code Section 409A and that becomes payable by reason of such termination of Service shall be paid to the Participant before the earlier of (i) the expiration of the six-month period measured from the date of the Participant's termination of Service, and (ii) the date of the Participant's death.

15. Plan Document Controls. The rights granted under this document are in all respects subject to the provisions of the Plan to the same extent and with the same effect as if they were set forth fully therein. If the terms of this document or the Award conflict with the terms of the Plan, the Plan will control.

## Senior Executive Annual Incentive Compensation Plan

**Fiscal 2015**

### Plan Overview

Awards under this Senior Executive Annual Incentive Compensation Plan ("Annual Plan") are granted under and governed by the terms and conditions of the Vera Bradley, Inc. 2010 Equity and Incentive Plan (the "2010 Plan"), as amended. Any term capitalized herein but not defined will have the meaning set forth in the 2010 Plan.

The Annual Plan is designed to give each eligible Participant (as defined in the attached Administrative Guidelines) an opportunity to share in the Company's success for the fiscal year ending January 31, 2015 (the "Performance Period"). The target incentive opportunity for the Performance Period is based on a percentage of each Participant's Base Salary (as defined herein). Each Participant's incentive opportunity is based on two independent performance measures: (1) corporate performance (made up of net revenue and operating income), and (2) performance to strategic objective goals.

The weighting of the independent performance measures relative to the total target incentive opportunity is outlined below:

Corporate Performance		Strategic Objective Performance
Net Revenue	Operating Income	
35%	40%	25%

### Corporate Performance

That portion of the payout which is contingent upon corporate performance is based on meeting two independent financial metrics, currently defined as net revenue and operating income weighted at 47% and 53%, respectively, of the corporate performance target. Assuming at least threshold levels are met during the Performance Period, the actual payout levels range from 25%-200% of target.

Net Revenue - 47% Weighting		
Performance	Performance Level*	Payout %
Threshold	88%	25%
Target	100%	100%
Excellence	112%	200%

Operating Income - 53% Weighting		
Performance	Performance Level*	Payout %
Threshold	88%	25%
Target	100%	100%
Excellence	112%	200%

\* Payout levels are determined using linear interpolation for results falling between the three performance levels.

Strategic Objective Performance

Strategic objective performance payout is based on results as determined by the Board of Directors. Assuming threshold levels are met, the actual payout levels range from 0%-150% of target based on the schedule below. In order for the portion of the incentive payout tied to strategic objectives to occur, the Participant must have a minimum annual performance rating of 2.5 and must meet all other criteria set forth in the Administrative Guidelines.

Incentive Rating	Strategic Objectives Payout
Significantly Exceeded	150%
Exceeded	125%
Met All Expectations	100%
Met Most Expectations	75%
Did Not Meet Expectations	0%

Incentive Opportunity

As outlined in the Plan Overview (above), the target incentive opportunity is determined based on a percentage of each Participant's Base Salary (as defined below).

Participant Level	Incentive Opportunity (Percent of Base Salary)		
	Threshold	Target	Excellence
Functional Management 6	25%	50%	93.8%
Functional Management 5	22.5%	45%	84.4%

The actual total annual incentive that can be earned under this Annual Plan is based on the level of both corporate and strategic objective performance achieved (as described above) and can range from 0% of the "Target" (for performance levels below the "Threshold" level) to a maximum of between 162.5% and 187.5% of the "Target" (for performance levels at or above the "Excellence" level), depending upon the Participant's position.

"Base Salary" is defined as the Participant's gross base salary (before taxes and deductions) paid by the Company to the Participant during the Performance Period.

**Administrative Guidelines - Provide additional information regarding how the plan will be administered.**

1. The CEO direct reports at a level of Vice President, Senior Vice President and Executive Vice President are eligible to participate in this annual plan, except participants in any other annual incentive compensation plan, which shall be determined by the Compensation Committee, in the Committee's sole discretion.
  2. Participation in this Annual Plan neither gives any employee the right to be retained as an employee nor limits the Company's right to discharge or discipline any employee.
  3. Annual incentive payments based upon corporate performance will become earned (i.e., vested) only if the Company achieves levels of "Net Revenue" and "Operating Income" (as defined below) over the Performance Period as approved by the Compensation Committee of the Board of Directors of the Company (the "Compensation Committee").
    - (a) Certification of Results. Before any Awards under the Annual Plan are deemed earned with respect to a Performance Period, the Compensation Committee shall certify, in accordance with Section 9.5 of the 2010 Plan, in writing (i) that the performance goals have been met for the Performance Period, and (ii) the calculation of "Operating Income" and "Net Revenue" for the Performance Period.
    - (b) Definition of "Operating Income". For purposes of this Annual Plan, the term "Operating Income" means, with respect to the Performance Period related to any Awards, the Company's consolidated operating income, as determined in accordance with U.S. GAAP, adjusted to exclude the effects, as shown on the financial statements furnished as part of Form 8-K (announcing the Company's fiscal year-end financial results) for any fiscal year of the Company ending with or within the Performance Period, of (i) any acquisition during the Performance Period, including the amortization expense of intangible assets acquired during the Performance Period, (ii) material charges or income arising from litigation, (iii) corporate restructuring, asset impairment, or other special charges, and (iv) cumulative effect of changes to U.S. GAAP accounting.
    - (c) Definition of "Net Revenue". For purposes of this Annual Plan, the term "Net Revenue" means, with respect to the Performance Period related to any Awards, the Company's consolidated net revenue, as determined in accordance with U.S. GAAP.
  4. All Participants will receive an award that is prorated based on Base Salary earned during the Performance Period.
- In the event that a Participant joins the Company at any time during the final three fiscal months of the Performance Period, such participant will be eligible to receive an Award which is based solely upon the corporate performance portion, and which will be calculated based upon actual corporate performance and prorated as described in the preceding sentence. Such a Participant shall not be eligible for the personal performance portion of the award.
7. All goal attainment calculations will follow normal rounding guidelines (i.e., 93.1% to 93.49% = 93%; 93.5% to 93.9% = 94%).
  8. Payments under the Annual Plan will be paid in cash after the end of the Company's fiscal tax year but no later than the 15th day of the third month following the Company's fiscal tax year on which the annual incentives under this Annual Plan are based.



9. The Company shall have the power and the right to deduct or withhold an amount sufficient to satisfy federal, state, and local taxes (including FICA obligations), domestic or foreign, and other deductions required to be withheld by law with respect to this Award.
10. Record keeping and computation required by this Annual Plan will be subject to review by third-party auditors, and by the Compensation Committee.
11. Interpretations, determinations, and actions regarding plan administration shall be made by the Compensation Committee. Any such determinations and any interpretation, rule, or decision under the Annual Plan or in carrying out or administering the Annual Plan, is final and binding for all purposes and upon all interested persons, their heirs, and personal representatives. The Company or its designee may rely conclusively on determinations made by the Company and its auditors to determine related information for purposes of administration of the Annual Plan, whether such information is determined by the Company, its auditors, or a third-party vendor engaged to provide such information to the Company.
12. While it is the intent of the Company to continue this Annual Plan as stated herein, the Company reserves the right to amend or discontinue the plan at any time in its sole discretion.
13. No Participant can assign, encumber or transfer any of his or her rights and interests under the Award described in this document, except, in the event of his or her death, by will or the laws of descent and distribution.
14. The rights granted under this document are in all respects subject to the provisions of the 2010 Plan to the same extent and with the same effect as if they were set forth fully therein. If the terms of this document or the Award conflict with the terms of the 2010 Plan, the 2010 Plan will control.

May 5, 2014

Dear Karen,

I am pleased to offer you the position of Executive Vice President, Retail and Wholesale Sales Channels at Vera Bradley, Inc. and its subsidiaries effective as of May 12, 2014, reporting to the Chief Executive Officer, with duties and responsibilities commensurate with such position. Your work location will be New York, New York but your position will require weekly travel to Fort Wayne, Indiana. A detailed overview of the compensation and benefits associated with this offer follows. Please note that this offer is contingent upon the successful completion of your background check and pre-employment drug screen.

Upon acceptance of this offer, please sign a copy of this letter and return it to Julie North, Vice President, Human Resources. Please feel free to contact me should you have any questions regarding the offer details.

We are thrilled you are joining Vera Bradley! Your experience, qualifications, and positive energy will be an excellent addition to our team!

#### **Compensation**

Your bi-weekly base salary will be \$15,770 which equates to an annual base salary of \$410,020.

You will be eligible for both a pro-rata Annual Incentive and a Long-term Incentive for Vera Bradley's fiscal 2015. These incentives are tied to performance during fiscal 2015, which begins February 2, 2014 and ends January 31, 2015.

In fiscal 2015, your pro-rata Annual Incentive will be approximately \$145,000 based on achievement of company financial targets and a set of strategic objectives approved by our Board of Directors. The fiscal 2015 Annual Incentive is anticipated to be paid in March 2015. Thereafter, your target incentive under the Annual Incentive plan will be set by the Compensation Committee. Also in fiscal 2015, you will be eligible for a Long-Term Incentive, with a target grant of \$246,012. Both the Annual Incentive and the Long-Term Incentive grants are subject to specific plan documents, which will be provided to you at your time of hire. These incentives are also described in further detail in the attached Total Rewards Summary.

As additional consideration, you will receive a one-time grant of 5,000 Restricted Stock Units (RSUs). These RSU's will vest ratably over three years and will be subject to specific plan documents that will be provided upon grant.

#### **Benefits**

Listed below is information regarding our complete benefits package based on a tentative May 12, 2014 start date. Further details can be found in the attached Vera Bradley Employee Benefits Guide.

- Nine (9) paid holidays annually
- 25 days (200 hours) of paid managed time off (MTO) per calendar year. MTO provides for time away from work for any purpose.
- Short-term disability insurance (one year waiting period)
- Long-term disability insurance (one year waiting period)
- Life insurance coverage equal to one times your annual salary with a minimum of \$50,000, maximum of \$200,000 (30 day waiting period)
- Health/Dental insurance through Anthem. Vera Bradley pays a portion of both the employee and dependent premium after a 30 day waiting period
- Section 125 Flexible Spending Plan (30 day waiting period). You can create a non-taxable account to pay non-reimbursable medical expenses and dependent care expenses.
- A 401(k) Profit Sharing Plan (one year waiting period). Your eligibility date will be July, 2015.
- Ability to purchase on account, Vera Bradley product at discounted pricing
- Participation in the Vera Bradley, Inc. 2014 Executive Severance Plan

Karen, please note that this letter merely memorializes our offer to you and does not constitute a written employment contract for any specific term. Your employment with Vera Bradley will be on an "at will" basis, which means that either party may end the employment relationship at any time without notice, for any reason.

Sincerely,

Robert T. Wallstrom  
President & Chief Executive Officer

Accepted by Karen Peters

/s/ Karen Peters  
\_\_\_\_\_  
Karen Peters

5/12/2014  
\_\_\_\_\_  
Date

**Total Rewards Summary**  
**Karen Peters - EVP, Retail and Wholesale Sales Channels**

<b>Total Cash and Awards</b>	<b>Value</b>	<b>Details</b>
<b>Annual Base Salary</b>	\$410,020	\$15,770 paid bi-weekly
<b>Targeted Annual Cash Incentive - FY2015</b>	\$205,010	Target based on 50% of annual salary. Pro-rata for FY2015 equates to approximately \$145K (8.5 months assuming a May 12, 2014 start date)
<b>Targeted Annual Long-Term Equity Incentive - FY2015</b>	\$246,012	Target based on 60% of annual salary (60% performance based, vest after completion of 3 year performance cycle; 40% time based vesting ratably over three years)
<b>Total Direct Annual Compensation</b>	<b>\$861,042</b>	

<b>Retirement and Employee Health &amp; Welfare</b>	<b>Value</b>	<b>Details</b>
<b>Company 401k match contributions</b>	\$12,500	Assumes participation at maximum IRS contribution of \$17,500. One year waiting period to participate in 401K.
<b>Company provided health and welfare benefits</b>	\$18,200	Estimated annual average contribution paid by Vera Bradley for employee's behalf for health, dental, life and AD&D coverages. Assumes employee plus family medical and dental coverage elected.
<b>Estimated Annual Company Contributions of Retirement and Employee Health &amp; Welfare Benefits</b>	<b>\$30,700</b>	

<b>One-time Awards</b>	<b>Value</b>	<b>Details</b>
<b>Equity Grant awarded upon first day of employment with Vera Bradley</b>	\$135,0000	Granted in 5,000 shares Restricted Stock Units (RSUs) equivalent to \$135,000 assuming a \$27 stock price. This grant will vest ratably over three years.
<b>One-Time Awards</b>	<b>\$135,000</b>	

<b>Other Considerations</b>	<b>Details</b>
<b>Severance</b>	Eligible for the Vera Bradley Severance Plan at such time as it is adopted by the Board of Directors (currently anticipated in May 2014)

Vera Bradley, Inc.2014 Executive Severance Plan

The purpose of this Vera Bradley, Inc. 2014 Executive Severance Plan (the “Plan”) is to better provide for the retention of key employees through providing them with a higher degree of financial security, on the terms and conditions hereinafter stated. The Plan is intended to be a severance pay plan governed by Title I of ERISA primarily for the purpose of providing benefits for a select group of management or highly compensated employees.

The Plan, as set forth herein, is an employee welfare benefit plan within the meaning of Section 3(1) of ERISA, and the Company intends that the Plan be administered in accordance with the applicable requirements of ERISA. This Plan document, including Appendix A, is also the summary plan description of the Plan.

1. **Definitions.** Capitalized terms in the Plan shall have the meaning set forth below, except as otherwise provided in the text of the Plan.
  - a. “Accrued Amounts” has the meaning set forth in Section 3(a) hereof.
  - b. “Affiliate” means any corporation that is a parent or subsidiary corporation (as Code Sections 424(e) and (f) define those terms) with respect to the Company.
  - c. “Base Incentive Amount” has the meaning set forth in Section 3(b)(iii) hereof.
  - d. “Base Salary” means a Participant's gross base salary (before taxes and deductions) paid by the Company to the Participant during the relevant fiscal year. Base Salary does not include any incentive, non-cash, equity or similar compensation or award, or any contributions to any employee benefit plan made on behalf of a Participant by the Company (other than contributions elected by the Participant under Code Sections 401(k) or 125).
  - e. “Board” means the Board of Directors of Vera Bradley, Inc.
  - f. “Cause” means: (i) an intentional act of fraud, embezzlement or theft by a Participant in connection with a Participant's duties or in the course of a Participant's employment with the Company or an Affiliate; (ii) a Participant's intentional wrongful material damage to the property of the Company or its Affiliates; (iii) a Participant's intentional material breach of Section 7 hereof while such Participant remains in the employ of the Company or an Affiliate; (iv) an act of Gross Misconduct (as defined below); or (v) a conviction for a misdemeanor involving moral turpitude or a charge of a felony; and, in each case, the reasonable, good faith determination by the Board that any such act or omission may be harmful to the Company or an Affiliate. For purposes of this Plan, “Gross Misconduct” shall mean a willful or grossly negligent act or omission that has or will have a material and adverse impact on the business or reputation of the Company or its Affiliates, or on the business of the customers or suppliers of the Company or its Affiliates as such relate to the Company. In addition, a Participant's employment shall be deemed to have terminated for Cause if, based on facts and circumstances discovered after the Participant's employment has terminated, the Board determines in reasonable good faith, within one (1) year after the Participant's employment terminated, and after appropriate investigation and an opportunity for the Participant to be interviewed (with or without counsel as the Participant may determine) by a subcommittee of the independent Board members or its representative, that the Participant committed an act that would have justified a termination for Cause.
  - g. “CEO Direct Report” means a Participant who is designated to be a CEO Direct Report by the Plan Administrator.
  - h. “Change in Control” means the occurrence of any one or more of the following: (a) the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person or group (within the meaning of the Exchange Act and the rules of the Securities and Exchange Commission as in effect on the date of this Award), other than (i) Barbara Baekgaard, Patricia Miller, Mike Ray and Kim Colby and their respective heirs and descendants and any trust established for the benefit of such Persons, (ii) the Company or a company owned directly or indirectly by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company, or (iii) any employee benefit plan (or related trust) sponsored or maintained by the Company or any Affiliate, of securities of the Company representing more than twenty-five percent (25%) of the combined voting power of the Company's then outstanding securities; (b) the occupation of a majority of the seats (other than vacant seats) on the Board by Persons who were neither (i) nominated by the Board nor (ii) appointed by directors so nominated; or (c) the consummation of (i) an agreement for the sale or disposition of all or substantially all of the Company's assets, or (ii) a merger, consolidation or reorganization of the Company with or involving any other company, other than a merger, consolidation or reorganization that results in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least fifty percent (50%) of the combined voting power of the voting securities of the Company (or such surviving entity) outstanding immediately after such merger, consolidation or reorganization. Notwithstanding the foregoing, any amount payable under this Plan

is nonqualified deferred compensation for purposes of Code Section 409A, and if a payment of such amount would be accelerated or otherwise triggered upon a "Change in Control," then the foregoing definition is modified, only to the extent necessary to avoid the imposition of an excise tax under Code Section 409A, to mean a "change in control event" as such term is defined for purposes of Code Section 409A.

- i. "COBRA" means the Consolidated Omnibus Budget Reconciliation Act of 1985 and the interpretive and regulatory guidance issued thereunder, as amended from time to time.
  - j. "COBRA Benefits" has the meaning given in Section 3(b)(iv) of the Plan.
  - k. "Code" means the Internal Revenue Code of 1986, as amended from time to time.
  - l. "Code Section 409A" means Section 409A of the Code and all interpretive and regulatory guidance provided thereunder, as amended from time to time.
  - m. "Company" means Vera Bradley, Inc.
  - n. "Competitor" has the meaning given in Section 7(a)(i) of the Plan.
  - o. "Confidential Information" has the meaning given Section 7(b) of the Plan.
  - p. "Denial Notice" has the meaning given in Section 5(c)(i) of the Plan.
  - q. "Disability" shall mean that the Participant is unable to perform substantially, by reason of physical or mental incapacity, the Participant's duties or obligations, with or without reasonable accommodation as defined in the Americans with Disabilities Act and implementing regulations, for a period of one hundred and eighty (180) consecutive calendar days in any 360-calendar day period.
  - r. "Effective Date" means June 1, 2014.
  - s. "ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.
  - t. "EVP Participant" means any Participant with a title of Executive Vice President.
  - u. "Exchange Act" means the Securities Exchange Act of 1934 and the regulations thereunder, as amended from time to time.
  - v. "Good Reason" means the occurrence of any of the following events without the Participant's express written consent, which event has not been (or is not able to be) cured by the Company within thirty (30) days following the Participant's notice to the Company thereof:
    - i. A material reduction by the Company of the Participant's Base Salary, other than a reduction approved by the Compensation Committee that similarly applies to all executive employees of the Company holding the same title as the Participant, provided that such a reduction in Base Salary shall not exceed more than ten percent (10%) from the Participant's highest Base Salary;
    - ii. A material reduction by the Company of the annual bonus opportunity of a Participant, other than a reduction approved by the Compensation Committee that similarly applies to all executive employees of the Company holding the same title as the EVP Participant or SVP Participant, provided that such a reduction in annual target bonus opportunity shall not exceed more than ten percent (10%) from such EVP Participant or SVP Participant's highest target bonus opportunity (as expressed in dollars);
    - iii. A relocation of the offices of the Participant to a place greater than fifty (50) miles in distance from the current executive offices of the Company in Fort Wayne, Indiana; or
    - iv. Only in the case of a Change in Control and only in the case of CEO Direct Reports, the material reduction of the Participant's authorities, duties, or responsibilities with the Company.
- A Participant must comply with the procedure set forth in Section 3(h) of this Plan in order to effect a termination for Good Reason.
- w. "Participant" means any eligible employee who is made a participant in the Plan by action of the Plan Administrator as specified herein.
  - x. "Person" has the meaning given to such term in Sections 13(d) and 14(d)(2) of the Exchange Act.
  - y. "Plan Administrator" means the Compensation Committee of the Board, or, if the Board so determines, another committee of the Board or the Board itself.
  - z. "Prorated Bonus" has the meaning given in Section 3(b)(iii) of the Plan.
  - aa. "Separation from Service" means a Participant's termination of employment that qualifies as a separation from service determined in accordance with Code Section 409A.
  - ab. "SVP" Participant means any Participant with a title of Senior Vice President.

2. **Participation in the Plan.** The Plan Administrator may designate any employee of the Company with a title of Senior Vice President or higher to be a Participant. Promptly following such designation, each Participant shall be notified of his or her participation in a formal communication from the Plan Administrator or the Company. Participation in the Plan shall be determined in the Plan Administrator's sole discretion. Once participation in the Plan has commenced, a Participant shall remain a Participant until the first to occur of (i) the termination of the Participant's employment under circumstances not giving rise to a right to severance benefits under the Plan, (ii) the completion of the delivery of all severance benefits under the Plan following the termination of the Participant's employment under circumstances giving rise to a right to

such benefits, (iii) the Participant's ceasing to occupy the position of Senior Vice President or higher with the Company, or (iv) the termination or expiration of the Plan pursuant to Sections 6(a) or 6(b) before termination of the Participant's employment.

3. **Certain Obligations of the Company Following Termination of Participant's Employment.** Following termination of a Participant's employment under the circumstances described below, the Company will pay to such Participant the following compensation and provide the following benefits in addition to any benefits to which such Participant may be entitled by law in full satisfaction and final settlement of any and all claims and demands that the Participant or the Company may have against the other under this Plan.
- a. **Termination of Employment for Any Reason.** In the event of a Participant's termination of employment for any reason, the Company shall pay or provide such Participant (a) any unpaid Base Salary through the date of termination, (b) any benefits (including, without limitation, any unused vacation accrued) accrued and vested under the terms of the Company's employee benefit plans, and (c) any unreimbursed expenses incurred, up to and including the effective date of such termination, to which the Participant may be entitled under the terms of any applicable policy, arrangement, plan or program, other than the Company's annual cash bonus plan (collectively, the "Accrued Amounts").
  - b. **Termination Without Cause by the Company.** In the event that the Company terminates a Participant's employment without Cause, other than in anticipation of, upon, or during the twenty-four (24) months after a Change in Control, such Participant shall be entitled to the following payments and benefits, subject to Sections 7 and 8 hereof:
    - i. The Accrued Amounts, payable as soon as reasonably practicable following the date of termination;
    - ii. Any annual bonus that has been earned in the fiscal year prior to the employment termination that has not yet been paid, payable at the time payment is made to other similarly situated executives of the Company, but in no event later than two and one-half (2½) months after the close of the year in which the Participant becomes vested in such bonus;
    - iii. Provided that the Participant's employment is terminated on a date that is later than the last day of the first fiscal quarter of the applicable fiscal year, a pro rata portion of the amount of the annual bonus, if any, the Participant would have received under the Company's annual cash bonus plan for the year in which the Participant's employment terminated (hereinafter, the "Prorated Bonus"). The Company shall determine the annual bonus, if any, the Participant would have earned under the Company's annual cash bonus plan had the Participant been employed through the end of the applicable period (the "Base Incentive Amount"), in accordance with the methods used to calculate the annual bonus for the Company's other similarly situated executives in the applicable annual bonus plan. The Prorated Bonus to be paid pursuant to this Section shall be determined by multiplying the Base Incentive Amount by a fraction, the numerator of which is the number of calendar days from the beginning of the applicable fiscal year in which the termination occurred through the date of termination and the denominator of which is 365. Any Prorated Bonus payment due under this Section shall be paid at the time payment is made to other similarly situated executives in the applicable annual bonus plan, but in no event later than two and one-half (2½) months after the close of the fiscal year in which the Participant's employment terminated;
    - iv. Payment of the Participant's COBRA premiums (sufficient to cover full family health care, if the Participant has elected family coverage) for a period of up to twelve (12) months following the termination of the Participant's employment if the Participant elects such COBRA coverage. The foregoing notwithstanding, the Company's obligation to provide the payment described in the preceding sentence shall cease on the date the Participant becomes eligible for coverage under another group health plan offered by a new employer of the Participant or covered under a group health plan of the employer of the Participant's spouse, in either case, which does not impose pre-existing condition limitations on the Participant's coverage. Nothing herein shall be construed to extend the period of time over which COBRA continuation coverage shall be provided to a Participant or the Participant's dependents beyond that mandated by law. (The foregoing benefits are hereinafter referred to as the "COBRA Benefits");
    - v. For EVP Participants only, a lump sum payment equal to one and one-half (1.5) times the sum of (A) Base Salary, plus (B) the target annual bonus for the fiscal year of termination, payable within ten (10) calendar days after the Participant's delivery to the Company and non-revocation of an executed and enforceable Release, in accordance with and subject to Section 8;
    - vi. For SVP Participants only, a lump sum payment equal to one and one-quarter (1.25) times the sum of (A) Base Salary, plus (B) the target annual bonus for the fiscal year of termination, payable within ten (10) calendar days after the Participant's delivery to the Company and non-revocation of an executed and enforceable Release, in accordance with and subject to Section 8.

- c. **Termination for Good Reason by a Participant.** In the event that a Participant terminates employment for Good Reason, other than in anticipation of, upon, or during the twenty-four (24) months after a Change in Control, such Participant shall be entitled to the following payments and benefits, subject to Sections 7 and 8:
- i. The Accrued Amounts, as soon as reasonably practicable following the date of termination;
  - ii. Any annual bonus that has been earned in the fiscal year prior to the employment termination that has not yet been paid, payable at the time payment is made to other similarly situated executives of the Company, but in no event later than two and one-half (2½) months after the close of the year in which the Participant becomes vested in such bonus;
  - iii. The Prorated Bonus, if any, the Participant would have received for the year in which the Participant's employment terminated, payable at the time payment is made to other similarly situated executives of the Company, but in no event later than two and one-half (2½) months after the close of the fiscal year in which the Participant's employment terminated;
  - iv. The Cobra Benefits;
  - v. For EVP Participants only, a lump sum payment equal to one and one-half (1.5) times the sum of (A) Base Salary, plus (B) the target annual bonus for the fiscal year of termination, payable within ten (10) calendar days after the Participant's delivery to the Company and non-revocation of an executed and enforceable Release, in accordance with and subject to Section 8;
  - vi. For SVP Participants only, a lump sum payment equal to one and one-quarter (1.25) times the sum of (A) Base Salary, plus (B) the target annual bonus for the fiscal year of termination, payable within ten (10) calendar days after the Participant's delivery to the Company and non-revocation of an executed and enforceable Release, in accordance with and subject to Section 8.
- d. **Termination by the Company for Cause, or by a Participant without Good Reason.** In the event that the Company terminates any Participant's employment for Cause, or a Participant terminates such Participant's employment without Good Reason, the Participant shall be entitled to no further compensation or other benefits under this Plan except for the Accrued Amounts, payable in a single lump sum as soon as reasonably practicable following the date of termination.
- e. **Death; Disability.** In the event that a Participant's employment is terminated by reason of the Participant's death or for Disability, the Participant or the Participant's estate, as the case may be, shall be entitled to the following payments and benefits:
- i. The Accrued Amounts, as soon as reasonably practicable following the date of termination;
  - ii. Any annual bonus that has been earned in the fiscal year prior to the employment termination that has not yet been paid, payable at the time payment is made to other similarly situated executives of the Company, but in no event later than two and one-half (2½) months after the close of the year in which the Participant becomes vested in such bonus;
  - iii. The Prorated Bonus, if any, the Participant would have received for the year in which the Participant's employment terminated, payable at the time payment is made to other similarly situated executives of the Company, but in no event later than two and one-half (2½) months after the close of the fiscal year in which the Participant's employment terminated; and
  - iv. The COBRA Benefits.
- f. **Termination in Connection With a Change in Control.** In the event that a Participant's employment is terminated in anticipation of, upon or within twenty-four (24) months following a Change in Control, by the Company without Cause or by the Participant for Good Reason, the Participant shall be entitled to the following payments, subject to Sections 7 and 8 hereof:
- i. The Accrued Amounts, as soon as reasonably practicable following the date of termination;
  - ii. Any annual bonus that has been earned in the fiscal year prior to the employment termination that has not yet been paid, payable at the time payment is made to other similarly situated executives of the Company, but in no event later than two and one-half (2½) months after the close of the year in which the Participant becomes vested in such Bonus;
  - iii. A payment equal to the Participant's target bonus under the Company's annual cash bonus plan prorated for the number of weeks the Participant was actually employed during the fiscal year in which the Participant's employment terminated, payable within ten (10) calendar days after the Participant's delivery to the Company and non-revocation of an executed and enforceable Release, in accordance with and subject to Section 8;
  - iv. The COBRA Benefits;
  - v. Reimbursement for outplacement assistance up to a maximum amount of \$30,000, for a period of up to one year;
  - vi. For EVP Participants only:
    1. a lump sum payment equal to the sum of (A) Base Salary, plus (B) target annual bonus for the fiscal year of termination, payable within ten (10) calendar days after the Participant's delivery



to the Company and non-revocation of an executed and enforceable Release, in accordance with and subject to Section 8; plus

2. In exchange for the Participant's continued compliance with the Restrictive Covenants in Section 7 after the date of the Change in Control, a lump sum payment equal to the sum of (A) Base Salary, plus (B) target annual bonus for the fiscal year of termination, payable after the date of termination and within ten (10) calendar days after the Participant's delivery to the Company and non-revocation of an executed and enforceable Release, in accordance with and subject to Section 8, or, if the termination was in anticipation of a Change in Control, payable after the date of the Change in Control and within ten (10) calendar days after the Participant's delivery to the Company and non-revocation of an executed and enforceable Release, in accordance with and subject to Section 8; provided that, if the Participant previously has delivered and not revoked an executed and enforceable Release in connection with his termination of employment before the Change in Control, the additional Release required by this clause shall only apply to the period between the execution and delivery of an enforceable Release upon the Participant's termination of employment and the date of the Change in Control (the "CIC Severance Payment");

vii. For SVP Participants only:

1. a lump sum payment equal to seventy-five (75) percent of the sum of (A) Base Salary, plus (B) target annual bonus for the fiscal year of termination, payable within ten (10) calendar days after the Participant's delivery to the Company and non-revocation of an executed and enforceable Release, in accordance with and subject to Section 8; plus
2. the CIC Severance Payment.

g. **Section 280G**

- i. If a Change in Control occurs and payments are made under Section 3(f), and a final determination is made by legislation, regulation, or ruling directed to a Participant or the Company, by court decision, or by independent tax counsel, that the aggregate amount of any payments made to a Participant under this Plan and any other agreement, plan, program or policy of the Company in connection with, on account of, or as a result of, such Change in Control ("Total Payments") will be subject to an excise tax under the provisions of Code Section 4999, or any successor section thereof ("Excise Tax"), the Total Payments shall be reduced (beginning with those that are exempt from Code Section 409A) so that the maximum amount of the Total Payments (after reduction) shall be one dollar (\$1.00) less than the amount that would cause the Total Payments to be subject to the Excise Tax; provided, however, that the Total Payments shall only be reduced to the extent that the after-tax value of amounts received by the Participant after application of the above reduction would exceed the after-tax value of the Total Payments received without application of such reduction. For this purpose, the after-tax value of an amount shall be determined taking into account all federal, state, and local income, employment, and excise taxes applicable to such amount. In making any determination as to whether the Total Payments would be subject to an Excise Tax, consideration shall be given to whether any portion of the Total Payments could reasonably be considered, based on the relevant facts and circumstances, to be reasonable compensation for services rendered (whether before or after the consummation of the applicable Change in Control). To the extent Total Payments must be reduced pursuant to this Section, the Company, without consulting the Participant, will reduce the Total Payments to achieve the best economic benefit, and to the extent economically equivalent, on a pro-rata basis.
- ii. In the event that upon any audit by the Internal Revenue Service, or by a state or local taxing authority, of the Total Payments, a change is determined to be required in the amount of taxes paid by, or Total Payments made to, Participant, appropriate adjustments will be made under this Plan such that the net amount that is payable to the Participant after taking into account the provisions of Code Section 4999 will reflect the intent of the parties as expressed in this Section 3(g). The Participant shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require payment of an Excise Tax or an additional Excise Tax on the Total Payments (a "Claim"). Such notification shall be given as soon as practicable but no later than ten (10) business days after the Participant is informed in writing of such Claim and shall apprise the Company of the nature of such Claim and the date on which such Claim is requested to be paid. The Participant shall not pay such Claim prior to the expiration of the thirty (30) calendar day period following the date on which the Participant gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such Claim is due). If the Company notifies the Participant in writing prior to the expiration of such period that it desires to contest such Claim, the Participant shall: (1) give the Company any information reasonably requested by the Company relating to such Claim, (2) take such action in connection with contesting such Claim as the Company shall reasonably request in writing

from time to time, including, without limitation, accepting legal representation with respect to such Claim by an attorney reasonably selected by the Company, (3) cooperate with the Company in good faith in order to contest effectively such Claim, and (4) permit the Company to participate in any proceedings relating to such Claim; provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Participant harmless for any Excise Tax, additional Excise Tax, or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 3(g), the Company, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such Claim and may, at its sole option, either direct the Participant to pay the tax claimed and sue for a refund or contest the Claim in any permissible manner, and the Participant agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one (1) or more appellate courts, as the Company shall determine, provided, however, that if the Company directs the Participant to pay such Claim and sue for a refund, the Company shall advance the amount of such payment to the Participant on an interest-free basis or, if such an advance is not permissible under applicable law, pay the amount of such payment to the Participant as additional compensation, and shall indemnify and hold the Participant harmless from any Excise Tax, additional Excise Tax, or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or additional compensation; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Participant with respect to which such contested amount is claimed to be due is limited solely to such contested amount. The Company shall reimburse any fees and expenses provided for under this Section 3(f)(ii) on or before the last day of the Participant's taxable year following the taxable year in which the fee or expense was incurred, and in accordance with the other requirements of Code Section 409A.

iii. If, after the receipt by the Participant of an amount advanced or paid by the Company pursuant to Section 3(f) above, the Participant becomes entitled to receive any refund with respect to such Claim, the Participant shall (subject to the Company's complying with the requirements of Section 3(f) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Participant of an amount advanced by the Company pursuant to Section 3(f), a determination is made that the Participant shall not be entitled to any refund with respect to such Claim and the Company does not notify the Participant in writing of its intent to contest such denial of refund prior to the expiration of sixty (60) calendar days after such determination, then such advance shall be forgiven and shall not be required to be repaid.

h. **Process for Termination for Good Reason.** Where applicable (including, for the avoidance of doubt, whether or not in anticipation of, upon or in the twenty-four (24) months following a Change in Control), a Participant may terminate employment for Good Reason by giving the Company thirty (30) calendar days' prior written notice; provided that, if Participant purports to terminate employment for Good Reason, the Participant must give the Company written notice of the Participant's intent to terminate for Good Reason within sixty (60) calendar days of the occurrence of the event that allegedly constitutes Good Reason. The Company shall have a right to cure the event(s) or omission(s) alleged to constitute Good Reason for a period of thirty (30) calendar days after notice from the Participant of the Participant's intention to terminate for Good Reason and, if not cured, the Participant may terminate employment within one hundred twenty (120) calendar days of the occurrence of the event that allegedly constitutes Good Reason. The Company in its discretion may elect a termination date that is earlier than the conclusion of the sixty (60) calendar day notice period, but the termination shall still be deemed a voluntary termination by the Participant with Good Reason under this Section.

i. **Effect on Equity Grants.** Unless otherwise expressly set forth elsewhere in this Plan, the treatment of any equity compensation awards held by a Participant shall be governed by the terms of the plan or agreement under which such awards were granted and this Plan shall not be interpreted in any way to revise or amend the terms of any such grant.

4. **Mitigation; Offset.** Participants shall not be required to mitigate the amount of any payment or benefit provided for in the Plan by seeking other employment or otherwise and no such payment or benefit shall be offset or reduced by the amount of any compensation or benefits provided to a Participant in any subsequent employment. Except as otherwise provided in connection with the vesting of equity grants, which shall be governed in accordance with their corresponding grant documents, the severance payments and benefits under the Plan to a Participant are intended to constitute the exclusive payments and benefits in the nature of severance or termination pay that shall be due to a Participant upon termination of his or her employment and shall be in lieu of (or offset by) any other such payments or benefits under any agreement, plan, practice or policy of the Company or any of its affiliates. The severance payments and benefits to which

a Participant is otherwise entitled shall be further reduced (but not below zero) by any payments or benefits to which the Participant may be entitled under any federal, state or local plant-closing (or similar or analogous) law (including, without limitation, the U.S. Worker Adjustment and Retraining Notification Act).

5. **Administration of the Plan.**

- a. **Plan Administrator; Notice.** The general administration of the Plan and the responsibility for carrying out the provisions of the Plan will be placed with the Plan Administrator. Any and all notices, requests, demands, and other communications provided for herein shall be sufficient if in writing and shall be deemed to have been duly given if delivered by hand or if sent by registered or certified mail, return receipt requested. Notice shall be deemed to have been given when notice is received by the party on whom the notice was served. Notice to the Plan Administrator shall be sent to the following address, with attention to the Plan Administrator:

Vera Bradley, Inc.

5620 Industrial Road

Fort Wayne, IN 46825

Attention: General Counsel

Notice to the Participant shall be addressed to the Participant at the Participant's last mailing or electronic mailing address as shown on the records of the Company.

- b. **Duties and Powers.** The Plan Administrator is the named fiduciary of the Plan and will have all powers necessary and or helpful to administering the Plan in all its details. This authority includes, but is not limited to, determining eligibility for participation and, where clearly stated in the designation of Plan participation and subsequently in the notice to a Participant of Plan participation, varying the terms of the Plan with respect to a particular Participant; making rules and regulations for the administration of the Plan that are consistent with the terms and provisions of the Plan; construing all terms, provisions, conditions and limitations of the Plan, and resolving ambiguities, correcting deficiencies and supplying omissions; determining all questions arising out of, or in connection with, cases in which the Plan Administrator deems such a determination advisable; and amending the Plan. The Plan Administrator shall have the full discretion to exercise the powers conferred by the Plan, and all such acts and determinations will be final, binding and conclusive upon all interested parties. The Plan Administrator shall also have the authority to designate other individuals to exercise the powers of the Plan Administrator on its behalf.
- c. **Claims.** The Company will pay benefits under this Plan to the Participant without requiring a formal written claim filed by the Participant. However, if any Participant believes he or she is being denied any rights or benefits under the Plan, such Participant may file a claim in writing with the Plan Administrator, as described below.
- i. The Plan Administrator shall determine whether or not to approve a claim for severance benefits within ninety (90) calendar days after receiving it. If the Plan Administrator wholly or partially denies a Participant's claim for benefits, the Plan Administrator shall give the claimant written notice of such denial (a "Denial Notice") within such ninety (90) day period, setting forth:
1. The specific reason(s) for the denial;
  2. Specific reference to pertinent Plan provisions on which the denial is based;
  3. A description of any additional material or information which must be submitted to perfect the claim, and an explanation of why such material or information is necessary; and
  4. An explanation of the Plan's review procedure as set forth in Section 5(c)(ii) below.
- ii. If a Participant wishes to appeal the denial or partial denial of a claim for benefits under the Plan, the Participant shall so notify the Plan Administrator in writing within sixty (60) calendar days after receiving the Denial Notice, during which period the Participant shall have the right to submit to the Plan Administrator written materials or information in support of his or her claim (which shall include any materials or information requested in the Denial Notice). If the Participant so requests, the Plan Administrator shall afford the Participant the opportunity, before the end of such sixty-day period, to meet with the Plan Administrator to discuss his or her claim. In addition, upon request, the Participant shall be provided, free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the Participant's claim for benefits. The Plan Administrator shall make a final determination with respect to such claim, and shall notify the Participant of the determination, within sixty (60) calendar days following the end of the sixty (60) day appeal period. The Plan Administrator's decision on review shall be final and binding upon a Participant. If a Participant fails to request an

appeal within this timeframe, it shall be conclusively determined for all purposes that the denial of the claim is correct.

- iii. If a claim involves a Disability determination, the claims and review procedures described above will apply but the time limits will differ. The Plan Administrator will have forty-five (45) calendar days to respond to the initial claim, and the Participant will have one hundred eighty (180) calendar days after receiving a Denial Notice for a claim involving a Disability determination in which to submit a request for review of the Denial Notice. The Plan Administrator shall reach a final decision and notify the Participant in writing of the decision within forty-five (45) calendar days after the date it receives the Participant's request for review.
- iv. The claim and review procedures described above must be utilized before a legal action may be brought against the Company or the Plan. Any legal action must be filed within one (1) year of receiving final notice of a denied claim.

6. **Plan Amendment and Termination; Successors**

- a. **Amendment and Termination.** The Plan, and any part thereof, is subject to amendment, waiver or individual adjustment by the Plan Administrator at any time and from time to time, for any reason, provided that no such amendment, waiver, adjustment or termination shall decrease or otherwise adversely affect the rights or entitlements possessed by a Participant, whether prior to or after such Participant's termination of employment, and whether with respect to benefits under the Plan to which a Participant is then entitled or with respect to which such Participant may become entitled upon a termination for Good Reason or without Cause, without such Participant's written consent; provided, however, that no amendment of this plan shall be effective until twelve (12) months following written notice to all Participants.
- b. **Plan Expiration.** The Plan shall automatically renew on December 31 of each year, unless the Plan Administrator provides advanced written notice to Participants at least six (6) months prior to the end of the then current term; provided, however, that this Plan may in no event be terminated in the twenty-four (24) months following a Change in Control. No termination of employment of an individual occurring after such expiration shall give rise to any rights to severance benefits under the Plan, but such expiration shall have no effect on the severance benefits to which any Participant whose termination of employment occurs on or prior to such date is entitled. For the avoidance of doubt, following the termination of the Plan, the Company or its successor shall remain obligated to discharge any payment obligations under the Plan that arose prior to such termination.
- c. **Successors.** The Company shall cause the Plan to be assumed by any successor of the Company, whether such succession occurs by merger, asset acquisition or otherwise, unless such assumption would occur by operation of law.

7. **Restrictive Covenants.**

- a. **Non-Competition.** The Participant understands the global nature of the Company's businesses and the effort the Company undertakes to develop and protect its business, goodwill, confidential information and competitive advantage. Accordingly, the Participant recognizes and agrees that the scope and duration of the restrictions described in this Section 7 are reasonable and necessary to protect the legitimate business interests of the Company. All payments and benefits to the Participant under this Plan are conditioned expressly on the Participant's compliance with each of the provisions of this Section 7. During the period of the Participant's employment and for a period of one (1) year following Participant's termination of employment for any reason, the Participant shall not:
  - i. Associate, directly or indirectly, as an employee, officer, director, agent, partner, owner, stockholder, representative, consultant, or vendor with, for, or on behalf of any Competitor (as defined below) (as an "Association"), unless the Plan Administrator in the exercise of its reasonable discretion has approved each Association in accordance with the following sentence. The Plan Administrator's approval for an Association will be evidenced exclusively by a written agreement that has been executed and delivered by, and is legally binding on, the Company and the Participant, that includes terms and conditions that the Plan Administrator deems reasonably necessary to preserve its goodwill and the confidentiality of the Confidential Information (as defined below) in accordance with this Plan, and that includes all other terms and conditions that the Plan Administrator determines in its sole discretion are reasonably necessary under the circumstances. The restrictions in the foregoing sentences of this Section 7(a)(i) apply to the Participant's direct and indirect performance of the same or similar activities the Participant has performed for the Company or any of its Affiliates and to all other activities that reasonably could lead to the use or the disclosure of Confidential Information. The Participant will not have violated this Section 7(a)(i) solely as a result of the Participant's investment in capital stock

or other securities of a Competitor or any of its Affiliates listed on a national securities exchange or actively traded in the over-the-counter market if the Participant and the members of the Participant's immediate family do not, directly or indirectly, hold more than one percent of all such shares of capital stock or securities issued and outstanding. For purposes of this Plan, the term "Competitor" means each entity, company, enterprise or group set forth on Appendix C hereto, which the Plan Administrator shall amend and update not later than March 31 of each year, or at any other time it deems necessary or desirable, in its sole and absolute discretion.

- ii. solicit or accept if offered to the Participant, with or without solicitation, on the Participant's own behalf or on behalf of any other person, the services of any person who is a then-current employee of the Company (or was an employee of the Company during the year preceding such solicitation), (B) solicit any of the Company's then-current employees (or an individual who was employed by or engaged by the Company during the year preceding such solicitation) to terminate employment or an engagement with the Company, not including any general, non-targeted advertising, or (C) agree to hire any then-current employee (or an individual who was an employee of the Company during the year preceding such hire) of the Company into employment with the Participant or any company, individual or other entity; provided that the foregoing shall not be violated by a hiring with respect to which the Participant had no personal involvement in any manner or by the Participant serving as a reference upon request; or
- iii. On behalf of a Competitor, directly or indirectly divert or attempt to divert from the Company any business in which the Company has been actively engaged during the Participant's employment, nor interfere with the relationships of the Company or with their sources of business.

- b. **Confidentiality.** The Participant recognizes that the Company will disclose Confidential Information to the Participant during the period of the Participant's employment to enable the Participant to perform his duties. Subject to the following sentence, the Participant shall not during the Participant's employment (except in connection with the proper performance of the Participant's duties) and thereafter, without the prior written consent of the Board, disclose to any person or entity, or use for any reason or purpose, any material or significant Confidential Information concerning the business of the Company that Participant obtained in the course of Participant's employment. This Section shall not be applicable if and to the extent Participant is required to testify in a legislative, judicial or regulatory proceeding pursuant to an order of Congress, any state or local legislature, a judge, or an administrative law judge, or if such Confidential Information is required to be disclosed by the Participant by any law, regulation or order of any court or regulatory commission, department or agency; provided, however, that the Participant shall provide the Company with prompt notice thereof so that the Company may seek an appropriate protective order and/or waive compliance with this Section with respect to such requirement. In the absence of a protective order or the receipt of waiver hereunder, if the Participant is nonetheless, in the opinion of the Participant's counsel, compelled to furnish the Company's confidential information to any third party or else stand liable for contempt or suffer other censure or penalty, such party may furnish such information without liability under this Section or otherwise. The Participant further agrees that if the Participant's employment is terminated for any reason, the Participant will not take, but will leave with the Company, all records and papers and all matter of whatever nature that bears Confidential Information of the Company. For purposes of this Plan, the term "Confidential Information" shall include, but not be limited to, product assortment, product design, prints, any and all records, notes, memoranda, data, writings, research, personnel information, customer information, pricing, sales and marketing information, product information or designs, supplier lists, the Company's financial information and plans, processes, methods, techniques, systems, formulas, patents, models, devices, compilations or any other information of whatever nature in the possession or control of the Company, that has not been published or disclosed to the general public, the fashion industry or the design industry. For purposes of this Plan, the term "Confidential Information" shall not include the Participant's personal address book.
- c. **Non-disparagement.** The Participant agrees not to make, repeat, authorize, or permit any person under the Participant's control to make, directly or indirectly, any public statements (whether oral or written), comments, remarks, or publications of any type or of any nature, to anyone, including but not limited to the news media, investors, potential investors, industry analysts, competitors, strategic partners, vendors, employees (past and present), and customers, which would defame or disparage the business reputation, practices, or conduct of the Company or its Affiliates (including its products, services or its business decisions), or their employees, directors or officers, or any of them, at any time now or in the future. The Company agrees that its Board of Directors, Executive Vice Presidents and Chief Executive Officer will not, directly or indirectly, make, repeat, authorize or permit any person under its, his or her control to make any public statements (whether oral or written), comments, remarks, or publications of any type or of any nature to anyone, including but not limited to the news media, industry analysts, competitors, strategic partners, vendors, employees (past and present), and customers, which would defame or disparage the reputation of the Participant at any time now or in the future. Nothing

set forth in this Section 7(c) shall be interpreted to prohibit the Participant, the Company, the Company's Affiliates, or the directors, partners, officers and employees of the Company and its Affiliates from making truthful statements (i) in the good faith normal performance of his, her or their duties, (ii) when required by law, subpoena or court order and/or from responding to any inquiry by any regulatory or investigatory organization, (iii) of a normal competitive nature, or (iv) in direct rebuttal to a disparaging statement made by another.

- d. **Remedies.** If the Participant violates or threatens to violate any provision of this Section 7, the Company or its successors in interest shall be entitled, in addition to any other remedies that they may have, including money damages, to (i) an injunction to be issued by a court of competent jurisdiction restraining the Participant from committing or continuing any violation of this Section 7 and, in the event of a material violation, (ii) cessation of the severance payments and benefits provided under Section 3. In the event that the Participant is found to have breached any provision set forth in this Section 7, the time period provided for in that provision shall be deemed tolled (i.e., it will not begin to run) for so long as the Participant was in violation of that provision.
  - e. **Judicial Modification.** If a court of competent jurisdiction declares that any term or provision of this Section 7 is invalid or unenforceable, the Company and the Participant intend that (i) the court making the determination of invalidity or unenforceability shall have the power to reduce the scope, duration, or geographic area of the term or provision, to delete specific words or phrases, or to replace any invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision, (ii) the Company and the Participant shall request that the court exercise that power, and (iii) the Plan shall be enforceable as so modified after the expiration of the time within which the judgment or decision may be appealed.
8. **Severance Agreement and Release.** Any and all amounts payable and benefits or additional rights provided pursuant to this Plan beyond Accrued Amounts shall only be payable if the Participant delivers to the Company an original, signed release of claims of the Participant occurring up to the release date, in a form substantially the same as attached hereto as Appendix B (the "Release"). The Company shall deliver the Release to the Participant within ten (10) calendar days of the date the Participant's employment terminates and Participant must deliver to the Company and not revoke an executed and enforceable Release no later than thirty (30) calendar days after the date the Participant's employment terminates (the "Release Deadline"). Payment of the amounts described in Section 3 shall commence no earlier than the date on which the Participant delivers to the Company and does not revoke an executed and enforceable release as described herein. Payment of any severance or benefits that are not exempt from Code Section 409A shall be delayed until the Release Deadline, irrespective of when the Participant executes the Release; provided, however, that where the Participant's termination of employment and the Release Deadline occur within the same fiscal year, the payment may be made up to thirty (30) calendar days prior to the Release Deadline, and provided further that where the Participant's termination of employment and the Release Deadline occur in two separate fiscal years, payment may not be made before the later of January 1 of the second year or the date that is thirty (30) calendar days prior to the Release Deadline. As part of the Release, the Participant shall affirm that the Participant (a) has advised the Company, in writing, of any facts that the Participant is aware of that constitute or might constitute a violation of any ethical, legal or contractual standards or obligations of the Company or any Affiliate, and (b) is not aware of any existing or threatened claims, charges, or lawsuits that the Participant has not disclosed to the Company. If the Release is not delivered to the Company in accordance with this Section 8, the Participant shall not be entitled to receive any benefits payable under this Plan. By accepting benefits under this Plan, the Participant acknowledges and agrees that if the Participant files a lawsuit or accepts recoveries, payments, or benefits based on any claims that the Participant has released under the Release, as a condition precedent for maintaining or participating in any lawsuit or claim, or accepting any recoveries, payments, or benefits, the Participant shall forfeit immediately such benefits paid under this Plan and promptly reimburse the Company for any such benefits already provided.
9. **Miscellaneous**
- a. **Compensation Recovery Policy.** Notwithstanding any provision in this Plan to the contrary, payments under this Plan will be subject to any Compensation Recovery Policy established by the Company and amended from time to time.
  - b. **Employment Status.** The Plan does not constitute a contract of employment or impose on the Company any obligation to retain any the Participant as an employee or to change any employment policies of the Company. A Participant's receipt of benefits does not constitute any sort of extension or perpetuation of employment beyond such Participant's actual date of employment termination.
  - c. **Withholding of Taxes.** The Company shall withhold from any amounts payable under the Plan all federal, state, local or other taxes that are legally required to be withheld, as well as any other amounts authorized or required by policy, including, but not limited to, withholding for garnishments and judgments or other court orders.

- d. **No Effect on Other Benefits.** Severance benefits shall not be counted as compensation for purposes of determining benefits under other benefit plans, programs, policies and agreements, except to the extent expressly provided therein.
- e. **Validity and Severability.** The invalidity or unenforceability of any provision of the Plan shall not affect the validity or enforceability of any other provision of the Plan, which shall remain in full force and effect, and any prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.
- f. **Settlement of Claims.** The Company's obligation to make the payments provided for in the Plan and otherwise to perform its obligations hereunder shall not be affected by any circumstances, including, without limitation, any set-off, counterclaim, defense, recoupment or other right which the Company may have against a Participant or others.
- g. **Assignment.** The Plan shall inure to the benefit of and shall be enforceable by a Participant's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If a Participant should die while any amount is still payable to the Participant under the Plan had the Participant continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of the Plan to the Participant's estate. A Participant's rights under the Plan shall not otherwise be transferable or subject to lien or attachment.
- h. **Governing Law.** The Plan shall be governed by ERISA and, to the extent not preempted thereby, by the substantive laws of the State of Indiana, without regard to its internal conflicts of laws provisions.
- i. **Severability.** In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity will not affect the remaining parts of the Plan, and the Plan must be construed and enforced as if the illegal or invalid provision had not been included. Further, the captions of the Plan are not part of the provisions herein and will have no force or effect. Notwithstanding anything in the Plan to the contrary, the Company shall have no obligation to provide any severance benefits to the Participant hereunder to the extent, but only to the extent, that such provision is prohibited by the terms of any final order of a federal, state, or local court or regulatory agency of competent jurisdiction, provided that such an order shall not affect, impair, or invalidate any provision of the Plan not expressly subject to such order.
- j. **Plan Funding.** The Company will provide all severance benefits due and owing directly out of its general assets. To the extent that a Participant acquires a right to receive benefits under the Plan, such right shall be no greater than the right of an unsecured general creditor of the Company. Nothing herein contained may require or be deemed to require, or prohibit or be deemed to prohibit, the Company to segregate, earmark, or otherwise set aside any funds or other assets, in trust or otherwise, to provide for any severance benefits.
- k. **Gender and Number.** Except where otherwise indicated by the context, any masculine term used herein includes the feminine, any feminine term used herein includes the masculine, the plural includes the singular, and the singular includes the plural.
- l. **State Unemployment Benefits.** Severance is expressly allocated over the severance pay period for purposes of state unemployment benefits, even if paid in a lump sum. The "severance pay period" is the period of time beginning on the effective date of the Participant's termination of employment and extending for the number of weeks for which the terminated Participant would otherwise receive a week's pay under the Plan.
- m. **Code Section 409A.** Notwithstanding anything in the Plan to the contrary, to the extent a Participant is considered a "specified employee" (as defined in Code Section 409A) and would be entitled to a payment during the six (6) month period beginning on Participant's date of termination that is not otherwise excluded under Code Section 409A, the payment will not be made to the Participant until the earlier of the six (6) month anniversary of Participant's Separation from Service or Participant's death and will be accumulated and paid on the first day of the seventh (7th) month following the date of termination. To the extent any benefit payable under this Plan constitutes nonqualified deferred compensation under Code Section 409A, such benefit will not be paid unless the Participant's termination of employment qualifies as a Separation from Service. The Company may amend the Plan to the minimum extent necessary to satisfy the applicable provisions of Code Section 409A. The Company cannot guarantee that any payments and benefits provided to a Participant under the Plan will satisfy all applicable provisions of Code Section 409A.

## APPENDIX A

### Additional Information for Summary Plan Description

This Appendix A, together with the Plan document, constitutes the summary plan description of the Plan. References in this Appendix A to “you” or “your” are references to the Participant. Any term capitalized but not defined in this Appendix A will have the meaning set forth in the Plan.

### Your Rights Under ERISA

As a participant in the Plan, you are entitled to certain rights and protections under ERISA. ERISA provides that all Plan participants shall be entitled to:

- Receive information about the Plan and benefits offered under the Plan.
- Examine, without charge, at the Plan Administrator’s office and at other specified locations, all documents governing the Plan, and a copy of the latest annual report filed by the Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefit Security Administration.
- Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the Plan, and copies of the latest annual report and updated summary plan description. The Plan Administrator may make a reasonable charge for the copies.

### Prudent Action by Plan Fiduciaries

In addition to creating rights for Plan participants, ERISA imposes duties upon the people who are responsible for the operation of the Plan. The people who operate your Plan, called fiduciaries of the Plan, have a duty to do so prudently and in the interest of you and other Plan participants and beneficiaries. No one, including the Company, or any other person, may fire you or otherwise discriminate against you in any way to prevent you from exercising your rights under ERISA.

### Enforce Your Rights

If your claim for a benefit is denied or ignored in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of Plan documents or the latest annual report from the Plan and do not receive them within 30 days, you may file suit in a Federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to \$110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator. If you have a claim for benefits that is denied or ignored, in whole or in part, you may file suit in a state or Federal court. If you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a Federal court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

### Assistance With Your Questions

If you have any questions about the Plan, you should contact the Plan Administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. You also may obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.



## General Plan Information

<b>Plan Sponsor:</b>	Vera Bradley, Inc. 5620 Industrial Road Fort Wayne, IN 46825 Attention: General Counsel Telephone: 260-207-5362
<b>Plan Name:</b>	Vera Bradley, Inc. 2014 Executive Severance Plan
<b>Type of Plan:</b>	ERISA welfare benefit plan
<b>Source of Funds:</b>	The Company will pay all benefits due and owing under the Plan directly out of its general assets. To the extent that a Participant acquires a right to receive benefits under the Plan, such right shall be no greater than the right of an unsecured general creditor of the Company.
<b>Plan Number:</b>	<b>Not applicable</b>
<b>Employer Identification Number:</b>	27-2935063
<b>Plan Administrator:</b>	Compensation Committee of the Board of Directors of Vera Bradley, Inc. Vera Bradley, Inc. 5620 Industrial Road Fort Wayne, IN 46825 Attention: General Counsel Telephone: 260-207-5362
<b>Agent for Service of Legal Process:</b>	Plan Administrator
<b>Plan Year:</b>	The Company's fiscal year
<b>Successors:</b>	The Company shall cause the Plan to be assumed by any successor of the Company, whether such succession occurs by merger, asset acquisition or otherwise, unless such assumption would occur by operation of law.
<b>Binding Legal Contract:</b>	This Plan shall be a binding legal contract between the Company and the Participant.

## Appendix B

### RELEASE AND WAIVER AGREEMENT

This Release and Waiver Agreement ("Agreement") is entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_ by and between Vera Bradley, Inc., an Indiana corporation (the "Corporation") and \_\_\_\_\_ (hereinafter "Executive").

**WHEREAS**, Executive's employment with the Corporation is terminated effective \_\_\_\_\_, 20\_\_ ("Termination Date") and the Corporation and Executive have voluntarily agreed to the terms of this Agreement in exchange for severance benefits under the Vera Bradley, Inc. 2014 Executive Severance Plan (the "Plan"), to which Executive otherwise would not be entitled;

**WHEREAS**, accordingly the Corporation has determined that Executive will receive certain severance benefits if Executive executes and complies with the terms of this Agreement; and

**WHEREAS**, Executive acknowledges that the consideration received by Executive under the terms of this Agreement and the Plan for the release and waiver contained herein is in addition to any consideration the Corporation is otherwise required to provide Executive.

**NOW, THEREFORE**, in consideration of the promises and the mutual covenants and agreements set forth below, the parties hereby acknowledge and agree as follows:

1. **Severance.** In consideration for Executive's agreements contained herein and Executive's compliance with Executive's continuing obligations under the Plan, including his obligations under Section 7, the Corporation will pay Executive the applicable severance provided in Section 3 [Note-actual agreement to specify the applicable subsections of Section 3] of the Plan. Except as specifically provided in this Agreement, the Plan and any applicable plans, programs or arrangements of the Corporation including, without limitation, the Corporation's Certificate of Incorporation or By-laws, as either may be amended from time to time, the Vera Bradley, Inc. 2010 Equity and Incentive Plan, as amended from time to time or any successor thereto (the "Equity Plan") and any agreements thereunder, Executive shall not be entitled to any other payment, benefits or other consideration from the Corporation.
2. **Waiver and Release.**
  - a. In consideration for the payments and benefits to be provided to Executive as set forth herein and the Plan, Executive, himself and for any person or entity that may claim by Executive or through Executive, including Executive's heirs, executors, administrators, successors and assigns, hereby knowingly, irrevocably, unconditionally and voluntarily waives, releases and forever discharges the Corporation, its Affiliates, and each of its individual or collective past, present and future parent, subsidiaries, divisions and affiliates, its and their joint ventures and its and their respective directors, officers, associates, employees, representatives, partners, consultants insurers, attorneys, administrators, accountants, executors, heirs, successors, and agents, and each of its and their respective predecessors, successors and assigns and all persons acting by, through or in concert with any of them (hereinafter collectively referred to as "Releasees"), from any and all claims, causes of action or liabilities relating to Executive's employment with the Corporation or the termination thereof, known or unknown, suspected or unsuspected, arising from any omissions, acts or facts that have occurred up until and including the date Executive executes this Agreement which have been or could be asserted against the Releasees, including but not limited to:
    - i. causes of action or liabilities relating to Executive's employment with the Corporation or the termination thereof arising under Title VII of the Civil Rights Act, the Age Discrimination in Employment Act (the "ADEA"), the Employee Retirement Income Security Act, the Worker Adjustment and Retraining Notification Act, the American with Disabilities Act, the Equal Pay Act, the Family and Medical Leave Act, and the Delaware General Corporations Act as such Acts have been amended, and/or any other foreign, federal, state, municipal, or local employment discrimination statutes (including, but not limited to, claims based on age, sex, attainment of benefit plan rights, race, religion, national origin, marital status, sexual orientation, ancestry, harassment, parental status, handicap, disability, retaliation, and veteran status); and/or
    - ii. causes of action or liabilities related to Executive's employment with the Corporation or the termination thereof arising under any other federal, state, municipal, or local statute, law, ordinance or regulation; and/or

- iii. causes of action or liabilities relating to rights to or claims for pension, profit-sharing, wages, bonuses or other compensation or benefits; and/or
  - iv. any other cause of action relating to Executive's employment with the Corporation or the termination thereof including, but not limited to, actions seeking severance pay, except as provided herein, actions based upon breach of contract, wrongful termination, defamation, intentional infliction of emotional distress, tort, personal injury, invasion of privacy, defamation, discrimination, retaliation, promissory estoppel, fraud, violation of public policy, negligence and/or any other common law, or other cause of action whatsoever arising out of or relating to employment with and/or separation from employment with the Corporation and/or any of the other Releasees.
- b. Nothing herein shall limit or impede Executive's right to file or pursue an administrative charge with, or participate in, any investigation before the Equal Employment Opportunity Commission, or any other local, state or federal agency, and/or any causes of action which by law Executive may not legally waive. Executive agrees, however, that if Executive or anyone acting on Executive's behalf, brings any action concerning or related to any cause of action or liability released in this Agreement, Executive waives any right to, and will not accept, any payments, monies, damages, or other relief, awarded in connection therewith.
  - c. Nothing herein shall constitute a waiver or release of any of Executive's rights under this Agreement or the Plan, any other applicable plans, programs or arrangements of the Corporation including, without limitation, the Corporation's Certificate of Incorporation or By-laws, as either may be amended from time to time, the Equity Plan and any agreements thereunder, or under the Indemnification Agreement.
  - d. Executive expressly waives the benefits of any statute or rule of law that, if applied to this Agreement, would otherwise exclude from its binding effect any claims against the Corporation not now known by Executive to exist.
3. **Cause of Action.** As used in this Agreement, the phrase "cause of action" includes all claims, covenants, warranties, promises, agreements, undertakings, actions, suits, counterclaims, causes of action, complaints, charges, obligations, duties, demands, debts, accounts, judgments, costs, expenses, losses, damages and liabilities, of whatsoever kind or nature, in law, equity or otherwise.
4. **No Assignment of Causes of Action.** Executive represents and warrants that he has not filed or caused to be filed against the Releasees any claims, actions or lawsuits. Executive further represents and warrants that he has not sold, assigned, transferred, conveyed or otherwise disposed of to any third party, by operation of law or otherwise, any claim of any nature whatsoever relating to any matter covered by this Agreement.
5. **Representations of the Corporation.** The Corporation represents that it is not presently aware of any cause of action that it or any of the other Releasees have against Executive as of the date hereof. The Corporation acknowledges that the release granted by Executive in Section 2 above will be null and void in the event the Corporation subsequently seeks to treat Executive's termination of employment as "for Cause" under the Plan.
6. **Representations of Executive.** Executive represents that Executive has been given an adequate opportunity to advise the Corporation's human resources, legal, or other relevant management division, and has so advised such division in writing, of any facts that Executive is aware of that constitute or might constitute a violation of any ethical, legal or contractual standards or obligations of the Corporation or any Affiliate. Executive further represents that Executive is not aware of any existing or threatened claims, charges, or lawsuits that he/she has not disclosed to the Corporation.
7. **Notice to Seek Counsel, Consideration Period, Revocation Period.** Executive acknowledges that Executive has been advised in writing hereby to consult with an attorney before signing this document and that Executive has had at least twenty-one (21) calendar days after receipt of this document to consider whether to accept or reject this Agreement. Executive understands that Executive may sign this Agreement prior to the end of such twenty-one (21) calendar day period, but is not required to do so. Under ADEA, Executive has seven (7) calendar days after Executive signs this Agreement to revoke it. Such revocation must be in writing and delivered either by hand or mailed and postmarked within the seven (7) calendar day period. If sent by mail, it is requested that it be sent by certified mail, return receipt requested to the Corporation's General Counsel Office at 5620 Industrial Road, Fort Wayne, Indiana 46825. If Executive revokes this Agreement as provided herein, it shall be null and void and Executive shall not be entitled to receive the payments as described in the first sentence of Section 1 herein. If Executive does not revoke this Agreement within seven (7) calendar days of signing it, this Agreement shall become enforceable and effective on the seventh (7th) day after Executive signs this Agreement ("Effective Date").
8. **Governing Law; Disputes.** Jurisdiction and venue over disputes with regard to this Agreement shall be exclusively in the courts of the State of Indiana or the United States District Court for the Northern District of Indiana. This Agreement

shall be construed and interpreted in accordance with and governed by the laws of the State of Indiana, without regard to the choice of laws provisions of such laws. The parties agree that any action brought by a party to enforce or interpret this Agreement shall be brought in a State or Federal Court sitting in Indiana; except that an action by the Corporation to enforce its rights under Section 7 of the Plan may also be brought in Executive's state of residency or any other forum in which Executive is subject to personal jurisdiction. In addition, Executive and the Corporation specifically consent to personal jurisdiction in the State of Indiana for purposes of this Agreement.

9. **Amendment; Waiver.** No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by Executive and the Corporation. This Agreement shall be enforced in accordance with its terms and shall not be construed against either party.
10. **Severability.** The parties agree that if any provision, section, subsection or other portion of this Agreement shall be determined by any court of competent jurisdiction to be invalid, illegal or unenforceable in whole or in part and such determination shall become final, such provision or portion shall be deemed to be severed or limited, but only to the extent required to render the remaining provisions and portion of this Agreement enforceable. This Agreement as thus amended will remain in full force and effect and will be binding on the parties and will be enforced so as to give effect to the intention of the parties insofar as that is possible. In addition, the parties hereby expressly empower a court of competent jurisdiction to modify any term or provision of this Agreement to the extent necessary to comply with existing law and to enforce this Agreement as modified.
11. **Enforcement.** This Agreement may be pleaded as a full and complete defense and may be used as the basis for an injunction against any action at law or proceeding at equity, or any private or public judicial or non-judicial proceeding instituted, prosecuted, maintained or continued in breach hereof.
12. **No Enlargement of Employee Rights.** Executive acknowledges that, except as expressly provided in this Agreement, any employment or contractual relationship between him and the Corporation is terminated, and that he has no future employment or contractual relationship with the Corporation other than the contractual relationship created by this Agreement, the Plan, any other applicable plans, programs or arrangements of the Corporation including, without limitation, the Corporation's Certificate of Incorporation or By-laws, as either may be amended from time to time, the Equity Plan and any agreements thereunder, and the Indemnification Agreement. The Corporation has no obligation, contractual or otherwise, to employ or reemploy, hire or rehire, or recall or reinstate Executive in the future with the Corporation.
13. **No Representations.** Executive represents that he has carefully read and understands the scope and effect of the provisions of this Agreement. Executive has not relied upon any representations or statements made by the Corporation that are not specifically set forth in this Agreement.
14. **Counterparts.** This Agreement may be executed in two counterparts, each of which shall be deemed to be an original but both of which together will constitute one and the same instrument.
15. **Withholding.** The Corporation shall withhold from any amounts payable under the Plan all federal, state, local or other taxes that are legally required to be withheld, as well as any other amounts authorized or required by policy, including, but not limited to, withholding for garnishments and judgments or other court orders.
16. **Successors and Assigns.** This Agreement binds and inures to the benefit of Executive's heirs, administrators, representatives, executors, successors and assigns, and the Corporation's successors and assigns.
17. **Entire Agreement - Termination of Prior Agreements.** This Agreement contains the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes any previous oral and written agreements or representations relating to the subject matters herein, except for the Employment Agreement, any other applicable plans, programs or arrangements of the Corporation including, without limitation, the Corporation's Certificate of Incorporation or By-laws, as either may be amended from time to time, the Equity Plan and any agreements thereunder, and the Indemnification Agreement.

The undersigned hereby acknowledge and agree that Executive has carefully read and fully understands all the provisions of this Agreement, has had an opportunity to seek counsel regarding it and has voluntarily entered into this Agreement by signing below as of the date(s) set forth above.

IN WITNESS WHEREOF, the parties have executed this Agreement on the date indicated above.

VERA BRADLEY, INC.

EXECUTIVE

By: \_\_\_\_\_  
Its: \_\_\_\_\_

\_\_\_\_\_

## **Appendix C**

Competitors effective as of June 1, 2014:

Matilda Jane Clothing

Brighton Collectibles LLC

Alex and Ani

Spartina 449

Cinda B.

Tory Burch, LLC

Coach, Inc.

Kate Spade and Company

Michael Kors Holdings Ltd.

Dooney & Bourke

## **Plan Participants**

### **EVP Participants:**

Barbara Bradley Baekgaard\*

Kim Colby\*

Sue Fuller\*

C. Roddy Mann\*

Kevin Sierks\*

### **SVP Participants**

Stacy Knapper\*

Pam Sours

Julie North\* (Ms. North shall be treated as an SVP for purposes of this Plan)

\* Indicates a CEO Direct Report

[DATE]

**Re: Award Agreement - Grant of Performance Units**

Dear \_\_\_\_\_,

Congratulations! In recognition of your continued dedication to Vera Bradley, we are pleased to award you with a discretionary grant of Performance Units ("Award"). This letter constitutes an Award Agreement between you and Vera Bradley regarding the terms and conditions of the grant. In order for the Award referenced in this Award Agreement to become effective, **you must sign and date this form and return a signed copy to Julie North by no later than**

While complete details of this grant are defined in the enclosed documents, a high-level summary of this Award is as follows:

<b>Type of Grant</b>	Discretionary grant of Performance Units ("Performance RSUs"). This is a one-time, discretionary grant to reward you for your continued contribution to the success of Vera Bradley.
<b>Number of Performance RSUs</b>	<b>[Insert XX]</b> (See the attached <u>Exhibit A</u> for an explanation regarding the determination of the number of the Performance RSUs granted under this Award Agreement).
<b>Date of Grant of Award</b>	<b>[Insert XX]</b>
<b>Performance Period</b>	<b>[Insert XX]</b>
<b>Earning of Performance RSUs</b>	The Performance RSUs will be divided into three equal tranches of 1/3 each (each a separate "Tranche") of the total Award and allocated to each of the three fiscal years of the Company ending during the Performance Period, with each such fiscal year being considered a performance year ("Performance Year"). Importantly, each Tranche of Performance RSUs must be " <b>earned</b> " and " <b>vested</b> " before it will be settled in the form of Shares of the Company. Except as otherwise provided herein, (i) each Tranche of Performance RSUs will be deemed <b>earned</b> only if the Net Income (as defined in the FY13 Restricted Stock Unit/Performance Unit Terms and Conditions) of the Company for the applicable <u>Performance Year</u> meets or exceeds the threshold level established by the Compensation Committee for such Performance Year, and (ii) each Tranche of Performance RSUs will be deemed <b>vested</b> only if you are continuously employed with the Company throughout the <u>Performance Period</u> .

	<b><u>Performance Level* for each Tranche</u></b>		
	<b><u>Threshold</u></b>	<b><u>Target</u></b>	<b><u>Excellence</u></b>
<b>Performance Level Attainment as % of Target (FY15)</b>	88%	100%	112%
<b>Performance Level Attainment as % of Target (FY16)</b>	88%	100%	112%
<b>Performance Level Attainment as % of Target (FY17)</b>	88%	100%	112%
<b>Payout level** for Tranche of Performance RSUs</b>	25%	100%	200%

\* The actual number of Performance RSUs allocated to each Tranche that can be earned under this Award Agreement is based on the level of performance achieved (as summarized in the table above) during the applicable Performance Year and can range from 0% of the "Target" (for performance levels below the "Threshold" level) to a maximum of 200% of the "Target" (for performance levels at or above the "Excellence" level).

\*\* Payout levels for each Tranche of Performance RSUs are based on the attained percentage of the target Net Income for each respective Performance Year (using linear interpolation for results falling between the three performance levels).



**Termination of Service**

In general, should your Service with Vera Bradley be terminated prior to the last day of the Performance Period, all then outstanding Performance RSUs (whether or not one or more Tranches have been earned as a result of the Net Income for such Performance Year) will be forfeited to the Company. However, the following provisions will apply if, during the Performance Period, you cease providing Services due to death, Disability or Retirement (and provided that you have not otherwise engaged in an act that would constitute Cause):

Ÿ **Death or Disability:** In the event that your Service with the Company terminates as a result of your death or Disability during the Performance Period, (i) with respect to Performance Years that have been completed at the time of such death or Disability, each such Tranche shall be earned only to the extent of actual performance for such Performance Year, and (ii) with respect to Performance Years that have not been completed at the time of such death or Disability, each such Tranche shall be deemed to be earned based on the "Target" level of performance for such Performance Year, but prorated based on the number of full fiscal months (in which you provided Service throughout such month) during the Performance Period. Any such earned Awards shall become fully vested and paid out in Shares of Company stock pursuant to the settlement provisions below. For purposes of this Award Agreement, "Disability" shall have the meaning assigned to such term in the 2010 Plan.

Ÿ **Retirement:** In the event your Service terminates as a result of your Retirement during the Performance Period, each Tranche of outstanding Awards shall be treated as earned (i) with respect to Performance Years that have been completed at the time of such Retirement, each such Tranche shall be earned and vested only to the extent of actual performance for such Performance Year, and (ii) with respect to Performance Years that have not been completed at the time of such Retirement, each such Tranche shall be deemed to be earned based on the actual performance level attained for such Performance Year, but prorated based on the number of full fiscal months (in which you provided Service throughout such month) during the Performance Period. Any such earned Awards shall become fully vested and paid out in Shares of Company stock pursuant to the settlement provisions below. For purposes of this Award Agreement, "Retirement" shall have the meaning assigned to such term in the 2010 Plan.

If your Service with the Company shall terminate during the Performance Period for any reason other than death, Disability, or Retirement, all Performance RSUs granted hereunder (whether or not a Tranche was previously earned) shall be forfeited to the Company.

**Change in Control**

Notwithstanding anything to the contrary in this Award Agreement, in the event of the consummation of a Change in Control of the Company (and provided that you remain continuously employed with the Company until such Change in Control) during the Performance Period, then each Tranche of outstanding Awards shall be treated as earned (i) with respect to Performance Years that have been completed at the time of such Change in Control, such Tranche shall be earned and vested only to the extent of actual performance for such Performance Year, and (ii) with respect to Performance Years that have not been completed at the time of such Change in Control, each such Tranche shall be deemed to be earned at the Target level, with any such earned Performance RSUs becoming fully vested. Performance RSUs payable upon a Change in Control shall be paid immediately prior to the Change in Control in the form of one Share of Company stock for each vested Performance RSU. Partial Shares (along with any accumulated dividends) will be paid in cash at the same time the Shares are delivered.

**Settlement**

Except as it applies to Tranches that are deemed to be earned at "Target" and become payable due to a Change in Control or due to termination of Service as a result of death or Disability, no Awards will become payable unless the Committee certifies that the performance goals in the Award Agreement have been attained with respect to the applicable Performance Year during the Performance Period in a manner that complies with Code Section 162(m) and the 2010 Plan. Any earned Performance RSUs will be paid in the form of one Share of Company stock for each earned whole Performance RSU. Delivery of the Share(s) will be made, including delivery with respect to a Disabled Participant, or to the estate of a deceased Participant, after the end of the Performance Period and not later than the 15<sup>th</sup> day of the third month following the end of the Performance Period. Shares will be credited to an account established for the benefit of the Participant with the Company's administrative agent. The Participant will have full legal and beneficial ownership with respect to the Shares at that time. Partial Shares (along with any accumulated dividends) will be paid in cash at the same time the Shares are delivered.

**Withholding Taxes**

You acknowledge and agree that the Company shall have the power and the right to deduct or withhold, an amount sufficient to satisfy federal, state, and local taxes (including your FICA obligation), domestic or foreign, required by law to be withheld with respect to this Award.

These Performance RSUs have been granted under and are governed by the terms and conditions of the Vera Bradley, Inc. 2010 Equity and Incentive Plan (the "2010 Plan"), as amended. The enclosed Statement of General Information and Availability of Information for the 2010 Plan forms part of a Section 10(a) prospectus covering securities that have been registered under the Securities Act of 1933, as amended. This document is also enclosed to provide further information and background. Any term capitalized herein but not defined will have the meaning set forth in the 2010 Plan.

Please see the enclosed FY15 Restricted Stock Unit/Performance Unit Terms and Conditions for further information regarding your Award. It is very important that you keep these documents in a safe place because they describe your rights and responsibilities under the Performance Units and 2010 Plan and explain where and how to obtain other documents and information to which you are entitled.

Again, thank you for your continued contribution to the success of our organization! Your efforts are applauded and truly appreciated. If you have any questions regarding this discretionary grant, please contact Julie North, Vice President - Human Resources, or Kevin Sierks - Chief Financial Officer.

Sincerely,

Kevin Sierks

**Acknowledgement & Acceptance of Award Agreement and Related Terms**

By your signature and the signature of the Company's representative (above) on this Award Agreement, you and the Company agree that this Award of Performance Units is granted under and governed by the terms and conditions of the 2010 Plan, the FY15 Restricted Stock Unit/Performance Unit Terms and Conditions and this Award Agreement. You acknowledge that you have reviewed the 2010 Plan, the FY15 Restricted Stock Unit/Performance Unit Terms and Conditions, and this Award Agreement in their entirety, have had an opportunity to obtain the advice of counsel prior to executing this Award Agreement, and fully understand all provisions of the 2010 Plan, the FY15 Restricted Stock Unit/Performance Unit Terms and Conditions and this Award Agreement. Further, by signing below, you hereby agree to (i) accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions relating to the 2010 Plan, the FY15 Restricted Stock Unit/Performance Unit Terms and Conditions and this Award Agreement, and (ii) notify the Company upon any change in your residence address.

"Participant"

Signature: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Date: \_\_\_\_\_

**Exhibit A**

**Explanation of How Awards of Performance RSUs Were Determined**

Award levels of grants of Performance RSUs were determined according to the following chart:

<b>Participant Level</b>	<b>Performance RSU Opportunity</b>
M6 (EVP)	Base Salary * 60%*60%
M5 and P7 (SVP/VP)	Base Salary * 50%*60%

I/2785778.2

**CERTIFICATION PURSUANT TO SECTION 302  
OF THE SARBANES-OXLEY ACT OF 2002**

I, Robert Wallstrom, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Vera Bradley, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 12, 2014

/s/ Robert Wallstrom

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Robert Wallstrom

*Chief Executive Officer*

**CERTIFICATION PURSUANT TO SECTION 302  
OF THE SARBANES-OXLEY ACT OF 2002**

I, Kevin J. Sierks, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Vera Bradley, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 12, 2014

/s/ Kevin J. Sierks

Kevin J. Sierks

*Executive Vice President - Chief Financial Officer*

**CERTIFICATIONS PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002**

I, Robert Wallstrom, the Chief Executive Officer of Vera Bradley, Inc., certify that (i) the quarterly report on Form 10-Q for the fiscal quarter ended May 3, 2014 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Vera Bradley, Inc. as of the dates and for the periods set forth therein.

/s/ Robert Wallstrom

Robert Wallstrom

*Chief Executive Officer*

June 12, 2014

Date

I, Kevin J. Sierks, the Executive Vice President – Chief Financial Officer of Vera Bradley, Inc., certify that (i) the quarterly report on Form 10-Q for the fiscal quarter ended May 3, 2014 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Vera Bradley, Inc. as of the dates and for the periods set forth therein.

/s/ Kevin J. Sierks

Kevin J. Sierks

*Executive Vice President - Chief Financial Officer*

June 12, 2014

Date