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As filed with the Securities and Exchange Commission on October 6, 2010

Registration No. 333-167934

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Amendment No. 5
to
Form S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

VERA BRADLEY, INC.

(Exact name of registrant as specified in its charter)

Indiana	**3171**	**27-2935063**
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification Number)*

2208 Production Road
Fort Wayne, Indiana 46808
Phone: (877) 708-8372

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

Michael C. Ray
Chief Executive Officer
Vera Bradley, Inc.
2208 Production Road
Fort Wayne, Indiana 46808
Phone: (877) 708-8372

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

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Chicago, Illinois 60654
Phone: (312) 832-4500
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Approximate date of commencement of proposed sale to the public:
As soon as practicable after this Registration Statement becomes effective.

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

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

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

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

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

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

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

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

Subject to Completion, Dated October 6, 2010

PROSPECTUS

Vera Bradley, Inc.

11,000,000 Shares of Common Stock

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

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

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

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

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

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

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

Baird **Piper Jaffray**

Wells Fargo Securities **KeyBanc Capital Markets** **Lazard Capital Markets**

, 2010

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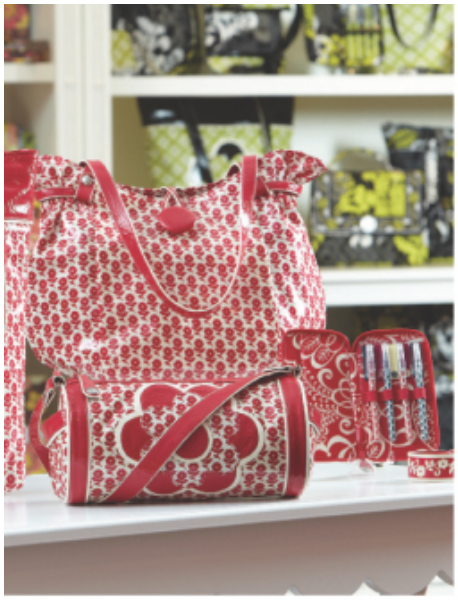
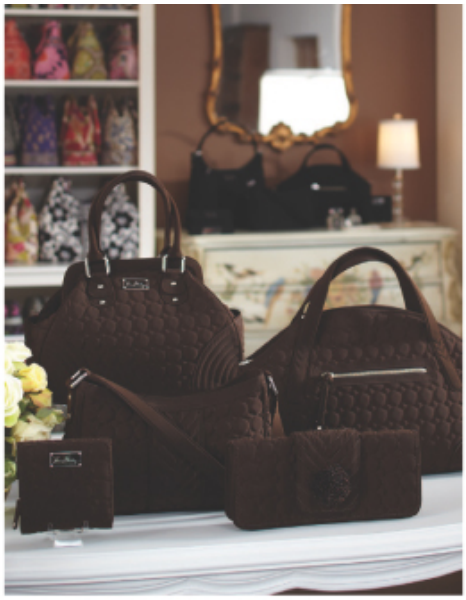


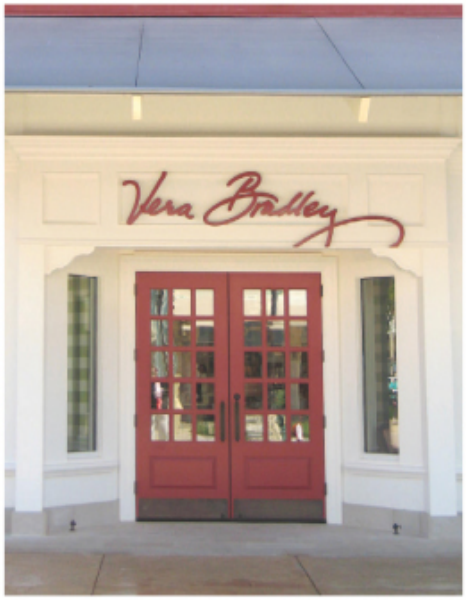


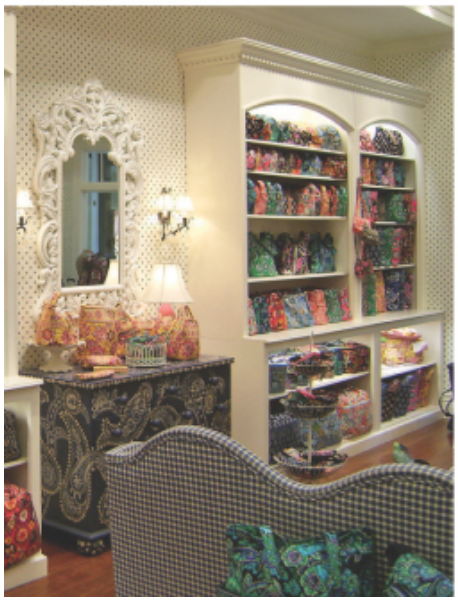
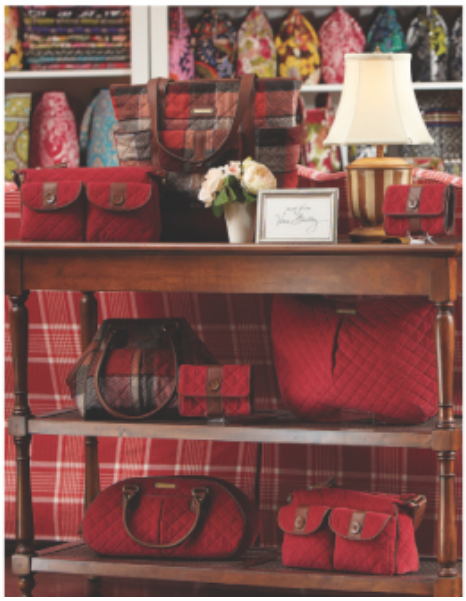


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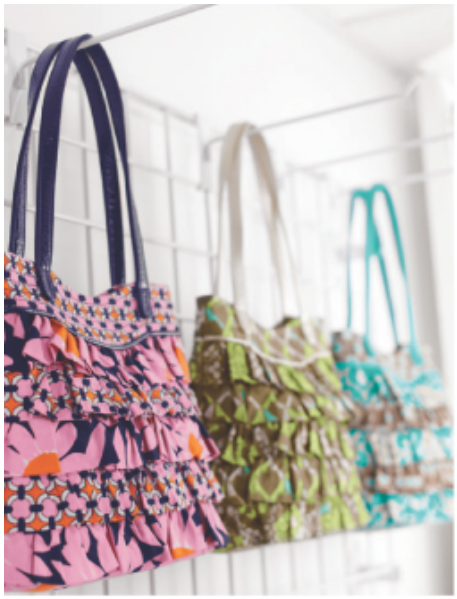






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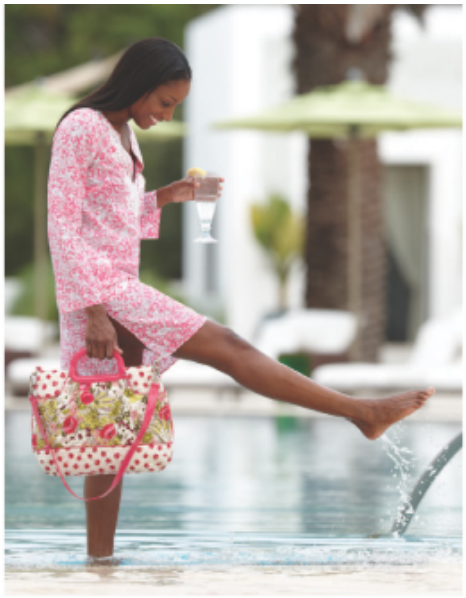

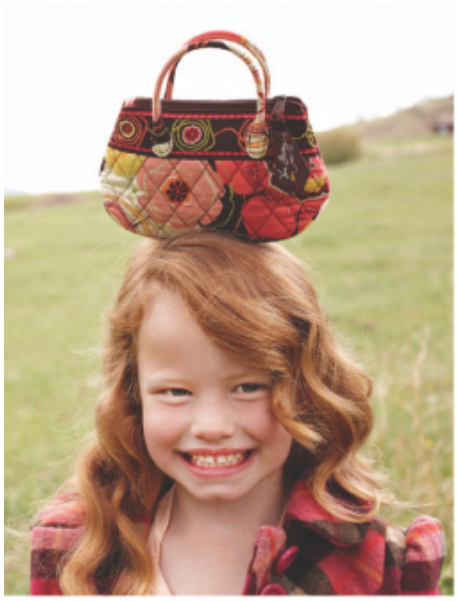

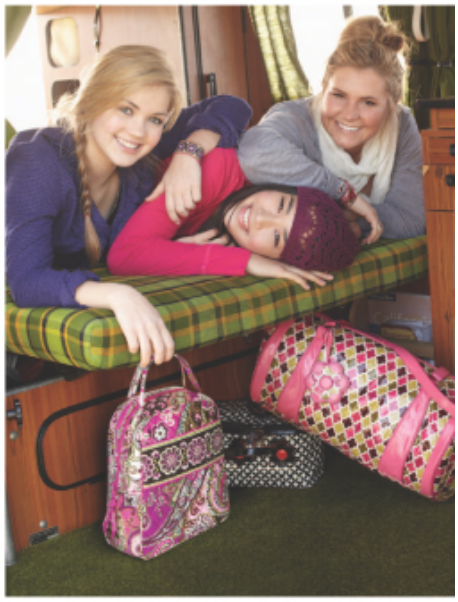

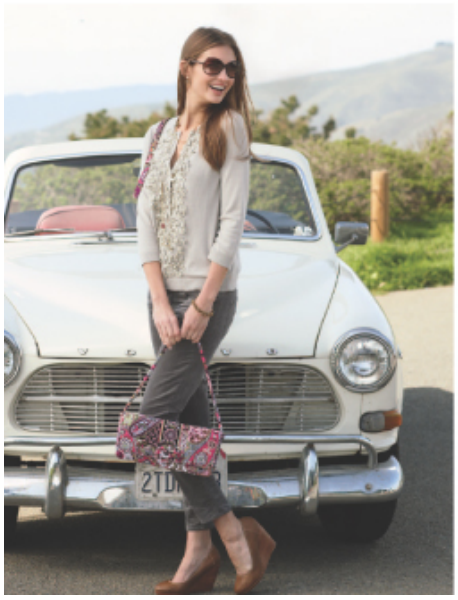

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You should rely only on the information contained in this prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information,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

MARKET AND INDUSTRY DATA AND FORECASTS

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

BASIS OF PRESENTATION

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

PROSPECTUS SUMMARY

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

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

Our Company

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

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

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

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

Evolution of Our Business

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

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

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

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

Competitive Strengths

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

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

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

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

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

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

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

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

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

Growth Strategies

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

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

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

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

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

Risk Factors

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

- 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 inability to sustain levels of comparable-store sales.

Reorganization Transaction and Stock Split

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

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

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

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

Company Information

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

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

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

Summary Consolidated Financial and Other Data

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

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

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

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

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

- an adjustment for income tax expense as if we had been a "C" Corporation as of February 1, 2009 at an assumed combined federal, state, and local effective income tax rate of 40%, which approximates the calculated effective tax rate for each period, equal to $16,754 and $10,172, respectively; and
- an adjustment to interest expense as if the borrowings under our amended and restated credit facility and the issuance of the undistributed taxable earnings notes had occurred as of February 1, 2009, which approximates $850 and $556, respectively, and a related income tax expense adjustment of $340 and $222, respectively.

An assumed increase or decrease of 1/8 of one percent in the interest rate of the amended and restated credit facility and undistributed taxable earnings notes, which have a variable interest rate, would impact total pro forma interest expense for the fiscal year ended January 30, 2010 and for the six months ended July 31, 2010 by $175 and $88, respectively.

(3) Reflects the (i) increase in the number of shares which would be sufficient to replace the capital in excess of earnings being withdrawn pursuant to the reorganization transaction and the related distributions of notes and cash (see footnote 7 below) and (ii) the vesting of restricted stock awards upon the initial public offering. The pro forma adjustment to basic and diluted weighted average shares outstanding both for the fiscal year ended January 30, 2010 and for the six months ended July 31, 2010 is 4.40 million shares.

(4) These data exclude our two outlet stores as of July 31, 2010.

(5) Comparable-store sales are the net revenues of our stores that have been open at least 12 full fiscal months as of the end of the period. 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.

(6) Dollars not in thousands. Average net revenues per gross square foot is 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.

(7) This column gives effect to the reorganization transaction as described under "Description of Capital Stock—Reorganization Transaction," including (i) our issuance of the undistributed taxable earnings notes to our existing shareholders in the aggregate principal amount equal to 100% of our undistributed taxable income from the date of our formation through October 2, 2010 as a final distribution resulting from the termination of our "S" Corporation status, equal to approximately $106,000, (ii) borrowings of $58,734 under our amended and restated credit facility (a) to repay our existing shareholders $52,700 of the $106,000 in aggregate principal amount of undistributed taxable earnings notes, (b) to repay the $5,033 current portion of our existing long-term debt and (c) to pay $1,001 of debt issuance costs, (iii) an increase in net deferred tax assets of $2,550 assuming our "S" Corporation status terminated on July 31, 2010, and (iv) the vesting of 1.066 million restricted stock awards, which increases additional paid-in capital by $15,700.

(8) This column gives effect to (i) the sale by us of 4,000,000 shares of our common stock in this offering assuming an initial public offering price of $15.00 per share, the midpoint of the filing range set forth on the cover page of this prospectus, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us and (ii) the application of the estimated proceeds from this offering as described under "Use of Proceeds."

The Offering	
Common stock offered by us	4,000,000 shares
Common stock offered by selling shareholders	7,000,000 shares (excluding up to 1,650,000 shares that may be sold by the selling shareholders upon exercise of the underwriters' over-allotment option)
Total shares offered	11,000,000 shares
Common stock outstanding after the offering[(1)]	40,506,670 shares
Use of proceeds	We expect our net proceeds from this offering will be approximately $53.3 million, after deducting the underwriting discounts and commissions and estimated expenses payable by us. We will not receive any proceeds from the sale of shares of our common stock by the selling shareholders. We intend to use substantially all of the net proceeds from this offering, together with approximately $52.7 million of borrowings under our amended and restated credit facility, to pay in full the principal amount of the undistributed earnings notes held by our existing shareholders in connection with our final "S" Corporation distribution. See "Use of Proceeds."
Dividend policy	We do not anticipate paying dividends on our common stock. We intend to retain earnings to fund our working capital needs and growth opportunities.
Risk factors	See "Risk Factors" and other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in shares of our common stock.
Nasdaq Global Market symbol	"VRA"

(1) The number of shares of our common stock outstanding set forth above is based on 40,506,670 shares of common stock outstanding upon completion of this offering after giving effect to the reorganization transaction as described under "Description of Capital Stock—Reorganization Transaction" and the stock split as described under "Description of Capital Stock—Stock Split" and includes the shares to be sold by us in this offering. The number of shares outstanding after the offering does not include an aggregate of 6,076,001 shares of common stock reserved for issuance under our 2010 Equity and Incentive Plan (the "2010 Plan"), which has been approved and will be effective upon the completion of this offering.

RISK FACTORS

You should carefully consider each of the risk factors set forth below and all of the other information in this prospectus before deciding to invest in our common stock. If any of the events described below occur, then our business, financial condition or results of operations could be harmed. In such an event, the trading price of our common stock could decline and you may lose all or part of your investment.

Risks Related to Our Business

Changes in general economic conditions, and their impact on consumer confidence and consumer spending, could adversely impact our results of operations.

Our performance is subject to general economic conditions and their impact on levels of consumer confidence and consumer spending. In recent years, consumer confidence and consumer spending deteriorated significantly, influenced by fluctuating interest rates and credit availability, changing fuel and other energy costs, fluctuating commodity prices, higher levels of unemployment and consumer debt levels, reductions in net worth based on market declines, home foreclosures and reductions in home values and general uncertainty regarding the overall future economic environment. Consumer purchases of discretionary items, including our merchandise, generally decline during periods when disposable income is adversely affected or there is economic uncertainty, and this could adversely impact our results of operations. In the event of another significant economic downturn, we could experience lower than expected net revenues, which could force us to delay or slow the implementation of our growth strategies and adversely impact our results of operations.

Our inability to predict and 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 patterns and styles or meet changing consumer demands in the future. If we misjudge the market for our products, then we may be faced with significant excess inventories for some products and missed opportunities for other products. Merchandise misjudgments could adversely impact our net revenues and results of operations.

Our results of operations could suffer if we lose key management or design associates or are unable to attract and retain the talent required for our business.

Our performance depends largely on the efforts and abilities of our senior management and product development teams. These executives and design associates have substantial experience in our business and have made significant contributions to our growth and success. We do not have employment agreements with any of our key executives or design associates. The unexpected loss of services of certain of these individuals could have adverse impacts on our business and results of operations. As our business grows and we open new stores, we will need to attract and retain additional qualified employees and develop, train and manage an increasing number of management-level, sales and other employees. Competition for qualified employees is intense. We cannot assure you that we will be able to attract and retain employees as needed in the future.

Our business depends on a strong brand. If we are unable to maintain and enhance our brand, then we may be unable to sell our products, which would adversely impact our results of operations.

We believe that the brand image that we have developed has contributed significantly to the success of our business. We also believe that maintaining and enhancing the Vera Bradley brand is critical to maintaining and expanding our customer base. Maintaining and enhancing our brand may require us to make substantial investments in areas such as product design, store operations and community relations. These investments might not succeed. If we are unable to maintain or enhance our brand image, then our results of operations would be adversely impacted.

If we are unable to successfully implement our growth strategies or manage our growing business, then our future operating results could suffer.

The success of our growth strategies, alone or collectively, will depend on various factors, including the appeal of our product designs, retail presentation to consumers, competitive conditions and economic conditions. If we are unsuccessful in implementing some or all of our strategies or initiatives, our future operating results could be adversely impacted.

Successful implementation of our strategies will require us to manage our growth. To manage our growth effectively, we will need to continue to increase production while maintaining strict quality control. We also will need to continue to improve and invest in our systems and processes to keep pace with planned increases in demand. We could suffer a decline in sales if our products do not continue to meet our quality control standards or if we are unable to respond adequately to increases in customer demand for our products.

We may not be able to successfully open and operate new stores as planned, which could adversely impact our results of operations.

Our continued growth will depend on our ability to successfully open and operate new stores. We plan to open nine full-price stores and three outlet stores over the course of fiscal year 2011. We plan to open 14 to 16 new stores over the course of fiscal year 2012 and 14 to 20 new stores annually for the following five fiscal years. Our ability to successfully open and operate new stores depends on many factors, including our ability to:

- identify suitable store locations, the availability of which is outside our control;
- negotiate acceptable lease terms, including desired tenant improvement allowances;
- hire, train and retain store personnel and management;
- assimilate new store personnel and management into our corporate culture;
- source and manufacture inventory; and
- successfully integrate new stores into our existing operations and information technology systems.

The success of new store openings may also be affected by our ability to initiate marketing efforts in advance of opening our first store in a particular region. Additionally, we will encounter pre-operating costs and we may encounter initial losses while new stores commence operations, which could strain our resources and adversely impact our results of operations.

Our inability to sustain levels of comparable-store sales could cause our stock price to decline.

We may not be able to sustain the levels of comparable-store sales that we have experienced in the recent past. If our future comparable-store sales decline or fail to meet market expectations, then the price of our common stock could decline. Also, the aggregate results of operations of our stores have fluctuated in the past and will fluctuate in the future. Numerous factors influence comparable-store sales, including fashion trends, competition, national and regional economic conditions, pricing, inflation, the timing of the release of new merchandise and promotional events, changes in our merchandise mix, inventory shrinkage, marketing programs and weather conditions. In addition, many companies with retail operations have been unable to sustain high levels of comparable-store sales during and after periods of substantial expansion. These factors may cause our comparable-store sales results to be lower in the future than in recent periods or lower than expectations, either of which could result in a decline in the price of our common stock.

We are subject to risks associated with leasing substantial amounts of space, including future increases in occupancy costs.

We do not own any real estate other than our warehouse and distribution facility. We lease our corporate headquarters, our other offices and all of our store locations. We typically occupy our stores under operating leases with

terms of ten years. We have been able to negotiate favorable rental rates over the last year due in part to the state of the economy and high vacancy rates within some shopping centers, but there is no assurance that we will be able to continue to negotiate such favorable terms. Some of our leases have early cancellation clauses, which permit the lease to be terminated by us or the landlord if certain sales levels are not met in specific periods or if the shopping center does not meet specified occupancy standards. In addition to future minimum lease payments, some of our store leases provide for the payment of common area maintenance charges, real property insurance and real estate taxes. Many of our lease agreements have escalating rent provisions over the initial term and any extensions. As we expand our store base, our lease expense and our cash outlays for rent under lease agreements will increase. Our substantial operating lease obligations could have significant negative consequences, including:

- requiring that a substantial portion of our available cash be applied to pay our rental obligations, thus reducing cash available for other purposes;
- increasing our vulnerability to general adverse economic and industry conditions;
- limiting our flexibility in planning for or reacting to changes in our business or industry; and
- limiting our ability to obtain additional financing.

Any of these consequences could place us at a disadvantage with respect to our competitors. We depend on cash flow from operating activities to pay our lease expenses and to fulfill our other cash needs. If our business does not generate sufficient cash flow from operating activities to fund these expenses and needs, then we may not be able to service our lease expenses, grow our business, respond to competitive challenges or fund our other liquidity and capital needs, which would harm our business.

Additional sites that we lease may be subject to long-term non-cancelable leases if we are unable to negotiate our current standard lease terms. If an existing or future store is not profitable and we decide to close it, then we may nonetheless be committed to perform our obligations under the applicable lease, including paying the base rent for the balance of the lease term. Moreover, even if a lease has an early cancellation clause, we may not satisfy the contractual requirements for early cancellation under the lease. Our inability to enter new leases or renew existing leases on acceptable terms or be released from our obligations under leases for stores that we close would, in any such case, affect us adversely.

We operate in a competitive market. Our competitors might develop products more popular with consumers than our products.

The market for handbags, accessories and travel and leisure items is competitive. Our competitive challenges include:

- attracting consumer traffic;
- sourcing and manufacturing merchandise efficiently;
- competitively pricing our products and achieving customer perception of value;
- maintaining favorable brand recognition and effectively marketing our products to consumers in diverse market segments;
- developing designs that appeal to a broad range of demographic and age segments;
- developing high-quality products; and
- establishing and maintaining good working relationships with our Indirect retailers.

In our Indirect business, we compete with numerous manufacturers, importers and distributors of handbags, accessories and other products for the limited space available for the display of such products to the consumer. In our Direct business, we compete against other gift and specialty retailers, department stores, catalog retailers and Internet businesses that engage in the retail sale of similar products. Moreover, the general availability of contract manufacturing allows new entrants easy access to the markets in which we compete, which may increase the number of competitors and adversely affect our competitive position and our business.

We rely on various contract manufacturers to produce a significant majority of our products and generally do not have long-term contracts with our manufacturers. Disruptions in our contract manufacturers' systems, losses of manufacturing certifications or other actions by these manufacturers could increase our cost of sales, adversely affect our net revenues and injure our reputation and customer relationships, thereby harming our business.

Our various contract manufacturers produce a significant majority of our products. We generally do not enter into long-term formal written agreements with our manufacturers and instead transact business with each of them on an order-by-order basis. In the event of a disruption in our contract manufacturers' systems, we may be unable to locate alternative manufacturers of comparable quality at an acceptable price, or at all. Identifying a suitable manufacturer is an involved process that requires us to become satisfied with the prospective manufacturer's quality control, responsiveness and service, financial stability and labor practices. Any delay, interruption, or increased cost in the manufactured products that might occur for any reason, such as the lack of long-term contracts or regulatory requirements and the loss of certifications, power interruptions, fires, hurricanes, war or threats of terrorism, could affect our ability to meet customer demand for our products, adversely affect our net revenues, increase our cost of sales and hurt our results of operations. In addition, manufacturing disruption could injure our reputation and customer relationships, thereby harming our business.

We rely on various suppliers to supply a significant majority of our raw materials. Disruption in the supply of raw materials could increase our cost of goods sold and adversely affect our net revenues.

We generally do not enter into long-term formal written agreements with our suppliers and typically transact business with each of them on an order-by-order basis. As a result, we cannot assure you that there will be no significant disruption in the supply of fabrics or raw materials from our current sources or, in the event of a disruption, that we would be able to locate alternative suppliers of materials of comparable quality at an acceptable price, or at all.

We rely on a single warehouse and distribution facility for all of the products we sell. Disruption to that facility could adversely impact our results of operations, and expansion of that facility could have unpredictable adverse effects.

Our warehouse and distribution operations are currently concentrated in a single company-owned distribution center in Fort Wayne, Indiana. Any significant disruption in the operation of the facility due to natural disaster or severe weather, or events such as fire, accidents, power outages, system failures or other unforeseen causes, could devalue or damage a significant portion of our inventory and could adversely affect our product distribution and sales until such time as we could secure an alternative facility. In addition, our growth could require us to expand our current facility, which could affect us adversely in ways that we cannot predict.

The cost of raw materials could increase our cost of sales and cause our results of operations to suffer.

Fluctuations in the price, availability and quality of fabrics or other raw materials used to manufacture our products, as well as the price for labor, marketing and transportation, could have adverse impacts on our cost of sales and our ability to meet our customers' demands. Because a key component of our quilted products is petroleum-based, the cost of oil affects the cost of our products. Upward movement in the price of oil in the global oil markets would also likely result in rising fuel and freight prices, which could increase our shipping costs. In addition, fluctuations in the price of cotton, our primary raw material, could have an adverse impact on our cost of sales. In the future, we may not be able to pass all or a portion of higher costs on to our customers.

Our business is subject to the risks inherent in global sourcing and manufacturing activities.

We source our fabrics primarily from manufacturers in China and South Korea and outsource the production of a significant majority of our products to companies in Asia. We are subject to the risks inherent in global sourcing and manufacturing, including, but not limited to:

- exchange rate fluctuations and trends;
- availability of raw materials;
- compliance with labor laws and other foreign governmental regulations;
- compliance with U.S. import and export laws and regulations;
- disruption or delays in shipments;
- loss or impairment of key manufacturing sites;
- product quality issues;
- political unrest; and
- natural disasters, acts of war and terrorism and other external factors over which we have no control.

Significant disruption of manufacturing for any of the above reasons could interrupt product supply and, if not remedied in a timely manner, could have an adverse impact on our results of operations. Additionally, we do not have complete oversight over our contract manufacturers. Violation of labor or other laws by those manufacturers, or the divergence of a contract manufacturer's labor or other practices from those generally accepted as ethical in the U.S. or other markets in which we may in the future do business, could also draw negative publicity for us and our brand, diminishing the value of our brand and reducing demand for our products.

Our ability to source our products at favorable prices, or at all, could be harmed, with adverse effects on our results of operations, if new trade restrictions are imposed or if existing trade restrictions become more burdensome.

A significant majority of our products are currently manufactured for us in Asia. The U.S. and the countries in which our products are produced have imposed and may impose additional quotas, duties, tariffs or other restrictions or regulations or may adversely adjust prevailing quotas, duties or tariffs. Countries impose, modify and remove tariffs and other trade restrictions in response to a diverse array of factors, including global and national economic and political conditions, which make it impossible for us to predict future developments regarding tariffs and other trade restrictions. Trade restrictions, which include embargoes, safeguards and customs restrictions, could increase the cost or reduce the supply of products available to us or could require us to modify supply chain organization or other current business practices, any of which could harm our results of operations.

We may be subject to unionization, work stoppages, slowdowns or increased labor costs, especially if the Employee Free Choice Act is adopted.

Currently, none of our employees is represented by a union. Nevertheless, our employees have the right at any time under the National Labor Relations Act to organize or affiliate with a union. If some or all of our workforce were to become unionized, then our business would be exposed to work stoppages and slowdowns as a unionized business. If, in addition, the terms of the collective bargaining agreement were significantly more favorable to union workers than our current pay-and-benefits arrangements, then our costs would increase and our results of operations would suffer. The Employee Free Choice Act of 2007: H.R. 800, or EFCA, was passed in the U.S. House of Representatives in 2007 and the same legislation has been re-introduced as H.R. 1409 and S. 560. President Obama and leaders of Congress have made public statements in support of this bill. Accordingly, the EFCA, or a variant of it, could become law. Enactment of the EFCA could have adverse

effects on our business by making it easier for workers to obtain union representation and by increasing the penalties that employers may incur by engaging in labor practices that violate the National Labor Relations Act.

Our results of operations are subject to quarterly fluctuations, which could adversely affect the market price of our common stock.

Our quarterly results of operations may fluctuate significantly as a result of a variety of factors, including, among other things:

- the timing of new store openings;
- net revenues and profits contributed by new stores;
- increases or decreases in comparable-store sales;
- shifts in the timing of holidays, particularly in the U.S. and China;
- changes in our merchandise mix; and
- the timing of new pattern releases and new product introductions.

As a result of these quarterly fluctuations, we believe that comparisons of our sales and operating results between different quarters within a single fiscal year are not necessarily meaningful and that these comparisons cannot be relied upon as indicators of our future performance. Any quarterly fluctuations that we report in the future may not match the expectations of market analysts and investors. This could cause the trading price of our common stock to fluctuate significantly.

We rely on independent transportation providers for substantially all of our product shipments.

We currently rely on independent transportation service providers for substantially all of our product shipments. Our utilization of these delivery services, or those of any other shipping companies that we may elect to use, is subject to risks, including increases in fuel prices, which would increase our shipping costs, and employee strikes and inclement weather, which may impact the shipping company's ability to provide delivery services sufficient to meet our shipping needs.

If for any reason we were to change shipping companies, then we could face logistical difficulties that might adversely affect deliveries, and we would incur costs and expend resources in the course of making the change. Moreover, we might not be able to obtain terms as favorable as those received from the service providers that we currently use, which in turn would increase our costs. We also would face shipping and distribution risks and uncertainties associated with any expansion of our warehouse and distribution facility and related systems.

We plan to use cash provided by operating activities to fund our expanding business and execute our growth strategies and may require additional capital, which may not be available to us.

Our business relies on cash provided by operating activities as our primary source of liquidity. To support our growing business and execute our growth strategies, we will need significant amounts of cash from that source, including funds to pay our lease obligations, build out new store space, purchase inventory, pay personnel, invest further in our infrastructure and facilities and pay for the increased costs associated with operating as a public company. If our business does not generate cash flow from operating activities sufficient to fund these activities, and if sufficient funds are not otherwise available to us from our existing revolving credit facility, then we will need to seek additional capital, through debt or equity financings, to fund our growth. We cannot assure you that we will be able to raise needed cash on terms acceptable to us or at all. Additional debt financing that we may undertake might impose upon us covenants that restrict our operations and strategic initiatives, including limitations on our ability to incur liens or additional debt, pay dividends, repurchase our capital stock, make investments and engage in merger, consolidation and asset sale transactions. Equity financings may be on terms that are dilutive or potentially dilutive to our shareholders, and the prices at which new investors would be willing to purchase our equity securities may be

lower than the price per share of our common stock in this offering. The holders of new securities may also have rights, preferences or privileges that are senior to those of existing holders of common stock. If new sources of financing are required, but are insufficient or unavailable, then we will be required to modify our growth and operating plans based on available funding, if any, which would inhibit our growth and could harm our business.

We face various risks as an e-commerce retailer.

Business risks relating to e-commerce sales include the need to keep pace with rapid technological change, internet security risks, risks of system failure or inadequacy, governmental regulation and taxation. We have contracted with several different companies to maintain and operate various aspects of our e-commerce business and are reliant on them and their ability to perform their tasks, as well as their operational, privacy and security procedures and controls as they affect our business. If the independent contractors on which we rely fail to perform their tasks, we could incur liability or suffer damages to our reputation, or both.

Our copyrights, trademarks and other proprietary rights could conflict with the rights of others, and we may be inhibited from selling some of our products. If we are unable to protect our copyrights and other proprietary rights, then others may sell imitation brand products.

We believe that our registered copyrights, registered and common law trademarks and other proprietary rights have significant value and are critical to our ability to create and sustain demand for our products. Although we have not been inhibited from selling our products in connection with intellectual property disputes, we cannot assure you that obstacles will not arise as we expand our product line and extend our brand as well as the geographic scope of our sales and marketing. We also cannot assure you that the actions taken by us to establish and protect our proprietary rights will be adequate to prevent imitation of our products or infringement of our rights by others. The legal regimes of some foreign countries, particularly China, may not protect proprietary rights to the same extent as the laws of the U.S., and it may be more difficult for us to successfully challenge the use of our proprietary rights by others in these countries. The loss of copyrights, trademarks and other proprietary rights could adversely impact our results of operations. Any litigation regarding our proprietary rights could be time-consuming and costly.

Prior to the completion of the reorganization transaction, we were treated as an "S" Corporation under Subchapter S of the Internal Revenue Code, and claims of taxing authorities related to our prior status as an "S" Corporation could harm us. Possible changes in tax laws also would affect our results.

Upon the completion of the reorganization transaction, our "S" Corporation status terminated automatically and we became subject to increased federal and state income taxes. If the unaudited, open tax years in which we were an "S" Corporation are audited by the Internal Revenue Service, and we are determined not to have qualified for, or to have violated, our "S" Corporation status, we will be obligated to pay back taxes, interest and penalties, and we do not have the right to reclaim tax distributions we have made to our shareholders during those periods. These amounts could include taxes on all of our taxable income while we were an "S" Corporation. Any such claims could result in additional costs to us and could have a material adverse effect on our results of operations and financial condition. In addition, possible changes in federal, state, local and non-U.S. tax laws bearing upon our revenues, income, property or other aspects of our operations or business would, if enacted, affect our results of operations in ways and to a degree that we cannot currently predict.

Failure to maintain adequate financial and management processes and controls could lead to errors in our financial reporting, which could have an adverse impact on our business.

Reporting obligations as a public company may place a considerable strain on our financial and management systems, processes and controls, as well as on our personnel. In addition, as a public company we will be required to document and test our internal controls over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 so that our management can certify the effectiveness of our internal controls and our independent registered public accounting firm can render an opinion on management's assessment and on the effectiveness of our internal controls over financial reporting by the time our annual report on Form 10-K for fiscal year 2012 is due and thereafter. As a result, we will be required to improve our financial and managerial controls, reporting systems and procedures, to incur substantial expenses to test our

systems and to hire additional qualified personnel. If our management is unable to certify the effectiveness of our internal controls or if our independent registered public accounting firm cannot render a favorable opinion on management's assessment and on the effectiveness of our internal controls over financial reporting, or if material weaknesses in our internal controls are identified, we could be subject to regulatory scrutiny and loss of public confidence, which could harm our business and cause a decline in our stock price. In addition, if we do not maintain adequate financial and management personnel, processes and controls, we may not be able to accurately report our financial performance timely, which could cause a decline in our stock price and harm our ability to raise capital. Failure to accurately report our financial performance timely could also jeopardize our continued listing on The Nasdaq Global Market.

We will incur significant expenses as a result of being a public company, which will negatively impact our results of operations.

We will incur significant legal, accounting, insurance and other expenses as a result of being a public company. The Sarbanes-Oxley Act of 2002, as well as other rules implemented by the Securities and Exchange Commission (the "SEC") and by The Nasdaq Stock Market, have required changes in corporate governance practices of public companies. We expect that compliance with these laws, rules and regulations will substantially increase our expenses, including our legal and accounting costs, and make some activities more time-consuming and costly than in the past. We also expect these laws, rules and regulations to make it more expensive for us to obtain director and officer liability insurance, and we may be required either to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may become more difficult for us to attract and retain qualified persons to serve on our board of directors or as officers. As a result of the foregoing, we expect a substantial increase in legal, accounting, insurance and other expenses in the future, which will negatively impact our results of operations.

Our Indirect business could suffer as a result of bankruptcies or operational or financial difficulties of our Indirect retailers.

We do not enter into long-term agreements with any of our Indirect retailers. Instead, we enter into a number of purchase order commitments with our customers for each of our lines every season. A decision by a significant number of Indirect retailers, whether motivated by competitive conditions, operational or financial difficulties, reduced access to capital, or otherwise, to decrease or eliminate the amount of merchandise purchased from us or to change their manner of doing business with us could adversely impact our results of operations. As a result of the recent unfavorable economic environment, we have experienced a softening of demand from a number of Indirect retailers. Although we recommend retail sale prices for our products to our Indirect retailers, we do not provide dealer allowances or other economic incentives to support those prices. Possible promotional pricing or discounting by Indirect retailers in response to softening retail demand could have a negative effect on our brand image and prestige, which might be difficult to counteract as the economy improves.

We sell our Indirect merchandise primarily to specialty retail stores across the U.S. and extend trade credit based on an evaluation of each Indirect retailer's financial condition, usually without requiring collateral. Perceived financial difficulties of a customer could cause us to curtail or eliminate business with that customer. Pending the resolution of a relationship with a financially troubled Indirect retailer, we might assume credit risk that we would otherwise avoid relating to our receivables from that customer. Inability to collect on accounts receivable from our Indirect retailers would adversely impact our results of operations.

Risks Related to the Securities Markets and Ownership of Our Common Stock

Our common stock has no prior market. We cannot assure you that our stock price will not decline after the offering.

Before this offering, there has not been a public market for our common stock, and an active public market for our common stock may not develop or be sustained after this offering. The market price of our common stock could be subject to significant fluctuations after this offering. The price of our stock may change in response to variations in our operating results

and also may change in response to other factors, including factors specific to fashion retail companies, many of which are beyond our control. Among the factors that could affect our stock price are:

- actions by other shopping mall or lifestyle center tenants;
- weather conditions, particularly during the holiday shopping period;
- the financial projections that we may choose to provide to the public, any changes in these projections or our failure for any reason to meet these projections;
- the development and sustainability of an active trading market for our common stock;
- the public's response to press releases or other public announcements by us or others, including our filings with the SEC and announcements relating to litigation;
- speculation about our business in the press or the investment community;
- future sales of our common stock by our significant shareholders, officers and directors;
- our entry into new markets;
- strategic actions by us or our competitors, such as acquisitions or restructurings; and
- changes in accounting principles.

In particular, we cannot assure you that you will be able to resell your shares of our common stock at or above the initial public offering price. The initial public offering price will be determined by negotiations between the representatives of the underwriters and us.

Because a limited number of shareholders will control the majority of the voting power of our common stock, investors in this offering will not be able to determine the outcome of shareholder votes.

Upon the completion of this offering, assuming the overallotment option is exercised in full, Barbara Bradley Baekgaard, Patricia R. Miller and P. Michael Miller will, directly or indirectly, beneficially own and have the ability to exercise voting control over, in the aggregate, 54.8% of our outstanding shares of common stock. As a result, these shareholders will be able to exercise significant control over all matters requiring shareholder approval, including the election of directors, any amendments to our second amended and restated articles of incorporation and significant corporate transactions. These shareholders may exercise this control even if they are opposed by our other shareholders. Without the consent of these shareholders, we could be delayed or prevented from entering into transactions (including the acquisition of our company by third parties) that may be viewed as beneficial to us or our other shareholders. In addition, this significant concentration of stock ownership may adversely affect the trading price of our common stock should investors perceive disadvantages in owning shares of common stock in a company that has controlling shareholders.

Possible future sales of our common stock could negatively affect our stock price after this offering.

After this offering, we will have 40,506,670 shares of common stock outstanding, 11,000,000 of which will be available for immediate public sale. The remaining 29,506,670 shares of common stock outstanding after this offering, including shares beneficially owned, directly or indirectly, by Barbara Bradley Baekgaard, Patricia R. Miller and P. Michael Miller, will be available for sale 180 days after the date of this prospectus, subject to volume, manner of sale and other limitations under SEC Rules 144 and 701. Additional sales of our common stock in the public market after this offering, or the perception that these sales could occur, could cause the market price of our common stock to decline.

Our directors, officers and shareholders have agreed to enter into “lock-up” agreements with the underwriters, in which they will agree to refrain from selling their shares for a period of 180 days after the date of this prospectus. Approximately 29,506,670 of our shares will become available for sale upon the expiration of these agreements. Possible sales of these shares of our common stock in the market could exert significant downward pressure on our stock price. Possible sales also may make it more difficult for us to sell equity or equity-related securities in the future at a time and price we deem necessary or appropriate.

Our board of directors and our shareholders have approved, effective upon the completion of this offering, a 2010 Equity and Incentive Plan (the “2010 Plan”), which will permit us to issue, among other things, stock options, restricted stock units and restricted stock to eligible employees (including our named executive officers), directors and advisors, as determined by the compensation committee of the board of directors. We intend to file a registration statement under the Securities Act of 1933, as amended (the “Securities Act”), as soon as practicable after the completion of this offering to cover the issuance of shares upon the exercise of options granted, and of shares granted, under the 2010 Plan. As a result, any shares issued or optioned under the 2010 Plan after the completion of this offering also will be freely tradable in the public market. If equity securities are granted under the 2010 Plan and it is perceived that they will be sold in the public market, then the price of our common stock could decline substantially.

If securities analysts do not publish research or publish inaccurate or unfavorable research about us, the price of our common stock could decline.

The trading market for our common stock will rely in part on the research and reports that securities analysts choose to publish about us. We do not control these analysts. The price of our stock could decline if one or more securities analysts downgrade our stock or publish inaccurate or unfavorable research about us or cease publishing reports about us.

We do not intend to pay dividends for the foreseeable future.

We intend to retain all of our earnings for the foreseeable future to finance the operation and expansion of our business and do not anticipate paying cash dividends. As a result, you can expect to receive a return on your investment in our common stock only if the market price of the stock increases.

Anti-takeover provisions in our organizational documents and Indiana law may discourage or prevent a change in control, even if a sale of the company would be beneficial to our shareholders, which could cause our stock price to decline and prevent attempts by shareholders to replace or remove our current management.

Our second amended and restated articles of incorporation and amended and restated bylaws will contain provisions that may delay or prevent a change in control, discourage bids at a premium over the market price of our common stock, harm the market price of our common stock and diminish the voting and other rights of the holders of our common stock. These provisions include:

- dividing our board of directors into three classes serving staggered three-year terms;
- authorizing our board of directors to issue preferred stock and additional shares of our common stock without shareholder approval;
- prohibiting shareholder action by written consent;
- prohibiting our shareholders from calling a special meeting of shareholders;
- prohibiting our shareholders from amending our amended and restated bylaws; and
- requiring advance notice for raising business matters or nominating directors at shareholders’ meetings.

As permitted by our second amended and restated articles of incorporation and amended and restated bylaws, upon consummation of this offering our board of directors also will have the ability, should they so determine, to adopt a shareholder rights agreement, sometimes called a "poison pill," providing for the issuance of a new series of preferred stock to holders of common stock. In the event of a takeover attempt, this preferred stock would give rights to holders of common stock (other than the potential acquirer) to buy additional shares of common stock at a discount, leading to the dilution of the potential acquirer's stake. The adoption of a poison pill, or the board's ability to do so, can have negative effects such as those described above.

As an Indiana corporation, we are governed by the Indiana Business Corporation Law (as amended from time to time, the "IBCL"). Under specified circumstances, certain provisions of the IBCL related to control share acquisitions, business combinations and constituent interests may delay, prevent or make more difficult unsolicited acquisitions or changes of control of us. These provisions also may have the effect of preventing changes in our management. It is possible that these provisions could make it more difficult to accomplish transactions that shareholders might deem to be in their best interest. A general description of these provisions is contained under the heading "Description of Capital Stock — Certain Provisions of the Indiana Business Corporation Law."

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are subject to risks and uncertainties. All statements other than statements of historical or current fact included in this prospectus 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,” “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 or initiatives, 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 inability to sustain levels of comparable-store sales.

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

See “Risk Factors” for a more complete discussion of the risks and uncertainties mentioned above and for discussion of other risks and uncertainties. All forward-looking statements attributable to us are expressly qualified in their entirety by these cautionary statements as well as others made in this prospectus and hereafter in our other SEC filings and public communications. You should evaluate all forward-looking statements made by us in the context of these risks and uncertainties.

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 prospectus 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 otherwise required by law.

USE OF PROCEEDS

We estimate that the net proceeds to us from the sale of the 4,000,000 shares of our common stock we are offering will be approximately $53.3 million, assuming an initial public offering price of $15.00 per share, the midpoint of the filing range set forth on the cover of this prospectus, and after deducting the underwriting discounts and estimated expenses payable by us. We will not receive any proceeds from the sale of shares of our common stock by the selling shareholders.

We intend to use substantially all of the net proceeds from this offering, together with approximately $52.7 million of borrowings under our amended and restated credit facility, to pay in full the principal amount of the undistributed earnings notes held by our existing shareholders in connection with our final “S” Corporation distribution. Therefore, our shareholders, which include certain of our officers and directors, will receive substantially all of the net proceeds from the sale of shares offered hereby. We expect any proceeds in excess of the final “S” Corporation distribution to be minimal and will use such proceeds for working capital and other general corporate purposes. Pending their use, we intend to invest the balance of our net proceeds from this offering in short-term, investment-grade, interest-bearing instruments.

DIVIDEND POLICY

As an “S” Corporation, we distributed annually to our shareholders an amount sufficient to cover their tax liability due to the income that has flowed through the shareholders’ tax returns. Additional amounts were distributed to our shareholders at the discretion of the board of directors. For fiscal years 2009 and 2010, we paid distributions to our shareholders of $24.1 million and $25.6 million, respectively. For the six months ended July 31, 2010, we paid distributions to our shareholders of $20.2 million. Since July 31, 2010, we have paid an additional $5.9 million to our shareholders in connection with their quarterly estimated tax liability. We have accrued and expect to pay, prior to calendar year end 2010, an additional $0.6 million on behalf of our shareholders in connection with their quarterly estimated tax liability. In connection with our reorganization transaction, we distributed to our existing shareholders, in proportion to their ownership of our shares, notes in an aggregate principal amount equal to approximately $106.0 million, or 100% of our undistributed taxable income from the date of our formation through October 2, 2010, as a final distribution resulting from the termination of our “S” Corporation status. Upon the completion of this offering, we will use all of the net proceeds from this offering, together with approximately $52.7 million of borrowings under our amended and restated credit facility, to pay in full the principal amount of these undistributed earnings notes as described under “Use of Proceeds.” Upon completion of the reorganization transaction, we automatically converted to a “C” Corporation.

We do not anticipate paying any additional distributions to our shareholders in fiscal year 2011. In addition, we do not anticipate paying dividends on our common stock after the completion of this offering. We intend to retain all available funds and any future earnings for use in the operation and expansion of our business. Any determination in the future to pay dividends will depend upon our financial condition, capital requirements, operating results and other factors deemed relevant by our board of directors, including any contractual or statutory restrictions on our ability to pay dividends.

CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of July 31, 2010:

- on an actual basis;
- on a pro forma basis to give effect to the reorganization transaction as described under "Description of Capital Stock—Reorganization Transaction," including (i) our issuance of the undistributed taxable earnings notes to our existing shareholders in the aggregate principal amount equal to 100% of our undistributed taxable income from the date of our formation through October 2, 2010 as a final distribution resulting from the termination of our "S" Corporation status, equal to approximately $106.0 million, (ii) borrowings of $58.7 million under our amended and restated credit facility (a) to repay our existing shareholders $52.7 million of the $106.0 million in aggregate principal amount of undistributed taxable earnings notes, (b) to repay the $5.0 million current portion of our existing long-term debt and (c) to pay $1.0 million of debt issuance costs, (iii) an increase in net deferred tax assets of $2.6 million assuming our "S" Corporation status terminated on July 31, 2010, (iv) the vesting of 1.066 million shares of restricted stock, which increases additional paid-in capital by $15.7 million and (v) the recapitalization of all of our Class A voting common stock and Class B non-voting common stock into a single class of common stock; and
- on a pro forma basis as adjusted to give effect to: (i) the sale of 4,000,000 shares of our common stock offered by us in this offering assuming an initial public offering price of $15.00 per share, the midpoint of the filing range set forth on the cover of this prospectus, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us and (ii) the application of the estimated proceeds from this offering as described under "Use of Proceeds."

You should read this table together with "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Description of Capital Stock," and our consolidated financial statements and related notes, which are included elsewhere in this prospectus.

($ in thousands)	As of July 31, 2010		
	Actual	**Pro forma**	**Pro forma as adjusted**
	(unaudited)	(unaudited)	(unaudited)
Cash and cash equivalents	$ 7,592	$ 7,592	$ 7,592
Long-term debt, including current portion	33,153	140,154	86,854
Shareholders' equity			
Capital stock (Class A), voting, without par value; 35,437 shares authorized, 2,835 shares issued and outstanding, actual; no shares authorized, no shares issued and outstanding, pro forma and pro forma as adjusted	1	—	—
Capital stock (Class B), non-voting, without par value; 53,155,500 shares authorized; 35,437,712 shares issued and outstanding, actual; no shares authorized, no shares issued and outstanding, pro forma and pro forma as adjusted	—	—	—
Preferred stock, without par value; no shares authorized, no shares issued and outstanding, actual; 5,000,000 shares authorized, no shares issued and outstanding, pro forma and pro forma as adjusted	—	—	—
Common stock, without par value; no shares authorized, no shares issued and outstanding, actual; 200,000,000 shares authorized, 36,506,670 shares issued and outstanding, pro forma; 200,000,000 shares authorized, 40,506,670 shares issued and outstanding, pro forma as adjusted	—	—	—
Additional paid-in capital	87	15,788	69,088
Retained earnings (accumulated deficit)	84,685	(34,556)	(34,556)
Total shareholders' equity (deficit)	84,773	(18,768)	34,532
Total capitalization	$117,926	$121,386	$121,386

DILUTION

If you invest in our common stock, your interest will be diluted immediately to the extent of the difference between the public offering price per share of our common stock and the pro forma net tangible book value per share of our common stock after this offering.

Our pro forma net tangible book value as of July 31, 2010 was approximately $(28.6) million, or $(0.72) per share of common stock. Pro forma net tangible book value per share represents the amount of our total tangible assets reduced by the amount of our total liabilities, divided by the number of shares of our common stock outstanding, on a pro forma basis after giving effect to the reorganization transaction as described under "Description of Capital Stock—Reorganization Transaction," including (i) our issuance of the undistributed taxable earnings notes to our existing shareholders in the aggregate principal amount equal to 100% of our undistributed taxable income from the date of our formation through October 2, 2010 as a final distribution resulting from the termination of our "S" Corporation status, equal to approximately $106.0 million, (ii) borrowings of $58.7 million under our amended and restated credit facility (a) to repay our existing shareholders $52.7 million of the $106.0 million in aggregate principal amount of undistributed taxable earnings notes, (b) to repay the $5.0 million current portion of our existing long-term debt and (c) to pay $1.0 million of debt issuance costs, (iii) an increase in net deferred tax assets of $2.6 million assuming our "S" Corporation status terminated on July 31, 2010, and (iv) the vesting of 1.066 million shares of restricted stock, which increases additional paid-in capital by $15.7 million.

After giving effect to (i) the sale of the 4,000,000 shares of common stock offered by us assuming an initial public offering price of $15.00 per share, the midpoint of the filing range set forth on the cover of this prospectus less the underwriting discounts and estimated offering expenses payable by us and (ii) the application of the estimated proceeds from this offering as described in "Use of Proceeds," our pro forma as adjusted net tangible book value as of July 31, 2010 would have been approximately $24.7 million, or $0.61 per share. This represents an immediate increase in pro forma net tangible book value of $1.33 per share to existing shareholders and an immediate dilution of $14.39 per share to new investors. The following table illustrates this dilution.

Assumed initial public offering price per share		$15.00
Pro forma net tangible book value per share as of July 31, 2010	$(0.72)	
Increase in pro forma net tangible book value per share attributable to this offering	1.33	
Pro forma net tangible book value per share as of July 31, 2010, as adjusted for this offering		0.61
Dilution per share to new investors		$14.39

After this offering and assuming the exercise in full of all options outstanding and exercisable as of July 31, 2010, pro forma net tangible book value per share as of July 31, 2010, as adjusted for this offering, would have been approximately $24.7 million, representing an immediate increase in pro forma net tangible book value of $1.33 per share to existing shareholders and an immediate dilution of $14.39 per share to new investors.

We will not receive any proceeds from the sale of 7,000,000 shares by the selling shareholders.

The following table sets forth on a pro forma basis as of July 31, 2010, after giving effect to the reorganization transaction as described under "Description of Capital Stock—Reorganization Transaction" and the stock split described under "Description of Capital Stock—Stock Split":

- the number of shares of our common stock purchased by existing shareholders and the total consideration and the average price per share paid for those shares; and
- the number of shares of our common stock purchased by new investors and the total consideration and the average price per share paid for those shares (assuming an initial public offering price of $15.00 per share, the midpoint of the filing range set forth on the cover of this prospectus).

	Number of Shares Purchased	Total Consideration	Average Price Per Share
Existing shareholders[1]	36,506,670	$ 1,000	$ 0.00
New investors	4,000,000	60,000,000	15.00

(1) Includes 1.066 million shares of restricted common stock granted to our named executive officers, certain of our employees and our non-executive directors on July 30, 2010. See "Executive Compensation—Equity Compensation Awards—Pre-IPO Equity Grants."

The information and tables above exclude 6,076,001 shares of common stock available for grants under our 2010 Plan. The issuance of such shares of common stock should be expected to result in further dilution to new investors.

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents selected consolidated financial and other data as of and for the periods indicated and certain pro forma information to reflect our conversion from an "S" Corporation to a "C" Corporation for income tax purposes and to reflect the reorganization transaction. The selected income statement data for the calendar year ended December 31, 2007 and for the fiscal years ended January 31, 2009 and January 30, 2010 and selected consolidated balance sheet data as of January 31, 2009 and January 30, 2010 are derived from our consolidated financial statements audited by PricewaterhouseCoopers LLP, our independent registered public accounting firm, included elsewhere in this prospectus. The selected balance sheet data as of December 31, 2006 and December 31, 2007 are derived from our consolidated financial statements audited by PricewaterhouseCoopers LLP, our independent registered public accounting firm, that have not been included in this prospectus. The selected income statement data for the calendar years ended December 31, 2005 and December 31, 2006 and the selected balance sheet data as of December 31, 2005 are derived from our unaudited consolidated financial statements that have not been included in this prospectus. The selected income statement data for the six months ended August 1, 2009 and July 31, 2010 and the selected balance sheet data as of August 1, 2009 and July 31, 2010 are derived from our unaudited consolidated financial statements that are included elsewhere in this prospectus. The historical results presented below are not necessarily indicative of the results to be expected for any future period. You should read this selected consolidated financial data in conjunction with the consolidated financial statements and related notes and the information under "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this prospectus.

($ in thousands, except per share data and as otherwise indicated)	Years Ended			Fiscal Years Ended		Six Months Ended	
	December 31, 2005	December 31, 2006	December 31, 2007[1]	January 31, 2009[1]	January 30, 2010	August 1, 2009	July 31, 2010
	(unaudited)	(unaudited)				(unaudited)	(unaudited)
Consolidated Statements of Income:							
Net revenues	$ 120,650	$ 189,148	$ 281,085	$ 238,577	$ 288,940	$ 131,087	$ 165,078
Cost of sales	61,385	94,612	133,522	115,473	137,803	66,850	69,441
Gross profit	59,265	94,536	147,563	123,104	151,137	64,237	95,637
Selling, general and administrative expenses	31,124	50,679	101,022	109,195	116,168	54,724	72,585
Other income	2,133	1,464	7,799	13,282	10,743	4,980	3,912
Operating income	30,274	45,321	54,340	27,191	45,712	14,493	26,964
Interest expense (income), net	316	(322)	2,924	2,511	1,604	1,015	644
Income before state income taxes	29,958	45,643	51,416	24,680	44,108	13,478	26,320
State income taxes	—	—	1,185	1,009	889	315	356
Net income	$ 29,958	$ 45,643	$ 50,231	$ 23,671	$ 43,219	$ 13,163	$ 25,964
Basic net income per common share	$ 0.85	$ 1.29	$ 1.42	$ 0.67	$ 1.22	$ 0.37	$ 0.73
Diluted net income per common share	0.85	1.29	1.42	0.67	1.22	0.37	0.73
Basic weighted average shares outstanding	35,440,547	35,440,547	35,440,547	35,440,547	35,440,547	35,440,547	35,440,547
Diluted weighted average shares outstanding	35,440,547	35,440,547	35,440,547	35,440,547	35,440,547	35,440,547	35,443,559
Pro Forma Data (unaudited):							
Pro forma interest expense, net	—	—	—	—	$ 2,454	—	$ 1,200
Pro forma income tax provision	—	—	—	—	17,303	—	10,306
Pro forma net income[2]	—	—	—	—	25,955	—	15,458
Pro forma basic and diluted net income per common share[3]	—	—	—	—	0.65	—	0.39
Net Revenues by Segment:							
Indirect	$ 115,229	$ 175,397	$ 243,388	$ 167,454	$ 192,829	$ 87,861	$ 101,532
Direct	5,421	13,751	37,697	71,123	96,111	43,226	63,546
Total	$ 120,650	$ 189,148	$ 281,085	$ 238,577	$ 288,940	$ 131,087	$ 165,078
Full-Price Store Data:[4]							
Total stores open at end of period	—	—	7	21	26	23	31
Comparable-store sales increase[5]	—	—	—	8.0%	36.4%	36.1%	26.0%
Total gross square footage at end of period	—	—	11,927	39,285	48,285	43,199	56,264
Average net revenues per gross square foot[6]	—	—	—	$ 578	$ 615	$ 306	$ 349

	Years Ended			Fiscal Years Ended		Six Months Ended	
	December 31, 2005	December 31, 2006	December 31, 2007[1]	January 31, 2009[1]	January 30, 2010	August 1, 2009	July 31, 2010
	(unaudited)	(unaudited)				(unaudited)	(unaudited)
Consolidated Balance Sheet Data:							
Cash and cash equivalents	$ 11,674	$ —	$ 111	$ 776	$ 6,509	$ 3,777	$ 7,592
Working capital	30,417	33,010	15,774	62,498	61,238	31,567	71,314
Total assets	45,665	99,772	133,482	149,931	153,752	119,828	169,169
Long-term debt, including current portion	5,513	19,011	54,901	58,825	30,136	18,146	33,153
Shareholders' equity	29,230	40,493	49,563	57,947	77,893	64,361	84,773

(1) In January 2008, we changed our fiscal year end from December 31 to the Saturday closest to January 31. In connection with our fiscal year end change, fiscal year 2009 included activity for greater than 52 weeks. This was a one-time occurrence and did not have a material affect on our results of operations. The following table presents the consolidated financial and other data as of and for the months ended January 31, 2007 and January 31, 2008.

($ in thousands, except per share data)	Months Ended	
	January 31, 2007	January 31, 2008
	(unaudited)	
Consolidated Statements of Income Data:		
Net revenues	$ 34,554	$ 39,621
Net income	6,483	13,607
Net income per basic and diluted common share	0.18	0.38
Consolidated Balance Sheet Data:		
Total assets	$ 120,290	$ 152,420
Long-term debt, including current portion	37,830	63,565

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

- an adjustment for income tax expense as if we had been a "C" Corporation as of February 1, 2009 at an assumed combined federal, state, and local effective income tax rate of 40%, which approximates the calculated effective tax rate for each period, equal to $16,754 and $10,172, respectively; and
- an adjustment to interest expense as if the borrowings under our amended and restated credit facility and the issuance of the undistributed taxable earnings notes had occurred as of February 1, 2009, which approximates $850 and $556, respectively, and a related income tax expense adjustment of $340 and $222, respectively.

An assumed increase or decrease of 1/8 of one percent in the interest rate of the amended and restated credit facility and undistributed taxable earnings notes, which have a variable interest rate, would impact total pro forma interest expense for the fiscal year ended January 30, 2010 and for the six months ended July 31, 2010 by $175 and $88, respectively.

(3) Reflects (i) the increase in the number of shares which would be sufficient to replace the capital in excess of earnings being withdrawn pursuant to the reorganization transaction and the related distributions of notes and cash and (ii) the vesting of restricted stock awards upon the initial public offering. The pro forma adjustment to basic and diluted weighted average shares outstanding both for the fiscal year ended January 30, 2010 and for the six months ended July 31, 2010 is 4.40 million shares.

(4) Our first full-price store opened in mid-September 2007. These data exclude our two outlet stores as of July 31, 2010.

(5) Comparable-store sales are the net revenues of our stores that have been open at least 12 full fiscal months as of the end of the period. 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.

(6) 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion in conjunction with the consolidated financial statements and accompanying notes and the information contained in other sections of this prospectus, particularly under the headings "Risk Factors," "Selected Consolidated Financial and Other Data" and "Business." This discussion and analysis is based on the beliefs of our management, as well as assumptions made by, and information currently available to, our management. The statements in this discussion and analysis concerning expectations regarding our future performance, liquidity and capital resources, as well as other non-historical statements in this discussion and analysis, are forward-looking statements. See "Forward-Looking Statements." These forward-looking statements are subject to numerous risks and uncertainties, including those described under "Risk Factors." Our actual results could differ materially from those suggested or implied by any forward-looking statements.

Overview

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

We generate revenues by selling products through two reportable segments: Indirect and Direct. As of July 31, 2010, our Indirect business consisted of sales of Vera Bradley products to approximately 3,300 independent retailers, substantially all of which are located in the U.S., as well as to select national retailers and independent e-commerce sites. As of July 31, 2010, our Direct business consisted of sales of Vera Bradley products through our 31 full-price stores, two outlet stores, verabradley.com, and our annual outlet sale in Fort Wayne, Indiana. We began selling directly to consumers through verabradley.com in 2006 and we opened our first retail store in mid-September 2007 and our first outlet store in early November 2009.

Over the past five years, we have grown rapidly as a result of the successful implementation of strategic initiatives. These strategies included enhancing our merchandising strategy, establishing a multi-channel distribution sales model and expanding our supply chain capabilities, product development processes and information systems to improve operational flexibility and profitability. Over the last five years, our net revenues have grown from $120.7 million in calendar year 2005 to $288.9 million in fiscal year 2010.

Due to the implementation of these key strategic initiatives, we experienced substantial growth in calendar years 2006 and 2007 as the Vera Bradley brand gained broader exposure in the marketplace. The introduction in 2006 of Java Blue, the best selling pattern in our history, also significantly influenced our growth during this period. We attribute the success of Java Blue to the pattern's universal appeal across all demographic segments of our customer base and its ability to attract many consumers to the Vera Bradley brand for the first time. While sales of Java Blue patterned products contributed meaningfully to our growth in 2006 and 2007, the popularity of Java Blue also positively impacted the sales of our products in other Vera Bradley patterns during the same period. During this period, our net revenues grew from $120.7 million in calendar year 2005 to $281.1 million in calendar year 2007.

In fiscal year 2009, our net revenues declined $42.5 million, or 15.1%, as the economic environment weakened. Consumer purchases of handbags and accessories generally decline during recessionary periods and other periods where disposable income is adversely affected. For our Indirect retailers, the majority of which are independent small businesses, this resulted in reduced traffic and a decline in sales. In addition to softening consumer demand from our Indirect retailers and other consumers, our net revenues were negatively impacted by excess inventory levels held by our Indirect retailers at the end of calendar year 2007. Excess inventory levels resulted from the rapidly deteriorating economic environment following a period of increasing consumer demand for our products in 2006 and 2007 and the sharp increase in orders from our Indirect retailers following the introduction of our Java Blue pattern. Some of our Indirect retailers faced reduced access to credit, which further compounded the effects of softening demand and excess inventory. In fiscal year 2009, during the challenging

environment presented by the economic recession, we focused our efforts on managing our cost structure and reducing inventories while continuing to invest in our infrastructure to support future growth. As a result, in fiscal year 2009 our operating income decreased to $27.2 million.

In fiscal year 2010, we experienced strong sales growth with net revenues of $288.9 million, an increase of 21.1% over fiscal year 2009, despite the continuing economic recession. This growth was driven by the impact of our strategic initiatives, including our expanding Direct business, the reduction of inventory levels in our Indirect channel that had occurred by the end of fiscal 2009 and increasing demand based on improving consumer confidence. In addition, fiscal year 2010 net revenues in both the Indirect and Direct segments benefited from the increased frequency of releases of our collections, as well as the expansion of our range of patterns. During the same period, operating income increased to $45.7 million, or 68.1%, primarily due to the increase in net revenues combined with operational and supply chain improvements that enhanced our gross margin and operating margin. We expect consumer demand and the financial stability of our Indirect retailers to continue to improve in fiscal year 2011, although it is difficult to predict the magnitude, timing and direction of future economic conditions.

We believe there is a significant opportunity to grow our store base as we believe the market in the U.S. can support at least 300 Vera Bradley full-price stores. In fiscal year 2011, we plan to open nine full-price stores and three outlet stores. We plan to open 14 to 16 new stores over the course of fiscal year 2012 and 14 to 20 new stores annually for the following five fiscal years.

We expect our full-price stores to average approximately 1,800 square feet per store and we expect to invest approximately $0.4 million per new store, consisting of inventory costs, pre-opening costs and build-out costs less tenant allowances. New full-price stores are expected to generate on average between $1.1 million and $1.3 million in net revenues during the first twelve months and the payback on our investment is expected to occur in less than 18 months. Typically, we have found that, as a new store becomes better integrated into its community and brand awareness grows, the store's productivity tends to improve as measured by comparable-store sales, but we cannot assure you that full-price stores opened in the future will generate similar net revenues in the first twelve months or pay back our investment in a similar period.

We believe our business strategy will continue to offer significant opportunity, but it also presents risks and challenges. These risks and challenges include that we may not be able to effectively predict and respond to changing fashion trends and customer preferences, that we may not be able to find desirable locations for new stores and that we may not be able to effectively manage our future growth. Addressing these risks could divert our attention from continuing to build on the strengths that we believe have driven the growth of our business, but we believe our focus on brand identity, customer loyalty, a distinctive shopping experience, product development expertise and company culture will contribute positively to our results.

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. Net revenues reflect revenues from the sale of our merchandise and revenues from distribution, shipping and handling fees, less returns and discounts. Revenues from the Indirect segment reflect revenues from sales to Indirect retailers. Revenues from the Direct segment reflect revenues from sales through our full-price and outlet stores, verabradley.com and our annual outlet sale in Fort Wayne, Indiana.

Comparable-Store Sales. Comparable-store sales are calculated based upon our stores that have been open at least 12 full fiscal months as of the end of the reporting period. 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. Some of our competitors and other retailers calculate comparable or "same store" sales differently than we do. As a result, data in this prospectus 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. Gross margin measures gross profit as a percentage of our net revenues. Cost of sales includes the direct cost of purchased merchandise, 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, operational efficiencies, such as leveraging of fixed costs, promotional activities, such as free shipping, and fluctuations in pricing structures within e-commerce and the annual outlet sale. Price changes in the Indirect and Direct channels, excluding e-commerce and the annual outlet sale, have had an immaterial impact as we have not had a standard practice of price increases or decreases. Additionally, because the number of our full-price stores is relatively small compared to the remainder of the business, channel mix has had an immaterial impact on consolidated gross margins.

Prior to calendar year 2006, we sourced the majority of our finished products domestically. Today, the significant majority of our products are sourced internationally. During this same period, we began direct sourcing of our raw materials and brought management of logistics in-house. These sourcing changes, along with better cost management, contributed to improvements in gross margin over this period.

Selling, General and Administrative Expenses (SG&A)

SG&A expenses fall into three categories: (1) selling; (2) advertising, marketing and product development; and (3) administrative. Selling expenses include Direct business expenses such as store expenses, including expenses attributable to new store openings, employee compensation, store occupancy and supply costs, as well as Indirect business expenses primarily consisting 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 compensation costs for corporate functions, corporate headquarters occupancy costs, consulting and software expenses, professional services fees and charitable donations. SG&A expenses increase as the number of stores increases, but not in the same proportion.

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.

Operating Income

Operating income equals gross profit, less SG&A expenses plus other income. Operating income excludes interest income, interest expense and state income taxes. Operating margin measures operating income as a percentage of our net revenues.

State Income Taxes

Historically, we have elected to have our income taxed under Section 1362 of the Internal Revenue Code as an "S" Corporation. Section 1362 provides that, in lieu of corporate income taxes, the shareholders are taxed on our taxable income for federal tax purposes. Certain state and local taxing jurisdictions recognize the "S" Corporation status and tax our shareholders instead of us. The income tax provision represents state taxes that have been or will be paid by us related to the state and local taxing jurisdictions which do not recognize the "S" Corporation status and therefore tax us on our taxable income.

Upon consummation of the reorganization transaction, our "S" Corporation status automatically terminated and we became subject to corporate-level federal and state income taxes at prevailing corporate rates. Termination of this election will result in us recording a tax benefit and a net deferred income tax asset during the quarter in which this offering is completed. The change in tax status will result in us recording a net deferred tax asset of $2.6 million as of October 2, 2010, the date of our "S" Corporation status termination.

Basis of Presentation

In January 2008, we changed our fiscal year end from December 31 to the Saturday closest to January 31. Accordingly, references to fiscal years 2011, 2010 and 2009 refer to the fiscal years ended January 29, 2011, January 30, 2010 and January 31, 2009, respectively, and references to calendar year 2007 refer to the year ended December 31, 2007.

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)	Year Ended December 31, 2007	Fiscal Years Ended January 31, 2009	Fiscal Years Ended January 30, 2010	Six Months Ended August 1, 2009 (unaudited)	Six Months Ended July 31, 2010 (unaudited)
Statement of Income Data:					
Net revenues	$ 281,085	$ 238,577	$ 288,940	$ 131,087	$ 165,078
Cost of sales	133,522	115,473	137,803	66,850	69,441
Gross profit	147,563	123,104	151,137	64,237	95,637
Selling, general and administrative expenses	101,022	109,195	116,168	54,724	72,585
Other income	7,799	13,282	10,743	4,980	3,912
Operating income	54,340	27,191	45,712	14,493	26,964
Interest expense, net	2,924	2,511	1,604	1,015	644
Income before state income taxes	51,416	24,680	44,108	13,478	26,320
State income taxes	1,185	1,009	889	315	356
Net income	$ 50,231	$ 23,671	$ 43,219	$ 13,163	$ 25,964
Percentage of Net Revenues:					
Net revenues	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of sales	47.5%	48.4%	47.7%	51.0%	42.1%
Gross profit	52.5%	51.6%	52.3%	49.0%	57.9%
Selling, general and administrative expenses	35.9%	45.8%	40.2%	41.7%	44.0%
Other income	2.8%	5.6%	3.7%	3.8%	2.4%
Operating income	19.3%	11.4%	15.8%	11.1%	16.3%
Interest expense, net	1.0%	1.1%	0.6%	0.8%	0.4%
Income before state income taxes	18.3%	10.3%	15.3%	10.3%	15.9%
State income taxes	0.4%	0.4%	0.3%	0.2%	0.2%
Net income	17.9%	9.9%	15.0%	10.0%	15.7%

The following tables present net revenues by operating segment, both in dollars and as a percentage of our net revenues, and full-price store data for the periods indicated.

($ in thousands)	Year Ended December 31, 2007	Fiscal Years Ended January 31, 2009	Fiscal Years Ended January 30, 2010	Six Months Ended August 1, 2009 (unaudited)	Six Months Ended July 31, 2010 (unaudited)
Net Revenues by Segment:					
Indirect	$ 243,388	$ 167,454	$ 192,829	$ 87,861	$ 101,532
Direct	37,697	71,123	96,111	43,226	63,546
Total	$ 281,085	$ 238,577	$ 288,940	$ 131,087	$ 165,078

	Year Ended	Fiscal Years Ended		Six Months Ended	
	December 31, 2007	January 31, 2009	January 30, 2010	August 1, 2009 (unaudited)	July 31, 2010 (unaudited)
Percentage of Net Revenues by Segment:					
Indirect	86.6%	70.2%	66.7%	67.0%	61.5%
Direct	13.4%	29.8%	33.3%	33.0%	38.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

($ in thousands, except as otherwise indicated)	Year Ended	Fiscal Years Ended		Six Months Ended	
	December 31, 2007	January 31, 2009	January 30, 2010	August 1, 2009 (unaudited)	July 31, 2010 (unaudited)
Full-Price Store Data:[1]					
Total stores open at end of period	7	21	26	23	31
Comparable-store sales increase[2]	—	8.0%	36.4%	36.1%	26.0%
Total gross square footage at end of period	11,927	39,285	48,285	43,199	56,264
Average net revenues per gross square foot[3]	—	$ 578	$ 615	$ 306	$ 349

(1) Our first full-price store was opened in mid-September 2007. These data exclude our two outlet stores as of July 31, 2010.

(2) Comparable-store sales are the net revenues of our stores that have been open at least 12 full fiscal months as of the end of the period. 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.

(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.

Six Months Ended July 31, 2010 Compared to Six Months Ended August 1, 2009

Net Revenues

For the six months ended July 31, 2010, net revenues increased $34.0 million, or 25.9%, to $165.1 million, from $131.1 million in the comparable prior-year period.

Indirect. For the six months ended July 31, 2010, net revenues increased $13.7 million, or 15.6%, to $101.5 million, from $87.8 million in the comparable prior-year period, due primarily to increased sales volume to our Indirect retailers, driven in turn by improved economic conditions resulting in increased consumer spending.

Direct. For the six months ended July 31, 2010, net revenues increased $20.3 million, or 47.0%, to $63.5 million, from $43.2 million in the comparable prior-year period. The increase resulted from an increase in e-commerce revenues from $22.8 million for the six months ended August 1, 2009 to $30.3 million for the six months ended July 31, 2010. This $7.5 million increase is due primarily to greater traffic from marketing initiatives. In addition, the number of our full-price stores grew from 23 at August 1, 2009 to 31 at July 31, 2010. Non-comparable full-price store sales increased by $4.4 million and non-comparable outlet store sales increased by $3.1 million, comparable-store sales increased by $2.9 million, or 26.0%, and our annual outlet sales revenues increased by $2.3 million. The improvement in outlet sale revenues resulted from an increase in the number of shoppers that attended the event due to increased popularity of the brand and higher average product pricing at the sale as a result of new pricing strategies.

Gross Profit

For the six months ended July 31, 2010, gross profit increased $31.4 million, or 48.9%, to $95.6 million, from $64.2 million in the comparable prior-year period. The $31.4 million increase in gross profit was due to greater net revenues,

increasing gross profit by $16.7 million, and the remaining $14.7 million was due primarily to the improvement in gross margin from 49.0% in the six months ended August 1, 2009 to 57.9% in the six months ended July 31, 2010. The gross margin increase of $14.7 million was due primarily to improved efficiency from vertical integration and increased overseas sourcing as well as higher average product pricing at the annual outlet sale as a result of new pricing strategies, which had a disproportionate effect on the six months ended July 31, 2010 compared to the full fiscal year.

Selling, General and Administrative Expenses

For the six months ended July 31, 2010, SG&A expenses increased $17.9 million, or 32.6%, to $72.6 million, from $54.7 million in the comparable prior-year period. As a percentage of net revenues, SG&A expenses were 44.0% and 41.7% during the six months ended July 31, 2010 and the six months ended August 1, 2009, respectively.

For the six months ended July 31, 2010, selling expenses increased $10.0 million, or 41.9%, to $34.0 million, from $24.0 million in the comparable prior-year period. As a percentage of net revenues, selling expenses were 20.6% and 18.3% during the six months ended July 31, 2010 and the six months ended August 1, 2009, respectively. The increase in selling expenses was due primarily to increased store operational costs attributable to new store openings as well as internet and store marketing initiatives to drive increased traffic. Employee costs increased in the Indirect channel due to an increase in revenue and higher incentive compensation related to improved performance of the Indirect sales team.

For the six months ended July 31, 2010, advertising, marketing and product development expenses increased $0.4 million, or 2.5%, to $15.1 million, from $14.7 million in the comparable prior-year period. As a percentage of net revenues, advertising, marketing and product development expenses were 9.2% and 11.2% during the six months ended July 31, 2010 and the six months ended August 1, 2009, respectively. The increase in expenses was due primarily to product development expenses as we expanded our product design capabilities with the addition of a New York design office in the third quarter of fiscal year 2010. This increase was offset by a decline in the number of catalogs and direct mailers we produced as a result of lower participation by our Indirect retailers in these programs primarily due to changes in the mix of catalogs and mailers offered.

For the six months ended July 31, 2010, administrative expenses increased $7.5 million, or 46.6%, to $23.5 million, from $16.0 million in the comparable prior-year period. As a percentage of net revenues, administrative expenses were 14.2% and 12.2% during the six months ended July 31, 2010 and the six months ended August 1, 2009, respectively. The increase in administrative expenses was due primarily to $6.1 million associated with bonuses payable to recipients of the restricted stock awards to satisfy a portion of the tax obligation associated with these grants, as well as increased professional service fees.

Other Income

For the six months ended July 31, 2010, other income declined $1.1 million, or 21.4%, to $3.9 million, from $5.0 million in the comparable prior-year period. The decrease was due to a decline in the participation by our Indirect retailers in our catalogs and direct mailers, which resulted in decreased reimbursement of our advertising expenses. The decline in participation was due primarily to changes in the mix of catalogs and mailers offered, partially offset by increased company advertising. This change did not have a discernable impact on our Indirect business.

Operating Income

For the six months ended July 31, 2010, operating income increased $12.5 million, or 86.1%, to $27.0 million, from $14.5 million in the comparable prior-year period. As a percentage of net revenues, operating income was 16.3% and 11.1% during the six months ended July 31, 2010 and the six months ended August 1, 2009, respectively.

Operating income for our Indirect and Direct business segments, less corporate unallocated, is provided below:

($ in millions)	Six Months Ended			
	August 1, 2009	July 31, 2010	$ Change	% Change
Operating Income:				
Indirect	$ 29.8	$ 44.2	$ 14.4	48.4%
Direct	11.4	19.1	7.7	67.6%
	41.2	63.3	22.1	53.7%
Less:				
Corporate Unallocated	(26.7)	(36.3)	(9.6)	36.2%
	$ 14.5	$ 27.0	$ 12.5	86.1%

Indirect. For the six months ended July 31, 2010, operating income increased $14.4 million, or 48.4%, as a result of $11.0 million of improved gross profit due to improved efficiencies from vertical integration and increased overseas sourcing and $6.4 million of increased sales volume due to improved economic conditions resulting in increased consumer spending. These increases were partially offset by $3.0 million of increased SG&A expenses incurred primarily to support the additional sales volume.

Direct. For the six months ended July 31, 2010, operating income increased $7.7 million, or 67.6%, primarily as a result of $14.0 million of improved gross profit due to increased sales volume attributable to ten new stores, improved economic conditions, increased e-commerce sales, increased outlet sale gross profit and increased gross profit from comparable-store sales. The improvement from the outlet sale is due to higher average product pricing at the sale as a result of new pricing strategies and the growth in popularity of the brand, which resulted in an increase in the number of shoppers that attended the event. These increases were partially offset by $6.6 million of increased SG&A expenses primarily related to increased salaries, benefits, building and depreciation expenses related to new store openings.

Corporate Unallocated. For the six months ended July 31, 2010, unallocated expenses increased $9.6 million, or 36.2%, primarily as a result of $6.1 million associated with the previously discussed bonuses payable to recipients of restricted stock awards and $2.7 million of increased professional fees.

Interest Expense, Net

For the six months ended July 31, 2010, interest expense decreased $0.4 million, or 36.6%, to $0.6 million, from $1.0 million in the comparable prior-year period. This decrease was attributable to lower debt levels along with a lower cost of borrowing.

Fiscal Year 2010 Compared to Fiscal Year 2009

Net Revenues

For fiscal year 2010, net revenues increased $50.4 million, or 21.1%, to $288.9 million, from $238.6 million for fiscal year 2009.

Indirect. For fiscal year 2010, net revenues increased $25.4 million, or 15.2%, to $192.8 million, from $167.5 million for fiscal year 2009 due primarily to increased sales volume to our Indirect retailers. The volume increase resulted from improving economic conditions resulting in increased consumer spending.

Direct. For fiscal year 2010, net revenues increased $25.0 million, or 35.1%, to $96.1 million, from $71.1 million for fiscal year 2009. The increase resulted from a $19.1 million increase in e-commerce revenues due primarily to greater traffic from marketing initiatives. In addition, the number of our stores grew from 21 at the end of fiscal year 2009 to 27 at the end of fiscal year 2010. Non-comparable store sales increased by $8.4 million and comparable-store sales increased by $5.3 million, or 36.4%. These increases were offset by a decrease in annual outlet sale revenues of $7.8 million, as we held two outlet sales in fiscal year 2009 rather than the traditional one outlet sale.

Gross Profit

For fiscal year 2010, gross profit increased $28.0 million, or 22.8%, to $151.1 million, from $123.1 million in the comparable prior-year period. The increase of $28.0 million was due to greater net revenues, increasing gross profit by $25.9 million, and the remaining $2.1 million was due primarily to the improvement in gross margin to 52.3% in fiscal year 2010 from 51.6% in fiscal year 2009. The gross margin improvement of $2.1 million was attributable to better cost management in the Direct business, improved profits from e-commerce related to fulfillment integration and fewer promotional activities.

Selling, General and Administrative Expenses.

For fiscal year 2010, SG&A expenses increased $7.0 million, or 6.4%, to $116.2 million, from $109.2 million for fiscal year 2009. As a percentage of net revenues, SG&A expenses were 40.2% and 45.8% during fiscal year 2010 and fiscal year 2009, respectively. The decrease in SG&A expenses as a percentage of net revenues was due to an increase in net revenues without a comparable increase in SG&A expenses.

For fiscal year 2010, selling expenses increased $3.8 million, or 7.3%, to $55.2 million, from $51.4 million for fiscal year 2009. As a percentage of net revenues, selling expenses were 19.1% and 21.5% during fiscal year 2010 and fiscal year 2009, respectively. The increase in selling expenses was due primarily to increased depreciation related to the long-lived asset impairment for three of our stores and to increased store operating costs related to the opening of six new stores in fiscal year 2010. The asset impairment charge of $1.3 million was based on a variety of factors, including anticipated low levels of traffic and low levels of brand awareness around the store locations. These factors contributed to projected cash flows being less than the carrying amounts for those stores. These three store locations were among the early openings under our Direct channel strategy. We continue to refine our site selection process and unit economics for each new store opening by adjusting the assumptions underlying cash flow projections for each store based on historical store performance. In addition to analyzing store economics, we pay particular attention to the location within the shopping center, the size and shape of the space, and desirable co-tenancies in our site selection process.

For fiscal year 2010, advertising, marketing and product development expenses decreased $4.4 million, or 12.9%, to $29.9 million, from $34.3 million for fiscal year 2009. As a percentage of net revenues, advertising, marketing and product development expenses were 10.3% and 14.4% during fiscal year 2010 and fiscal year 2009, respectively. The decrease was due to a decline in the number of catalogs and direct mailers we produced as a result of lower participation by our Indirect retailers in these programs primarily due to changes in the mix of catalogs and mailers offered and a decrease in other advertising expenses.

For fiscal year 2010, administrative expenses increased $7.6 million, or 32.5%, to $31.1 million, from $23.5 million for fiscal year 2009. As a percentage of net revenues, administrative expenses were 10.8% and 9.8% during fiscal year 2010 and fiscal year 2009, respectively. The increase in administrative expenses was due primarily to increased corporate infrastructure spending on personnel, owners life insurance, and a modest increase in charitable giving.

Other Income

For fiscal year 2010, other income decreased $2.5 million, or 19.1%, to $10.7 million, from $13.3 million for fiscal year 2009. The decrease was due to a decline in the participation by our Indirect retailers in our catalogs and direct mailers, which resulted in decreased reimbursement of our advertising expenses. The decline in participation was due primarily to changes in the mix of catalogs and mailers offered, offset by increased company advertising. This change did not have a discernable impact on our Indirect business.

Operating Income

For fiscal year 2010, operating income increased $18.5 million, or 68.1%, to $45.7 million, from $27.2 million for fiscal year 2009. As a percentage of net revenues, operating income was 15.8% and 11.4% during fiscal year 2010 and fiscal year 2009, respectively.

Operating income for our Indirect and Direct business segments, less corporate unallocated, is provided below.

($ in millions)	Fiscal Years Ended			
	January 31, 2009	January 30, 2010	$ Change	% Change
Operating Income:				
Indirect	$ 58.1	$ 72.9	$ 14.8	25.5%
Direct	14.9	25.3	10.4	69.4%
	73.0	98.2	25.2	34.4%
Less:				
Corporate Unallocated	(45.8)	(52.5)	(6.7)	14.5%
	$ 27.2	$ 45.7	$ 18.5	68.1%

Indirect. For fiscal year 2010, operating income increased $14.8 million, or 25.5%, as a result of $10.4 million from increased sales volume to our Indirect retailers as well as a $4.4 million decrease in SG&A expenses. The reduction in SG&A expenses was due to a reduction in advertising expenses, offset by increased salaries and benefits expenses and other expenses incurred in the period.

Direct. For fiscal year 2010, operating income increased $10.4 million, or 69.4%, as a result of $12.2 million additional revenues due to new retail stores opened and growth in e-commerce traffic and $5.4 million of improved gross margin due to improved cost management in the Direct business, offset by $7.2 million of increased SG&A expenses. The increased SG&A expenses were due to increased building and depreciation expenses, including the $1.3 million asset impairment of three of our stores, increased salaries and benefits expenses attributable to new store openings, and increased advertising expenses related to e-commerce referral commissions.

Corporate Unallocated. For fiscal year 2010, unallocated expenses increased $6.7 million, or 14.5%, as a result of $2.7 million of increased salaries and benefit expenses, $2.5 million of increased building and depreciation expenses, $2.5 million of reduced other income due to a decline in the participation by our Indirect retailers in our catalogs and mailers causing decreased reimbursement of our advertising expenses and $4.1 million of increased professional fees and other expenses incurred in the period. These expense increases were partially offset by a $5.1 million reduction of advertising expenses, primarily as a result of a reduction in spending in anticipation of a continued soft economic environment, and, to a lesser extent, resulting from decreased costs of catalogs and mailers due to the decline in participation by our Indirect retailers.

Interest Expense, Net

For fiscal year 2010, interest expense decreased $0.9 million, or 36.1%, to $1.6 million, from $2.5 million for fiscal year 2009. This decrease was attributable to lower debt levels along with a lower cost of borrowing, offset by interest income received due to higher average cash balances.

Fiscal Year 2009 Compared to Calendar Year 2007

Net Revenues

For fiscal year 2009, net revenues decreased $42.5 million, or 15.1%, to $238.6 million, from $281.1 million for calendar year 2007.

Indirect. For fiscal year 2009, net revenues decreased $75.9 million, or 31.2%, to $167.5 million, from $243.4 million for calendar year 2007, reflecting deteriorating economic conditions and corrections in Indirect retailer inventory levels built following strong product releases in 2007.

Direct. For fiscal year 2009, net revenues increased $33.4 million, or 88.7%, to $71.1 million, from $37.7 million for calendar year 2007. The increase was a result of a $20.4 million increase in e-commerce revenues to $39.2 million, from $18.8 million, respectively, due primarily to increased traffic from marketing initiatives. In addition, we increased the number of our stores from seven at the end of calendar year 2007 to 21 at the end of fiscal year 2009. Non-comparable store sales increased by $13.0 million and comparable-store sales increased by $0.1 million, or 8.0%. The increases in Direct net revenues were offset by a decline of $0.1 million in outlet sale net revenues from sales of $17.1 million to $16.9 million, respectively. The decline in net revenues is due to the occurrence of one less outlet sale in fiscal year 2009, as we held two outlet sales in fiscal year 2009 and three in calendar year 2007.

Gross Profit

For fiscal year 2009, gross profit decreased $24.5 million, or 16.6%, to $123.1 million, from $147.6 million for calendar year 2007. The decrease of $24.5 million in gross profit was due to lower net revenues, decreasing gross profit by $22.3 million, and the remaining $2.2 million was due primarily to the decline in gross margin from 52.5% in calendar year 2007 to 51.6% in fiscal year 2009. The $2.2 million decline in gross margin was due primarily to lower efficiencies of fixed costs as net revenues declined.

Selling, General and Administrative Expenses

For fiscal year 2009, SG&A expenses increased $8.2 million, or 8.1%, to $109.2 million, from $101.0 million for calendar year 2007. As a percentage of net revenues, SG&A expenses were 45.8% and 35.9% during fiscal year 2009 and calendar year 2007, respectively. The increase in SG&A expenses as a percentage of net revenues was due to a decrease in net revenues without a comparable decrease in SG&A expenses.

For fiscal year 2009, selling expenses decreased $1.8 million, or 3.4%, to $51.4 million, from $53.2 million for calendar year 2007. As a percentage of net revenues, selling expenses were 21.5% and 18.9% during fiscal year 2009 and calendar year 2007, respectively. The decline in selling expenses was due primarily to a reduction in sales force compensation expense as the Indirect sales force was converted from independent contractors to an in-house sales organization. This decline was offset by costs associated with the opening of our first store in September 2007.

For fiscal year 2009, advertising, marketing and product development expenses increased $9.1 million, or 36.3%, to $34.3 million, from $25.2 million for calendar year 2007. As a percentage of net revenues, advertising, marketing and product development expenses were 14.4% and 9.0% during fiscal year 2009 and calendar year 2007, respectively. The increase in expense was due to an increase in the number of catalogs and direct mailers we produced as a result of greater participation by our Indirect retailers in these programs primarily due to changes in the mix of catalogs and mailers offered, as well as an increase in advertising directed at promoting brand awareness and encouraging consumer traffic to our stores.

For fiscal year 2009, administrative expenses increased $0.9 million, or 3.8%, to $23.5 million, from $22.6 million for calendar year 2007 due to increased employment costs offset by reduced use of professional services and consultants. As a percentage of net revenues, administrative expenses increased to 9.8% in fiscal year 2009 from 8.1% in calendar year 2007 due to the reduction in net revenues that we experienced in fiscal year 2009.

Other Income

For fiscal year 2009, other income increased $5.5 million, or 70.3%, to $13.3 million, from $7.8 million for calendar year 2007. The increase was due to greater participation by our Indirect retailers in our catalogs and direct mailers, which resulted in increased reimbursement of our advertising expenses.

Operating Income

For fiscal year 2009, operating income decreased $27.1 million, or 50.0%, to $27.2 million, from $54.3 million for calendar year 2007. As a percentage of net revenues, operating income was 11.4% and 19.3% during fiscal year 2009 and calendar year 2007, respectively.

Operating income for our Indirect and Direct business segments, less corporate unallocated, is provided below.

($ in millions)	Year Ended December 31, 2007	Fiscal Year Ended January 31, 2009	$ Change	% Change
Operating Income:				
Indirect	$ 93.3	$ 58.1	$ (35.2)	(37.7)%
Direct	3.1	14.9	11.8	388.1%
	96.4	73.0	(23.4)	(24.2)%
Less:				
Corporate Unallocated	(42.1)	(45.8)	(3.7)	9.1%
	$ 54.3	$ 27.2	$ (27.1)	(50.0)%

Indirect. For fiscal year 2009, operating income decreased $35.2 million, or 37.7%, due to a $46.9 million decrease in gross profit attributable to deteriorating economic conditions in 2009 and corrections in Indirect retailer inventory levels after the build-ups in 2007. This decrease was partially offset by a $11.7 million decrease in SG&A expenses primarily due to a reduction in salaries and benefits expenses attributable to the conversion of our Indirect sales force from independent contractors to an in-house sales organization.

Direct. For fiscal year 2009, operating income increased $11.8 million, or 388.1%, as a result of increased net revenues, which generated $22.4 million of gross profit attributable to increased e-commerce sales, the opening of 14 new stores and growth in previously existing stores. The increase was partially offset by a $10.6 million increase in SG&A expenses, primarily due to the opening of new stores, including increased building and depreciation expenses and increased salaries and benefits expenses.

Corporate Unallocated. For fiscal year 2009, unallocated expenses increased $3.7 million, or 9.1%, as a result of a $5.6 million increase in advertising expenses related to our efforts to improve brand awareness, $3.5 million of increased salaries and benefits expenses, and $3.3 million of increased building and depreciation expenses. These expense increases were partially offset by a $5.5 million increase in other income related to reimbursements of our advertising expenses due to greater participation by our Indirect retailers in our catalogs and direct mailers and $3.2 million of decreased other expenses during the period.

Interest Expense, Net

For fiscal year 2009, interest expense decreased $0.4 million, or 14.1%, to $2.5 million, from $2.9 million for calendar year 2007. Decreased interest expense was due to a lower cost of borrowing.

January 2008 Compared to January 2007

Net revenues for the month of January 2008 increased $5.1 million, or 14.7%, to $39.6 million from $34.6 million in January 2007.

Indirect. For the month of January 2008, net revenues increased $3.6 million, or 10.6%, compared to the month of January 2007, driven primarily by strong initial sales of the spring 2008 product release.

Direct. For the month of January 2008, net revenues increased $1.5 million, or 244.7%, compared to the month of January 2007 due primarily to an increase in e-commerce revenues and new store openings. During January 2008, we opened one new store, giving us a total of eight stores.

Operating Income

For the month of January 2008, operating income increased $7.4 million, or 110.9%, to $14.1 million, from $6.7 million for the month of January 2007. As a percentage of net revenues, operating income was 35.5% and 19.3% during the month of January 2008 and the month of January 2007, respectively.

Operating income for our Indirect and Direct business segments, less corporate unallocated, is provided below.

($ in millions)	Months Ended			
	January 31, 2007	January 31, 2008	$ Change	% Change
Operating Income:				
Indirect	$ 8.3	$ 20.9	$ 12.6	152.2 %
Direct	0.3	(0.2)	(0.5)	(177.5)%
	8.6	20.7	12.1	141.5 %
Less:				
Corporate Unallocated	(1.9)	(6.6)	(4.7)	249.6 %
	$ 6.7	$ 14.1	$ 7.4	110.9 %

Indirect. For the month of January 2008, operating income increased $12.6 million, or 152.2%, due to $6.7 million related to improved sourcing, $1.6 million of increased revenues related to strong initial sales of the spring 2008 product release and a $4.3 million reduction in SG&A expenses attributable to the conversion of our Indirect sales force from independent contractors to an in-house sales organization.

Direct. For the month of January 2008, operating income decreased $0.5 million, or 177.5%, primarily as a result of increased SG&A expenses attributable to the operations of our new stores.

Corporate Unallocated. For the month of January 2008, unallocated expenses increased $4.7 million, or 249.6%, as a result of an increase of $6.3 million in SG&A expenses and other expenses incurred in the period. These increases were partially offset by an increase of $1.6 million of other income related to an increase in reimbursements of our advertising expenses due to greater participation by our Indirect retailers in our catalogs and direct mailers.

Quarterly Operating Results

The following table sets forth selected data from our historical unaudited consolidated statements of income for each of the ten fiscal quarters in the period ended July 31, 2010, expressed in dollars and as a percentage of our annual

results and net revenues. This unaudited quarterly information has been prepared on the same basis as our annual audited financial statements appearing elsewhere in this prospectus and includes all adjustments, consisting only of normal recurring adjustments, that we consider necessary to fairly present the financial information for the fiscal quarters presented.

The quarterly data should be read in conjunction with our audited and unaudited consolidated financial statements and the related notes appearing elsewhere in this prospectus.

($ in thousands)	Fiscal Year 2009				Fiscal Year 2010				Fiscal Year 2011	
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter	Second Quarter
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Net revenues	$ 53,256	$ 62,251	$ 58,394	$ 64,676	$ 71,413	$ 59,674	$ 72,752	$ 85,101	$ 85,002	$ 80,076
Indirect	32,805	51,287	41,978	41,384	47,376	40,485	54,466	50,501	54,174	47,358
Direct	20,451	10,964	16,416	23,292	24,037	19,189	18,286	34,600	30,828	32,718
Gross profit	26,937	35,626	24,966	35,575	34,670	29,567	39,878	47,022	48,813	46,823
Operating income	5,124	10,709	231	11,127	8,131	6,361	13,233	17,987	17,301	9,662
Net income (loss)	4,125	9,750	(431)	10,227	7,368	5,794	12,766	17,291	16,794	9,170
Percentage of Annual Results:										
Net revenues	22.3%	26.1%	24.5%	27.1%	24.7%	20.7%	25.2%	29.5%	n/a	n/a
Indirect	13.7%	21.5%	17.6%	17.3%	16.4%	14.0%	18.9%	17.5%	n/a	n/a
Direct	8.6%	4.6%	6.9%	9.8%	8.3%	6.6%	6.3%	12.0%	n/a	n/a
Gross profit	21.9%	28.9%	20.3%	28.9%	22.9%	19.6%	26.4%	31.1%	n/a	n/a
Operating income	18.8%	39.4%	0.9%	40.9%	17.8%	13.9%	28.9%	39.3%	n/a	n/a
Net income (loss)	17.4%	41.2%	(1.8)%	43.2%	17.0%	13.4%	29.5%	40.0%	n/a	n/a
Percentage of Net Revenues:										
Net revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Indirect	61.6%	82.5%	71.9%	64.0%	66.3%	67.8%	74.9%	59.3%	63.7%	59.1%
Direct	38.4%	17.6%	28.1%	36.0%	33.7%	32.2%	25.1%	40.7%	36.3%	40.9%
Gross profit	50.6%	57.2%	42.8%	55.0%	48.5%	49.5%	54.8%	55.3%	57.4%	58.5%
Operating income	9.6%	17.2%	0.4%	17.2%	11.4%	10.7%	18.2%	21.1%	20.4%	12.1%
Net income (loss)	7.7%	15.7%	(0.7)%	15.8%	10.3%	9.7%	17.5%	20.3%	19.8%	11.5%
Store Data:										
Total full-price stores open at end of quarter	13	17	20	21	22	23	25	26	28	31
Total outlet stores open at end of quarter[1]	—	—	—	—	—	—	—	1	1	2
Total stores open at end of quarter	13	17	20	21	22	23	25	27	29	33
Comparable-store sales[2]	—	—	(20.5)%	11.3%	37.0%	35.7%	35.2%	37.1%	22.5%	28.4%

(1) We opened our first outlet store in November 2009 and our second outlet store in June 2010.

(2) Comparable-store sales are the net revenues of our stores that have been open at least 12 full fiscal months as of the end of the period. 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.

Liquidity and Capital Resources

General

Our business relies on cash flow from operating activities as our primary source of liquidity. We also have access to additional liquidity, if needed, through borrowings under our $60.0 million revolving credit facility. Historically, our primary cash

needs have been for merchandise inventories, payroll, store rent, capital expenditures associated with opening new stores, debt repayments, operational equipment, information technology and quarterly shareholder distributions to cover estimated tax payments. 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 will materially alter the nature and levels of our accounts receivables and inventories in the near future. We believe that cash flow from operating activities and the availability of borrowings under our existing credit facility or other financing arrangements will be sufficient to meet working capital requirements, anticipated capital expenditures and scheduled 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)	Year Ended	Fiscal Years Ended		Six Months Ended	
	December 31, 2007	January 31, 2009	January 30, 2010	August 1, 2009 (unaudited)	July 31, 2010 (unaudited)
Cash Flows from Operating Activities:					
Net income	$ 50,231	$ 23,671	$ 43,219	$ 13,163	$ 25,964
Adjustments to reconcile net income to net cash provided by (used in) operating activities:					
Depreciation and amortization	4,657	7,347	10,666	4,494	4,131
Changes in assets and liabilities	(31,968)	18,783	9,801	34,136	(7,347)
Other	1,408	386	2,320	743	303
Net cash provided by operating activities	$ 24,328	$ 50,187	$ 66,006	$ 52,536	$ 23,051
Cash Flows from Investing Activities:					
Purchase of fixed assets	$ (16,641)	$ (14,949)	$ (5,844)	$ (2,398)	$ (4,795)
Deposit of restricted cash	—	(1,500)	—	—	—
Net cash used in investing activities	$ (16,641)	$ (16,449)	$ (5,844)	$ (2,398)	$ (4,795)
Cash Flows from Financing Activities:					
Net borrowings (repayments), including bank overdrafts	$ 34,246	$ (7,567)	$ (24,500)	$ (36,500)	$ 3,000
Repayment of vendor and related-party-financed debt	(661)	(304)	(4,325)	(4,331)	(14)
Net borrowings of long-term debt					
Debt restructuring costs	—	(1,024)	—	—	—
Payment of distributions	(41,161)	(24,119)	(25,604)	(6,306)	(20,159)
Net cash used in financing activities	$ (7,576)	$ (33,014)	$ (54,429)	$ (47,137)	$ (17,173)
Increase (decrease) in cash and cash equivalents	$ 111	$ 724	$ 5,733	$ 3,001	$ 1,083
Cash and cash equivalents at beginning of period/year	—	52	776	776	6,509
Cash and cash equivalents at end of period/year	$ 111	$ 776	$ 6,509	$ 3,777	$ 7,592

Net Cash Provided By Operating Activities

Operating activities consist primarily of net income adjusted for non-cash items, including depreciation and amortization, the effect of changes in assets and liabilities, and tenant allowances received from landlords under our store leases.

Net cash provided by operating activities was $66.0 million for fiscal year 2010 compared to $50.2 million in fiscal year 2009. In fiscal year 2010, net income increased $19.5 million from fiscal year 2009 while cash provided by changes in assets and liabilities declined $9.0 million.

Net cash provided by operating activities was $50.2 million for fiscal year 2009 compared to $24.3 million in calendar year 2007. In fiscal year 2009, we experienced lower net income, which was offset with cash provided by reductions in accounts receivable and inventories. Net cash provided by operating activities in calendar year 2007 was impacted by a buildup of inventories in late 2007.

Net cash provided by operating activities declined in the six months ended July 31, 2010 to $23.0 million compared to $52.5 million in the six months ended August 1, 2009. The increase in net income in the six months ended July 31, 2010 was offset by a product inventory increase of $37.1 million due to a build up of inventories to meet anticipated strong demand resulting from favorable consumer response to new releases in fiscal year 2011.

Net Cash Used in Investing Activities

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

Net cash used in investing activities was $5.8 million in fiscal year 2010. This was driven by $3.6 million in investments in six new stores along with improvements in e-commerce, $0.4 million in information technology investments and $1.1 million in production and distribution equipment.

Net cash used in investing activities was $16.4 million in fiscal year 2009 driven by $7.2 million in investments in 13 new stores along with improvements in e-commerce, $4.1 million in production and distribution equipment and $1.6 million in information technology investments, with the remaining used for facility and other improvements.

Net cash used in investing activities was $16.6 million in calendar year 2007. This was driven by $5.2 million in investments in seven new stores along with improvements in e-commerce, $3.8 million in information technology investments and $5.6 million in distribution equipment and the completion of a new distribution center for which the majority of the costs were incurred in calendar year 2006.

Net cash used in investing activities was $4.8 million and $2.4 million in the six months ended July 31, 2010 and the six months ended August 1, 2009, respectively. Capital expenditures in the six months ended July 31, 2010 were higher than capital expenditures in the six months ended August 1, 2009 due to investments in new stores, including the opening of six stores during the six months ended July 31, 2010 compared to only two stores during the six months ended August 1, 2009, and more stores under construction during the six months ended July 31, 2010.

Capital expenditures during fiscal year 2011 are expected to be between $12.0 million and $15.0 million, the substantial majority of which will be devoted to the opening of new stores and enhancements to the distribution center.

Net Cash Used in Financing Activities

Financing activities consist primarily of borrowings and repayments related to our term loan and revolving credit facility, as well as distributions to our shareholders and fees and expenses paid in connection with our credit facilities.

Net cash used in financing activities was $54.4 million in fiscal year 2010. This included $24.5 million in net repayments of borrowings under our credit facility, $4.3 million in repayments of vendor and related party debt and $25.6 million in distributions to our shareholders to fund tax liabilities due to our “S” Corporation status.

Net cash used in financing activities was $33.0 million in fiscal year 2009. This reflected net repayments of $7.6 million on our credit facility, $24.1 million of distributions to our shareholders to fund tax liabilities due to our “S” Corporation status and $1.0 million in expenses paid in connection with the credit facility.

Net cash used in financing activities was $7.6 million in calendar year 2007. The calendar year 2007 amount decreased due to a higher level of borrowings under our credit facility offset by distributions to shareholders.

Net cash used in financing activities was $17.2 million in the six months ended July 31, 2010, driven by $3.0 million in net borrowings under our credit facility and $20.2 million of distributions to our shareholders to fund tax liabilities due to our "S" Corporation status. In the six months ended August 1, 2009, net cash used in financing activities was $47.1 million primarily due to $36.5 million in net repayments of our credit facility, $4.3 million in repayments of vendor and related party debt and $6.3 million of shareholder distributions to fund tax liabilities.

Credit Facility

On November 26, 2008, we entered into a credit agreement, which provided for a revolving credit commitment of $60.0 million, due November 26, 2011, and a term commitment of $15 million, due in quarterly installments of $1.25 million which began on March 31, 2009. All of our borrowings under the credit agreement were collateralized by a first priority security interest in substantially all of our assets, including our intellectual property, and were guaranteed by our domestic subsidiaries.

The agreement required that we comply with quarterly financial covenants related to our consolidated net worth, leverage ratio and fixed charge coverage ratio. We complied with these covenants for all periods presented.

At the end of fiscal year 2010, we had borrowed $20 million as a revolving loan and $10 million as a term loan. Interest rates fluctuated based on LIBOR or Prime plus a spread ranging from 2.5% to 3.5%. The interest rates on our borrowings were 3.0% at January 30, 2010 and 3.5% at January 31, 2009.

On October 4, 2010, Vera Bradley Designs, Inc. (the "borrower"), our wholly-owned subsidiary, entered into an amended and restated credit agreement with JPMorgan Chase Bank, N.A., as administrative agent, that provides for a revolving credit commitment of $125.0 million. The credit agreement matures on October 3, 2015. All borrowings under the credit agreement are collateralized by a first priority security interest in substantially all personal property assets, including intellectual property, of ours, the borrower, and our domestic subsidiaries. The credit agreement is also guaranteed by us and our domestic subsidiaries. The credit agreement requires that the borrower comply with financial covenants related to its leverage ratio and fixed charge coverage ratio.

Under the credit agreement, interest rates fluctuate based on the LIBO rate, the Prime Rate and the Federal Funds Effective Rate plus 0.5%, in each case plus a spread tied to the borrower's leverage ratio ranging from 0.05% to 2.05%.

Approximately $31.8 million was used to repay our existing credit agreement and approximately $1.0 million was used to pay debt issuance costs, leaving $92.2 million available under the amended and restated credit agreement. The credit facility will be used for normal working capital purposes and to support continued expansion of our business. Immediately upon the completion of this offering, we expect to increase our outstanding borrowings by approximately $52.7 million to repay a portion of the notes issued to our existing shareholders in connection with the final "S" Corporation distribution.

Contractual Obligations

We enter into long term contractual obligations and commitments in the normal course of business, primarily debt obligations and non-cancellable operating leases. As of January 30, 2010, our contractual cash obligations over the next several periods are set forth below.

($ in thousands)	Payments Due by Period				
	Total	Less Than 1 Year	1 - 3 Years	3 - 5 Years	More Than 5 Years
Debt to financial institutions[1]	$ 30,000	$ 5,000	$ 25,000	—	—
Debt to others[2]	136	22	49	57	8
Operating Leases[3]	48,036	7,090	11,229	10,925	18,792
Purchase Obligations[4]	40,620	40,620	—	—	—
Total	$ 118,792	$ 52,732	$ 36,278	$ 10,982	$ 18,800

(1) As of January 30, 2010, we had the following principal amounts due under our syndicated credit agreement: $20,000,000 on our revolving loan due November 26, 2011 and $10,000,000 on our term loan due in quarterly installments of $1,250,000 that started on March 31, 2009. An estimated total interest amount of $1,355,833 based upon interest rates in effect on such indebtedness as of January 30, 2010 has been excluded. On October 4, 2010, we entered into an amended and restated credit agreement. See "—Liquidity and Capital Resources—Credit Facility."

(2) We entered into agreements with vendors for the financing of equipment at our warehouse facility. The amounts listed represent the outstanding balance to the vendors under these agreements.

(3) Our store leases generally have initial lease terms of 10 years and include renewal options upon substantially the same terms and conditions as the original leases.

(4) Purchase obligations consist primarily of inventory purchase orders.

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 GAAP requires management to make estimates and assumptions that affect the reported amounts of our assets, liabilities, revenues, and expenses, as well as the related disclosure of contingent assets and liabilities at the date of the financial statements. We evaluate our accounting policies, estimates and judgments on an on-going basis. We base our estimates and judgments on historical experience and various other factors that we believe to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions and conditions.

We evaluate the development and selection of our critical accounting policies and estimates and believe that the following involve a higher degree of judgment or complexity and are most significant to reporting our results of operations and financial position, and are therefore discussed as critical. The following critical accounting policies reflect the significant estimates and judgments used in the preparation of our consolidated financial statements. With respect to critical accounting policies, even a relatively minor variance between actual and expected experience can potentially have a materially favorable or unfavorable impact on subsequent results of operations. However, our historical results for the periods presented in the consolidated financial statements have not been materially impacted by such variances. More information on all of our significant accounting policies can be found in Note 2, "Summary of Significant Accounting Policies," to the consolidated financial statements.

Revenue Recognition

Revenues from the sale of our products are recognized upon customer receipt of the product when collection of relevant receivables is reasonably assured, pervasive evidence of an arrangement exists, the sales price is fixed and determinable and ownership and risk of loss have been transferred to the customer which, for e-commerce and Indirect

retailers, reflects an estimate of shipments that have not yet been received by the customer. The estimate of these shipments is based on shipping terms and historical delivery times. Significant changes in shipping terms or delivery times could materially impact our revenues in a given period.

We reserve for projected merchandise returns based on historical experience and various other assumptions that we believe to be reasonable. Merchandise returns are often resalable merchandise and in the Direct business are refunded by issuing the same payment tender of the original purchase and in the Indirect business the customer is issued a credit to its account to apply to outstanding invoices. Merchandise exchanges of the same product and price are not considered merchandise returns and, therefore, are not included in the population when calculating the sales returns reserve. Product returns are often resalable through our annual outlet sale or other channels. Additionally, we reserve for other potential product credits and for customer shipments not yet received. The total reserve for returns, customer shipments not yet received, and general credits was $1.9 million and $1.7 million at January 30, 2010 and January 31, 2009, respectively. This represents a net loss to operating income of $1.3 million and $1.1 million, respectively.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out (“FIFO”) method. Market is determined based on net realizable value which includes cost to dispose. Appropriate consideration is given to obsolescence, excess quantities, and other factors including the popularity of a pattern or product in evaluating net realizable value. We record adjustments to our inventories, which are reflected in cost of sales, if the cost of specific inventory items on hand exceeds the amount we expect to realize from the ultimate sale or disposal of the inventory. This adjustment calculation requires us to make assumptions and estimates, which are based on factors such as merchandise seasonality, historical trends, and estimated inventory levels, including sell-through of remaining units. Inventory reserves of $7.5 million and $5.3 million were recorded for these matters as of January 30, 2010 and January 31, 2009, respectively. Inventory reserves are primarily for estimated raw materials of discontinued patterns as we have the ability to move discontinued finished goods through a number of channels including the annual outlet sale, our outlet stores, and through liquidators as needed. Annually, at fiscal year end, we conduct a physical inventory as well as periodic cycle counts throughout the year.

Income Taxes

Historically, we have recognized income taxes as an “S” Corporation for federal income tax purposes. As such, with the exception of a limited number of state and local jurisdictions, we are not subject to income taxes. The shareholders of the company, and not the company itself, are subject to income tax on their distributive share of our earnings. We pay distributions to the shareholders to fund their tax obligations attributable to taxable income of our company. Upon completion of the offering, we will automatically convert to a “C” Corporation.

In July 2006, the Financial Accounting Standards Board (“FASB”) issued FASB Financial Interpretation (“FIN”) 48, “Accounting for Uncertainty in Income Taxes” (codified primarily in ASC 740), which clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with SFAS 109, “Accounting for Income Taxes” (codified primarily in ASC 740). ASC 740 provides that a tax benefit from an uncertain tax position may be recognized when it is more-likely-than-not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. Income tax positions must meet a more-likely-than-not recognition threshold at the effective date to be recognized upon the adoption of ASC 740 and in subsequent periods. This interpretation also provides guidance on measurement, derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

We adopted FIN 48 effective February 1, 2009. As a result of the implementation of FIN 48, we did not recognize any change in liability for income taxes.

Valuation of Long-lived Assets

Property and equipment assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. In evaluating an asset for recoverability, we estimate the future cash flow expected to result from the use of the asset at the store level, the lowest identifiable level of cash flow, if applicable.

If the sum of the estimated undiscounted future cash flows related to the asset is less than the carrying value, we recognize a loss equal to the difference between the carrying value and the fair value, usually determined by the estimated discounted cash flow analysis of the asset. Factors used in the valuation of long-lived assets include, but are not limited to, our plans for future operations, brand initiatives, recent operating results, and projected future cash flows. With respect to our stores, we analyze store economics, location within the shopping center, the size and shape of the space, and desirable co-tenancies in our selection process. Impairment charges are included in SG&A expenses.

The discounted cash flow models used to estimate the applicable fair values involve numerous estimates and assumptions that are highly subjective. Changes to these estimates and assumptions could materially impact the fair value estimates. The estimates and assumptions critical to the overall fair value estimates include: (1) estimated future cash flow generated at the store level; and (2) discount rates used to derive the present value factors used in determining the fair values. These and other estimates and assumptions are impacted by economic conditions and our expectations and may change in the future based on period-specific facts and circumstances. If economic conditions were to deteriorate, future impairment charges may be required.

Stock-Based Compensation

The restricted shares of our common stock granted under the 2010 Restricted Stock Plan were measured at fair value on July 30, 2010, the grant date. In the absence of a public trading market, we considered numerous objective and subjective factors, including information provided by an independent valuation firm, to determine our best estimate of the fair value of the restricted shares of our common stock on the grant date. Our estimate of this stock-based compensation is equivalent to the fair value of our common stock that is ultimately expected to vest. The stock-based compensation will be recognized as compensation expense over the requisite service period or upon an initial public offering event (such as the closing of this offering) if such event occurs prior to the completion of the service period.

Our estimate of pre-vesting forfeitures, or forfeiture rate, was based on our internal analysis, which included the award recipients' positions within the company and the short vesting period of the awards. As such, we estimated the forfeiture rate was zero, which resulted in the gross value of the awards to be recorded as stock-based compensation expense in our consolidated statements of income. We will reassess the forfeiture rate assumption in future periods.

Determination of the Fair Value of Common Stock on Grant Date

We are a private company with no active public market for our common stock. Therefore, we have determined the estimated per share fair value of our common stock as of July 30, 2010 using a contemporaneous valuation consistent with the American Institute of Certified Public Accountants Practice Aid, "Valuation of Privately-Held Company Equity Securities Issued as Compensation" (the "Practice Aid"). In conducting this valuation, we considered all objective and subjective factors that we believed to be relevant, including our best estimate of our business condition, prospects and operating performance at July 30, 2010. Within this contemporaneous valuation performed by us, a range of factors, assumptions and methodologies were used. The significant factors included:

- the fact that we are a private retail company with illiquid securities;
- our historical operating results;
- our discounted future cash flows, based on our projected operating results;
- valuations of comparable public companies; and
- condition of and outlook for the handbag, accessories and luggage industries.

After considering the information presented by our management, our board of directors rendered its final fair value determination.

Common Stock Valuation Methodologies

For the contemporaneous valuation of our common stock, management estimated, as of July 30, 2010, the valuation date, our enterprise value on a continuing operations basis, primarily using the income and market approaches, which are both acceptable valuation methods in accordance with the Practice Aid. The income approach utilized the discounted cash flow ("DCF") methodology based on our financial forecasts and projections, as detailed below. The market approach utilized the market multiple methodology based on comparable public companies' equity pricing, as detailed below.

For the DCF methodology, we prepared detailed annual projections of future cash flows through 2024, which we refer to as the "discrete projection period." The value of the cash flows beyond the discrete projection period was derived by applying a capitalized earnings approach, in which such cash flows are assumed to grow at a constant annual long-term growth rate and in which the terminal-year cash flow is capitalized at a rate equal to the estimated discount rate less the estimated constant annual long-term growth rate. Our projections of future cash flows were based on our estimated net debt-free cash flows and were discounted to the valuation date at an estimate of our weighted average cost of capital.

For the market multiple methodology, we determined, as of the valuation date, a range of trading multiples for a group of comparable public companies, based on trailing 12 months adjusted earnings before interest, taxes, depreciation and amortization ("EBITDA") and adjusted earnings before interest and taxes ("EBIT") and projected future EBITDA and EBIT. These multiples were then applied to our actual trailing 12 months adjusted EBITDA and EBIT and projected EBITDA and EBIT as of the valuation date. When selecting comparable companies, consideration was given to industry similarity, their specific products offered, financial data availability and capital structure.

We believe that the procedures employed in the DCF and market multiple methodologies are reasonable and consistent with the Practice Aid.

Post-IPO Equity and Incentive Grants

Following the completion of this offering, we anticipate awarding an aggregate of approximately 60,000 restricted stock units to our employees. The restricted stock units will be granted under the 2010 Plan, will vest on the second anniversary of the grant date, and will be subject to forfeiture during the vesting period if an employee is no longer employed by us.

Recently Issued Accounting Pronouncements

In July 2009, the FASB released the authoritative version of the FASB Accounting Standards Codification ("FASB ASC") as the single source of authoritative nongovernmental U.S. GAAP. The FASB ASC supersedes all existing accounting standard documents recognized by the FASB. All other accounting literature not included in the FASB ASC is considered non-authoritative. The FASB ASC is effective for fiscal years and interim periods ended after September 15, 2009. The adoption of the FASB ASC had no impact on our consolidated financial position, statements of income or cash flows.

In March 2008, the FASB issued a statement which requires disclosures of how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for and how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. The statement is effective for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. We adopted this statement as of February 1, 2009.

In May 2009, the FASB issued guidance which defines and establishes the period after the balance sheet date during which management of a reporting entity evaluates transactions and events for potential disclosure in the financial statements in addition to disclosing the date through which such events have been evaluated. The guidance was effective for financial statements issued for fiscal years and interim periods ended after June 15, 2009 and was applied prospectively. The adoption of this guidance did not have a material impact on our consolidated financial position, statement of income or cash flows. We have evaluated subsequent events through June 1, 2010, which is the date on which our financial statements for fiscal year 2010 were available to be issued.

Quantitative and Qualitative Disclosure of Market Risks

Interest Rate Risk

We are subject to interest rate risk in connection with borrowings under our credit facilities, which bear interest at variable rates.

From time to time, we utilize interest rate swaps to economically hedge our interest rate risk. These swaps are not designated as hedges for accounting purposes. We entered into two interest rate swap agreements in fiscal year 2010, swapping the variable LIBOR-based interest rate on our existing credit facility with a fixed rate ranging from .79% to 1.20%. We had marked these swaps to market, resulting in a liability of $89,000 at January 30, 2010. We had no open derivative instruments at January 31, 2009. The open interest rate swap agreements cover an aggregate notional amount of $20 million, $10 million of which expires on February 2, 2011 and $10 million of which expired on February 2, 2010. As of January 30, 2010, a 1% change in interest rates would have resulted in an approximate incremental $109,000 gain or loss related to this arrangement.

Impact of Inflation

Our results of operations and financial condition are presented based on historical cost. While it is difficult to accurately measure the impact of inflation due to the imprecise nature of the estimates required, we believe the effects of inflation, if any, on our results of operations and financial condition have been immaterial.

Foreign Exchange Rate Risk

We source a substantial majority of our materials from various suppliers in China and South Korea. Substantially all purchases and sales involving foreign persons are denominated in U.S. dollars and therefore we do not hedge using any derivative instruments. Historically, we have not been impacted materially by changes in exchange rates.

BUSINESS

Our Company

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

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

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

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

Reorganization Transaction and Stock Split

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

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

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

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

We were incorporated in Indiana on June 23, 2010. Our predecessor, Vera Bradley Designs, Inc., was incorporated in Indiana on November 15, 1982.

Our History

Barbara Bradley Baekgaard and Patricia Miller founded the company in 1982 in Fort Wayne, Indiana, after recognizing a lack of stylish travel accessories in the market. Within weeks, the friends created Vera Bradley, named after Barbara's mother, and began manufacturing and marketing their distinctive products. The founders, together with the executive management team, have been instrumental in our growth and success. The following sets forth a summary of significant milestones in Vera Bradley's history:

1982 – Barbara Bradley Baekgaard and Patricia Miller launched Vera Bradley by introducing three products: the handbag, the sports bag and the duffel bag.

1987 – We relocated to our current headquarters in Fort Wayne, Indiana. Ernst & Young honored our Co-Founders with an "Entrepreneur of the Year" award.

1991 – To accommodate the increasing number of attendees, we relocated our annual outlet sale from a tent in our parking lot to its present location at the Allen County Memorial Coliseum in Fort Wayne, Indiana.

1998 – We founded our primary philanthropy, the Vera Bradley Foundation for Breast Cancer.

1999 – Our products were being sold in all 50 states through Indirect retailers.

2005 – We launched the Vera Bradley Visual Merchandising Program, providing retailers a framework for presenting the brand and merchandising our products in a consistent manner. In addition, we launched a series of strategic initiatives to build a foundation for future growth.

2006 – We launched our e-commerce business through our website, verabradley.com.

2007 – We opened a state-of-the-art warehouse and distribution facility in Fort Wayne, Indiana. In mid-September, we also opened our first store at the Natick Collection, in greater Boston, and opened six additional stores later in the year.

2008 – We transitioned from using an independent sales force to a sales force comprised entirely of in-house, full-time employees. We opened fourteen additional stores.

2009 – We opened five additional stores and, in early November, we opened our first outlet store at Chicago Premium Outlets in Aurora, Illinois.

2010 – We opened a design office in New York City. As of July 31, 2010, we have opened five additional stores and a second outlet store.

As of July 31, 2010, we sold our products through more than 3,300 Indirect retailers and 33 stores. In addition, we had more than 23 million visits to verabradley.com in fiscal year 2010 and attracted more than 65,000 attendees to our 2010 annual outlet sale.

The passion for design and customer service established by our founders, Barbara Bradley Baekgaard and Patricia R. Miller, has driven our growth over the past 28 years and remains the cornerstone of Vera Bradley today. As Chief Creative Officer, Ms. Bradley Baekgaard continues to play a role in the team responsible for our day-to-day creative functions, including product development and store design. As our National Spokesperson, Ms. Miller continues to play a role representing the brand at events, business and community functions and philanthropic activities.

We place a strong emphasis on social responsibility, developed from the core beliefs of our founders. In 1998, we founded our primary philanthropy, the Vera Bradley Foundation for Breast Cancer, which historically has received support from the sale of certain Vera Bradley "pink" handbags, luggage and accessories. To date, the Vera Bradley Foundation has contributed $10 million to breast cancer research.

Evolution of Our Business

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

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

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

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

Our Brand

Over 28 years, we have created, developed and solidified a true lifestyle brand that resonates with a broad range of female consumers. Our brand vision is accessible luxury that inspires a casual, fun and family-oriented lifestyle. Actual employees, family and friends are often depicted throughout our advertising in fun, friendly and family-oriented settings, accentuating our brand image in an authentic manner. Our visual merchandising strategy, particularly in our full-price stores, seeks to create the feeling of home. We believe that our lifestyle brand is well positioned to extend into complementary product categories. The strength of our brand is demonstrated during our annual outlet sale in Fort Wayne, Indiana, a sales event that attracts tens of thousands of highly enthusiastic shoppers from across the country each year.

We have positioned our brand to highlight the high quality, distinctive and vibrant styling and functional design of our products. At the same time, our frequent releases of new patterns and styles keep the brand fresh, inspire our customers to express their individuality and sense of style in a colorful way and encourage multiple purchases. We also provide consumers a consistently fresh set of patterns, styles and products to choose from that fit with different ages, wardrobes, seasons and personalities.

We also offer a broad assortment of products that meet our customers' different functional needs, including: handbags such as purses, totes and specialty bags; accessories such as wallets, ID cases and eyewear; and travel and leisure items such as weekend bags, duffel bags and garment bags. We believe this combination of patterns, styles and products allows us to appeal to teens, young women, mothers and grandmothers. Although our customers draw from a broad range of demographic segments, our market research has shown that they generally have a common attitude toward the brand: Vera Bradley is a colorful way of allowing them to express their individuality and sense of style.

Industry Overview

Mintel, a provider of research in the apparel and accessories industry, published a report in May 2009 discussing the U.S. handbag industry. Mintel defines "handbags" as any type of bag or satchel that is capable of being carried either by

hand or over the shoulder. According to the Mintel study, the industry has grown at a compound annual growth rate of approximately 4.2% since 2004 and is expected to generate over $6.7 billion in sales during 2010.

The Mintel study found that female consumers view handbags as essential accessories and many purchase handbags to fit different outfits or occasions in their lives. Due to the consumer's continually evolving collection of handbags, the average number of handbags owned by a survey sample of 1,020 women over 18 years of age was 9.8 as of February 2009. Young adults (18-24 year old) are a growing consumer segment in the handbag industry and purchase, on average, 2.3 handbags on an annual basis, more than any other age bracket. The 25-34 year old sub-segment of this population is expected to grow 13.3% between 2009 and 2014, which should further drive increased demand in the industry. The 35-44 year old category reported the second highest frequency of purchases with, on average, 2.1 handbags purchased per year.

Brick-and-mortar stores currently account for a significant portion of the distribution in the handbag market. However, the online marketplace is becoming an increasingly popular venue for handbag sales. It has become more important to women to research product specifications and pricing in advance. There is also a growing trend of consumers using social networking sites to share product knowledge and recommendations of different brands. Nonetheless, we believe consumers continue to frequent retail stores to see and touch the product and because they find shopping for handbags in retail stores an entertaining activity.

Both the fashion accessories and luggage markets are large and highly fragmented. Packaged Facts, a leading publisher of market research in the consumer products industry, published a report in January 2009 estimating the market for fashion accessories to be approximately $16.3 billion in 2008. The accessories market is particularly broad, encompassing products such as belts, scarves, leather goods and gloves. IBISWorld, a provider of market research, estimated in a January 2010 report that the current luggage market is approximately $1.7 billion.

We have a small but growing assortment of products in the fashion accessories and luggage markets and believe there is an opportunity for Vera Bradley to capture additional market share as we leverage our strong brand appeal to expand into additional product categories.

Competitive Strengths

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

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

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

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

Dynamic Multi-Channel Distribution Model. We offer our products through a diverse choice of shopping options across channels that are intimate, highly shop-able, fun and characteristic of our brand. Whether at a Vera Bradley store, an independent specialty retail store or verabradley.com, we believe consumers have an opportunity to find the brand in places

that match their unique shopping interests. Our multi-channel distribution model enables us to maximize brand exposure and customer access to our products.

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

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

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

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

Growth Strategies

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

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

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

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

Expand Our Product Offerings. We design products to "accessorize a woman's life" and believe this core competence serves as a platform for growth within and beyond our current product lines. We have expanded our product

offerings to include new line extensions, such as our “Vera Vera” microfiber collection, and brand extensions, such as our recently launched paper and stationery collection. We believe that opportunities exist to “accessorize a woman’s life” through complementary product collections that fit within our positioning as a lifestyle brand.

Our Product Release Strategy

We introduce new patterns seasonally, four times per year. Within each season, we generally introduce three to five patterns. These patterns are incorporated into the designs of a wide range of products, including handbags, accessories and travel and leisure items, that are part of the core seasonal release. These products, which constitute our “Signature Collection” each season, can be classic styles, updates to older designs or new product introductions.

After each seasonal launch, we release additional new collections, typically once per month throughout the season. These collections often utilize or are inspired by that season’s patterns (e.g., the paper and gift collection in a new pattern), but a few of our releases are separate from the Signature Collection (e.g., the Vera Vera collection in solid colors).

We have increased the number of patterns per Signature release as well as the frequency of subsequent releases over time and believe that the assortment, breadth and cadence allow us to reach a broader range of consumer demographics and needs. We believe this keeps consumers continually engaged with our brand and repeatedly shopping at our points of distribution. In addition, we believe this approach allows us to minimize the risk associated with a single pattern not performing to our expectations. In order to keep our assortment current and fresh and to focus our inventory investments on our best performers, we discontinue patterns from time to time. We sell our remaining inventory of discontinued products at our annual outlet sale and through our outlet stores.

Our Products

The chart below presents net revenues generated by each of our three product categories and other revenues during the periods indicated as a percentage of our net revenues.

	Year Ended	Fiscal Years Ended		Six Months Ended
	December 31, 2007[1]	January 30, 2009	January 31, 2010	July 31, 2010
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Handbags	50.6%	54.3%	52.4%	51.9%
Accessories	29.3%	32.0%	31.7%	31.8%
Travel and Leisure Items	8.6%	9.9%	11.1%	10.2%
Other[2]	11.5%	3.8%	4.8%	6.1%
Total	100%	100.0%	100.0%	100.0%

(1) In January 2008, we changed our fiscal year end from December 31 to the Saturday closest to January 31.
(2) Primarily includes merchandising, freight, promotional products and licensing revenues.

Handbags. Handbags are a core part of our product offerings and are the primary component of every Signature collection. The category consists of classic and new styles developed by our product development team to meet consumer demand and drive repeat purchases. Our handbag product category extends beyond handbags to include totes and specialty bags such as baby bags, backpacks and laptop portfolios. Handbags play a prominent role in our visual merchandising and we focus on showcasing the different patterns, colors and features of each bag. Our handbags are generally priced between $25 and $125.

Accessories. Accessories, our second largest revenues category, includes fashion accessories such as wallets, ID cases, eyeglass cases, cosmetics, paper and gift products and eyewear. Accessories are attractively priced, generally

between $10 and $35, and allow the consumer to include some color in her wardrobe, even if tucked into another bag. Our product development team is consistently updating the accessories assortment based on consumer demand and fashion trends.

Travel and Leisure Items. Our travel and leisure product category includes duffel bags, garment bags and travel accessories, such as travel cosmetic cases. The first Vera Bradley product offering included duffel bags, which have consistently been a strong performer. We believe their popularity, as well as the appeal of our other travel and leisure items, results from our vibrant designs, functional styles and lightweight fabrications. Our travel and leisure prices generally range from $15 travel accessories to $130 soft luggage.

Product Development

We have implemented a fully integrated and cross-functional product development process that aligns design, market research, merchandise management, sales, marketing and sourcing. Product development is a core capability that makes our products unique and provides us with a competitive advantage. Our designs and aesthetics set our products apart and drive customer loyalty. Our product development team mixes an understanding of the needs of our target customers with knowledge of upcoming color and fashion trends to design new collections as well as new product categories that will resonate in the market.

We begin the development stage of our products in the Vera Bradley portfolio 12-18 months in advance of their release. The development of each new pattern includes the design of an overall print, a complementary fabric backing and three sizes of coordinating trim materials. To seek fresh perspectives, we collaborate with independent designers to create unique patterns for each season. We oversee the development and exercise the final approval of all patterns and designs. Once developed, we copyright each pattern, including the print, fabric backing and coordinating trim. We believe that great design is not only central to our product development efforts, but also is a fundamental part of our brand development and growth strategies. In the past several years, we have made investments to evolve and integrate our product development expertise, including opening a design office in New York City.

Our product development team works to ensure that new collections contain an assortment of products and styles that are in line with both fashion trends and customer needs and regularly updates classic styles to enhance functionality. In addition, we actively pursue opportunities to expand our product offerings through new line and brand extensions. Our product development team monitors fashion trends and customer needs by attending major trend shows in Europe and the U.S., subscribing to trend monitoring services and engaging in comparison shopping.

Our product development team is also responsible for assortment planning, pricing, forecasting, promotional development and product lifecycle management. Forecasting is based on seasonal market research and in-store testing. We gather seasonal market research through a variety of methodologies, including scheduled interviews and on-line and in-person surveys. We conduct seasonal in-store testing by releasing test products in our full-price stores and evaluating their success in the marketplace prior to product introduction on a larger scale. The team assures that we offer a broad range of patterns, fabrics, styles and functionality features in a cost-effective manner. We believe that, with our cross-functional, collaborative approach, we are able to introduce and sell our merchandise in a way that clearly communicates the Vera Bradley brand and the Vera Bradley lifestyle.

Marketing

We believe that the growth of our brand and our business is influenced by our ability to introduce and sell our merchandise in a way that clearly conveys the Vera Bradley lifestyle. We use marketing and advertising as critical tools in our efforts to promote our brand. As of July 31, 2010, we employed 26 in-house marketing personnel and contracted for additional outside support.

Catalogs and Collateral. The seasonal Vera Bradley catalog is a key vehicle for the brand and our product portfolio. Each season’s catalog is sent to a targeted customer mailing list. In addition to the catalog, we produce a number of other marketing pieces, or “collateral,” including postcards, gift guides, in-store signage and release-focused mailers. Catalogs and

collateral provide consumers with a powerful visual representation of both the products and lifestyle images embodied by the Vera Bradley brand. We believe that Vera Bradley's catalogs and other mailed collateral generate excitement and awareness about the brand and seasonal introductions and allow us to reach both new and loyal customers in their homes.

Advertising. We employ print and outdoor advertising to increase overall brand awareness. Our advertisements are primarily placed in national magazines that have a readership similar to our target demographics. These publications have recently included Seventeen, InStyle, O the Oprah Magazine and Real Simple. We continually assess our advertising strategies and tactics.

Public Relations and Product Placement. Vera Bradley has received considerable exposure in the press, including in publications such as InStyle, O the Oprah Magazine, Good Housekeeping, Coastal Living and The New York Times. In addition, we have expanded our marketing efforts to promote product placement in feature-length films and on prime-time television shows such as Desperate Housewives, Brothers and Sisters, Entourage and Modern Family.

Social Media and Online Marketing. In recent years, we have greatly increased traffic to verabradley.com and have increased awareness of our brand through online marketing and social networking sites. We have captured more than 900,000 customer email addresses in our online customer file, with many of these customers providing age, occupation and location data. This captured information provides us with deeper insight into the products and categories that are in the highest demand and allows us to better target our customers with appropriate messages. As of July 31, 2010, we had over 250,000 Facebook fans and a growing number of Twitter followers. We believe these media not only connect us with our fans, but also allow us to target them through cross-channel marketing.

Channels of Distribution

We distribute our merchandise through Indirect and Direct channels. This multi-channel distribution model not only enables us to have operational flexibility, but also maximizes the methods by which we can access potential customers.

Indirect Channel. As of July 31, 2010, we had approximately 3,300 Indirect retailers, the majority of which are independent retailers with whom we have long-standing relationships. In calendar year 2007, fiscal year 2009 and fiscal year 2010, our Indirect channel generated net revenues of $243.4 million, $167.5 million and $192.8 million, respectively, or, as a percentage of net revenues, 86.6%, 70.2% and 66.7%, respectively. Indirect retailers are primarily gift, apparel and accessories, travel or other specialty retailers. No single account represented more than 2.0% of total Indirect net revenues in fiscal year 2010, with the top ten accounts representing less than 10.0% of total net revenues. The majority of our Indirect retailers have been customers for over five years.

Direct Channel

Full-Price Stores. We have developed a retail presence through our full-price stores, all located in the U.S., which provides us with a format to showcase the image and products of Vera Bradley. We expect our full-price stores to average approximately 1,800 square feet per store. Our stores are designed to create a feeling of home with a high standard of visual merchandising. The welcoming nature of our full-price stores provides our customers with a comfortable shopping experience in a setting that showcases our merchandise and conveys the Vera Bradley lifestyle. Our sales associates are passionate about our products and customer service, which, we believe, translates into a superior shopping experience.

E-Commerce. In 2006, we began selling our products through the verabradley.com website. The objective of verabradley.com is to provide both a mechanism for marketing directly to consumers and a storefront where consumers can find the entire Vera Bradley collection. In fiscal year 2010, we invested in upgrades to our website, which enables us to provide customized shopping experiences tailored to each online shopper and allows better integration with third-party sites such as Facebook.com. We believe the enhanced functionality allows us to provide a superior experience to our e-commerce customers. In fiscal year 2010, we had over 23 million visits to verabradley.com.

Outlet Stores. As of July 31, 2010, we operated two outlet stores, located in Aurora, Illinois and Wrentham, Massachusetts. Our outlet stores are a vehicle for selling discontinued merchandise at discounted prices while maintaining

brand identity. No products are designed specifically for the outlet stores. We believe our outlet stores are an integral part of our distribution strategy as this format provides an additional channel of distribution for our products and enables us to better target value-oriented customers.

Annual Outlet Sale. For the last ten years, our annual outlet sale has been held in the Memorial Coliseum Exposition Center in Fort Wayne, Indiana. The annual outlet sale is an important tradition for Vera Bradley, has many loyal followers and is an opportunity for us to sell our discontinued merchandise at discounted prices in a brand-right fashion. We attracted more than 65,000 attendees to our 2010 annual outlet sale.

Indirect Sales Consultants

Historically, we worked with independent sales consultants who were not our employees, but most of whom worked exclusively for us. In October 2007, we began transitioning our sales force in-house. We believe that having an in-house sales force results in more consistent brand presentation and messaging, enhanced support for our Indirect retailers and a more predictable, scalable and cost-efficient model. As of July 31, 2010, our sales team consisted of 87 in-house, full-time sales consultants. The compensation structure for our sales consultants consists of a combination of fixed pay and sales-based incentives.

In addition to acquiring new and growing existing accounts, our sales consultants serve as a support center for our Indirect retailers by assisting and educating them in areas such as merchandising and visual presentation, marketing of the brand, product selection and inventory management. Our sales consultants also participate in our semi-annual product introduction and education event for our Indirect retailers. Our visual merchandising program provides our sales consultants with a framework to guide our Indirect retailers regarding optimal product placement and display that is intended to reinforce the message that our brand is distinct from those of our competitors.

Our Stores

As of July 31, 2010, we operated 31 full-price stores in 21 states throughout the U.S. We believe there is a significant opportunity to grow our store base as we believe the market in the U.S. can support at least 300 Vera Bradley full-price stores.

Based on the success of our first outlet store opened in fiscal year 2010, the number of attractive outlet centers in the U.S. and the growing popularity of outlet shopping among consumers, we believe the U.S. has capacity to support additional Vera Bradley outlet stores. In future years, we will assess the feasibility and attractiveness of designing products and lines exclusively for the outlet channel.

We plan to open nine full-price stores and three outlet stores over the course of fiscal year 2011. We plan to open 14 to 16 new stores over the course of fiscal year 2012 and 14 to 20 new stores annually for the following five fiscal years.

Store Location Selection Strategy

Our store location decisions are made case by case, depending on the combined retail strategy we have developed for the particular market. This includes actual and planned penetration in both Indirect and Direct segments, as well as existing e-commerce demand. At this time we do not believe any market has been fully penetrated, and therefore, expansion of our Direct segment should positively affect our Indirect segment. We believe that expansion of our store base complements our Indirect segment by increasing brand awareness and reinforcing our brand image. In addition to store economics, we pay particular attention to the location within the shopping center, the size and shape of the space, and desirable co-tenancies. Along with co-tenants that we believe share our target customer, we seek a balanced mix of moderate and high-end retailers to encourage high levels of traffic. Our target full-price store size is 1,800 square feet, but we are comfortable with spaces as small as 1,000 square feet or, depending on our market strategy and relevant economic factors, spaces as large as 2,800 square feet.

Store Locations

Our full-price stores are located primarily in high-traffic regional malls, lifestyle centers and mixed-use shopping centers across the U.S. The following table shows the number of full-price stores we operated in each state as of July 31, 2010:

State	Total Number of Stores	State	Total Number of Stores
Alabama	1	Michigan	1
California	4	New Jersey	2
Colorado	1	New York	1
Florida	2	Ohio	1
Georgia	1	Rhode Island	1
Hawaii	1	Tennessee	1
Illinois	2	Texas	3
Indiana	1	Virginia	1
Kansas	1	Washington	1
Maryland	1	Wisconsin	1
Massachusetts	3		

In addition, as of July 31, 2010, we had one outlet store located in Illinois and another in Massachusetts.

Store Operations

The focus of our store operations is providing consumers with a comfortable shopping experience. We strive to make the experience interactive through special store events, such as events showcasing newly launched products or celebrating our namesake's birthday. Our customer service philosophy emphasizes friendly service, merchandise knowledge and passion for the brand. Consequently, an essential requirement for the success of our stores is our ability to attract, train and retain talented, highly-motivated district managers, store managers and sales associates. Our district and store managers are our primary link to the consumer and we continually invest in their development.

Store Economics

We believe that our innovative retail concept and distinctive retail experience contribute to the success of our stores, most of which generate strong productivity and returns. We expect our full-price stores to average approximately 1,800 square feet per store and we expect to invest approximately $0.4 million per new store, consisting of inventory costs, pre-opening costs and build-out costs less tenant allowances. New full-price stores generate on average between $1.1 million and $1.3 million in net revenues during the first twelve months and the payback on our investment is expected to occur in less than 18 months. Typically, we have found that, as a new store becomes better integrated into its community and brand awareness grows, the store's productivity tends to improve as measured by comparable-store sales, but we cannot assure you that full-price stores opened in the future will generate similar net revenues in the first twelve months or pay back our investment in a similar period.

Manufacturing and Supply Chain Model

Our manufacturing and supply chain model is designed to maximize flexibility in order to meet shifting demands in the market. Our model utilizes offshore suppliers and a blend of offshore and domestic manufacturers. We place a strong emphasis on continuous improvement of the model and have employed lean manufacturing concepts. Our broad-based multi-country manufacturing and supply chain model is designed to achieve efficient, timely and accurate order fulfillment while maintaining appropriate levels of inventory.

Our sourcing strategy is part of the larger cross-functional product development process. The overall objective for our sourcing team is to build and sustain collaborative partnerships throughout our supply chain. The sourcing team leverages their expertise in negotiation, relationship management and change management to maintain a strong global supply chain.

The majority of our products are cotton-based. Our other products are made from specialty fabrics (including nylon and microfiber) and paper. We source our materials from various suppliers in Asia, with the majority coming from China and South Korea. Our global supply chain and purchasing teams work together to select suppliers that enable us to optimize the mix of cost, lead time, quality and reliability within our global supply network. All of our suppliers must comply with our quality standards, and we only use a limited number of pre-approved suppliers who have demonstrated a commitment to delivering the highest quality products. In December 2008, we opened an office in Dongguan, China, which enables us to increase our control over the manufacturing and supply chain process and monitor compliance with our quality standards.

A significant majority of our finished goods products are manufactured externally overseas. These products are made by a variety of global manufacturers located primarily in China. We are not dependent upon any single manufacturer for our products. When determining the size of orders placed with our manufacturers, we take into account forward-looking demand, lead times for specific products, current inventory levels and minimum order quantity requirements. Overseas production has resulted in substantial cost savings and reduction of capital investment. With the oversight of our office in China and our independent contractors, we believe these financial benefits have been realized without sacrificing the level of quality inherent in our products or service to our customers.

The remainder of our products are manufactured in the U.S. to provide flexibility in our supply chain. This production, almost all of which is internal to Vera Bradley, enables us to manufacture a finished product in as quickly as two weeks. This allows us to rapidly manufacture appropriate quantities of finished product to respond quickly to shifts in marketplace demand and changes in consumer preferences. In fiscal year 2010, approximately 10% of our units were produced in our domestic manufacturing facility.

Distribution Center

In 2007, we consolidated our warehousing and shipping functions into one 200,000 square foot distribution center, located in Roanoke, Indiana. This highly automated, computerized facility allows Vera Bradley employees to receive information directly from the order collection center and quickly identify the products and quantity necessary for a particular order. In addition, we employ a warehouse control system that controls the flow of our products through 5,000 feet of automated conveyer. The facility's advanced technology enables us to more accurately process and pack orders, as well as track shipments and inventory. We believe that our systems for the processing and shipment of orders from our distribution center have enabled us to improve our overall customer service through enhanced order accuracy and reduced turnaround time.

We strive to maintain the appropriate balance of inventory to enable us to provide a high level of service to our customers, including prompt and accurate delivery of our products. We have an active sales and operations planning process that helps us balance the supply and demand issues that we encounter in our business, optimize our inventory levels and anticipate inventory needs.

Our products are primarily shipped via FedEx and common carriers to our stores, our Indirect retailers and directly to our customers who purchase through our website. We believe we are positioned well to support the order fulfillment requirements of our growing business, including business generated through our website.

Management Information Systems

We believe that high levels of automation and technology are essential to maintain our competitive position. We maintain computer hardware, systems applications and networks to enhance and accelerate the design process, to support the sale and distribution of our products to our customers and to improve the integration and efficiency of our operations. Our management information systems are designed to provide, among other things, comprehensive order processing, production, accounting and management information for the product development, retail, sales, marketing, manufacturing, distribution, finance and human resources functions of our business. We use several specialized systems, including micros Retail, SAP and ILS, for our information technology requirements.

Competition

We face strong competition in each of the product lines and markets in which we compete. We believe that all our of products are in similar competitive positions with respect to the number of competitors they face and the level of competition within each product line. Due to the number of different products we offer, it is not practicable for us to quantify the number of competitors we face. Our products compete with other branded products within their product categories and with private label products sold by retailers. In our Indirect business, we compete with numerous manufacturers, importers and distributors of handbags, accessories and other products for the limited space available for the display of such products to the consumer. Moreover, the general availability of contract manufacturing allows new entrants access to the markets in which we compete, which may increase the number of competitors and adversely affect our competitive position and our business. In our Direct business, we compete against other gift and specialty retailers, department stores, catalog retailers and Internet businesses that engage in the retail sale of similar products.

The market for handbags, in particular, is highly competitive. Our competitors include established companies who are expanding their production and marketing of handbags as well as from frequent new entrants to the market. We directly compete with wholesalers and direct sellers of branded handbags and accessories, such as Coach, Nine West, Liz Claiborne and Dooney & Bourke.

In varying degrees, depending on the product category involved, we compete on the basis of design (aesthetic appeal), quality (construction), function, price point, distribution and brand positioning. We believe that our primary competitive advantages are consumer recognition of our brand, customer loyalty, product development expertise and our widespread presence through our multi-channel distribution model. Some of our competitors have achieved significant recognition for their brand names or have substantially greater financial, distribution, marketing and other resources than we do. Further, we may face new competitors and increased competition from existing competitors as we expand into new markets and increase our presence in existing markets.

Copyrights and Trademarks

The development of each new pattern includes the design of an overall print, a complementary fabric backing and three sizes of coordinating trim materials. Once developed, we copyright each pattern, including the print, fabric backing and coordinating trim. We currently have in excess of 300 copyrights.

We also own all of the material trademark rights used in connection with the production, marketing and distribution of all of our products, both in the U.S. and in the other countries in which our products are principally sold. Our trademarks include “Vera Bradley.” We aggressively police our trademarks and copyrights and pursue infringers both domestically and internationally. We also pursue counterfeiters domestically and internationally through leads generated internally, as well as through external sources monitoring use in the market. Our trademarks will remain in existence for as long as we continue to use and renew them on their expiration date. We have no material patents.

Employees

As of July 31, 2010, we had 1,213 employees. Of the total, 428 were engaged in retail selling and retail administration positions, 246 were engaged in manufacturing functions, 25 were engaged in product design and 357 were engaged in corporate support and administrative functions. The remaining employees were engaged in other aspects of our business. None of our employees is represented by a union. We believe that our relations with our employees are good, and we have never encountered a strike or significant work stoppage.

Government Regulation

Many of our imported products are subject to existing or potential duties, tariffs or quotas that may limit the quantity of products that we may import into the U.S. and other countries or impact the cost of such products. To date, we have not been

restricted by quotas in the operation of our business, and customs duties have not comprised a material portion of the total cost of a majority of our products. In addition, we are subject to foreign governmental regulation and trade restrictions, including U.S. retaliation against prohibited foreign practices, with respect to our product sourcing and international sales operations.

Legal Proceedings

We are involved in various routine legal proceedings as both plaintiff and defendant incident to the ordinary course of our business. In the ordinary course, we are involved in the policing of our intellectual property rights. As part of our policing program, from time to time we file lawsuits in the U.S. and abroad alleging acts of trademark counterfeiting, trademark infringement, trademark dilution and ancillary and pendent state and foreign law claims. These actions often result in seizure of counterfeit merchandise and negotiated settlements with defendants. Defendants sometimes raise as affirmative defenses, or as counterclaims, the invalidity or unenforcability of our proprietary rights. We believe that the outcome of all pending legal proceedings in the aggregate will not have a material adverse effect on our business or financial condition.

Properties

The following table sets forth the location, use and size of our manufacturing, distribution and corporate facilities as of July 31, 2010. The leases on the leased properties expire at various times through 2015, subject to renewal options.

Location	Primary Use	Square Footage	Leased /Owne
2208 Production Road, Fort Wayne, Indiana	Corporate headquarters	27,287	Leased*
11222 Stonebridge Road, Roanoke, Indiana	Warehouse and distribution	217,320	Owned
5620 Industrial Road, Fort Wayne, Indiana	Support staff	66,866	Leased
2808 Adams Center Road, Fort Wayne, Indiana	Sewing and quilting	125,356	Leased
750 5th Avenue, 16th Floor, New York, New York	Product design and showroom	2,968	Leased
Huaki Plaza, Room 1301 Huaki Building, Shenghe Road, Nancheng District, Dongguan City	China office	886	Leased
240 Peachtree Street NW, Atlanta, Georgia	Showroom	5,172	Leased

* This property is owned by Milburn, LLC, a leasing company in which Barbara Bradley Baekgaard owns a 50% interest and Patricia R. Miller and P. Michael Miller each own a 25% interest. See “Certain Relationships and Related Party Transactions.”

As of July 31, 2010, we also leased 33 store locations in the U.S. We consider these properties to be in good condition generally and believe that our facilities are adequate for our operations and provide sufficient capacity to meet our anticipated requirements.

MANAGEMENT

Executive Officers and Directors

The following table sets forth certain information concerning each of our executive officers and directors:

Name	Age	Position(s)
Robert J. Hall	51	Chairman of the Board
Michael C. Ray	49	Chief Executive Officer and Director
Barbara Bradley Baekgaard	71	Co-Founder, Chief Creative Officer and Director
Patricia R. Miller	72	Co-Founder, National Spokesperson and Director
Jeffrey A. Blade	49	Executive Vice President — Chief Financial and Administrative Officer and Secretary
Kimberly F. Colby	48	Executive Vice President — Design
C. Roddy Mann	41	Executive Vice President — Strategy & Business Development
Jill A. Nichols	49	Executive Vice President — Philanthropy and Community Relations
Matthew C. Wojewuczki	40	Executive Vice President — Operations
David O. Thompson	46	Vice President — Direct Sales
P. Michael Miller	72	Director
John E. Kyees	63	Director
Edward M. Schmults	48	Director

Robert J. Hall has served as a director since 2007 and as Chairman of the board since September 2010. Mr. Hall currently is the principal of Andesite Holdings, a private investment firm which he founded in 2007. Prior to founding Andesite Holdings, Mr. Hall served as an Executive Director for UBS Financial Services from 2000 to 2007. From 1995 to 2000, he served as a Senior Vice President for Paine Webber in Philadelphia, Pennsylvania. Mr. Hall serves as a director of Thomas Raymond & Co., a manufacturer of men's handcrafted footwear, New World Stoneworks LLC, a retailer of stone products, and KodaBow Inc., a manufacturer and retailer of sporting goods. Mr. Hall also serves as the Chairman of the Board of the Mid-Atlantic region of Teach for America.

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

Michael C. Ray has served as our Chief Executive Officer since 2007 and as a director since June 2010. From 2004 to 2007, Mr. Ray served as our Executive Vice President of Sales and Marketing. From 1999 to 2004, he served as our National Sales Director. Mr. Ray joined Vera Bradley in 1998 as Director of Finance and served us in that capacity until being promoted to National Sales Director in 1999. He is a board member of the Riley Children's Foundation in Indianapolis, Indiana.

Mr. Ray has been instrumental in our growth and the development and execution of our long-term strategic plans. He provides our board of directors with an in-depth knowledge of our products, industry, challenges and opportunities, and he communicates management's perspective on important matters.

Barbara Bradley Baekgaard co-founded Vera Bradley in 1982 and has served as a director since then. From 1982 through June 2010, she also served as Co-President. From the outset, Ms. Bradley Baekgaard has provided leadership and strategic direction in our brand's development by providing creative vision to areas such as marketing, product design, assortment planning and the design and visual merchandising of our stores. In May 2010, she was appointed Chief Creative Officer. She currently serves as a board member of the Indiana University Cancer Center Development and the Vera Bradley Foundation for Breast Cancer. Ms. Bradley Baekgaard's most recent personal awards include 2007 Country Living Entrepreneur Award and 2006 Gifts and Decorative Accessories Industry Achievement Award.

As Co-Founder of Vera Bradley, Ms. Bradley Baekgaard serves a key leadership role on our board of directors, and provides the board with a broad array of institutional knowledge and historical perspective as well as an in-depth knowledge of business strategy, branding, product development and store design.

Patricia R. Miller co-founded Vera Bradley in 1982 and has served as a director since then. From 1982 through June 2010, she also served as Co-President. From the outset, Ms. Miller has provided leadership and strategic direction to

the business, guiding the development of our operations and supply chain infrastructure and the growth of our employee base. Ms. Miller has also regularly provided a face for Vera Bradley. In June 2010, she was appointed National Spokesperson for the company where she will continue to promote our brand. Ms. Miller served as the first Secretary of Commerce for the State of Indiana and the Chief Executive Officer of the Indiana Economic Development Corporation from 2005 to 2006. Her most recent personal awards include the Ball State University Indiana Women of Achievement Award for Entrepreneurship in 2006 and the Indiana Historical Society Indiana Living Legend Award in 2008. Ms. Miller serves as a director for the Indiana University Foundation and for the Vera Bradley Foundation for Breast Cancer.

As Co-Founder of Vera Bradley, Ms. Miller brings to our board of directors a broad array of institutional knowledge and historical perspective. Ms. Miller also provides insight and perspective on general strategic and business matters, stemming from her executive and finance experience as Secretary of Commerce for the State of Indiana and as Chief Executive Officer of the Indiana Economic Development Corporation.

Jeffrey A. Blade has served as our Executive Vice President – Chief Financial and Administrative Officer since May 2010 and our Secretary since June 2010. Prior to joining Vera Bradley, from 2009 to January 2010 Mr. Blade served as Senior Vice President – Chief Financial Officer and Secretary of Central Garden and Pet Company, a publicly-traded consumer goods retailer. Mr. Blade previously served in various roles at The Steak 'n Shake company from 2004 to 2008, including Interim President, Executive Vice President – Chief Financial and Administrative Officer, and Senior Vice President and Chief Financial Officer. From 1999 to 2004, Mr. Blade was Vice President of Finance for the U.S. operations of Cott Corporation. He served in various financial roles for Kraft Foods Corporation from 1988 to 1999.

Kimberly F. Colby has served as our Executive Vice President – Design since 2005. From 2003 through 2005, she served as our Vice President of Design. From 1989 to 2003, Ms. Colby served as our Design Director responsible for Marketing and Product Development. Ms. Colby's professional history includes retail advertising, public relations, direct mail creative direction and management, special event planning and interior design.

C. Roddy Mann has served as our Executive Vice President – Strategy and Business Development since April 2010 and is responsible for the development of our strategies and new business opportunities in both our Indirect and Direct channels. From 2007 to April 2010, Mr. Mann served as our Vice President – Strategy, Sales and Marketing. From 2006 to 2007, he served as Vice President – Strategic Initiatives. Prior to joining Vera Bradley, Mr. Mann was a Vice President at LakeWest Group, a consulting firm based in Cleveland, Ohio, from 1999 to 2006. In 2006, in a consulting capacity, Mr. Mann assisted us with the development of our Direct retail store strategy and execution plans.

Jill A. Nichols has served as our Executive Vice President – Philanthropy and Community Relations since April 2010. From 1997 to April 2010, Ms. Nichols served as our Executive Vice President and Chief Operating Officer. From 1992 to 1997, she served as our Director of Operations and, from 1989 to 1992, she served as our Controller and Operations Manager. Prior to joining Vera Bradley, Ms. Nichols held finance positions with the YWCA and Coopers & Lybrand (which later merged with Price Waterhouse to become PricewaterhouseCoopers). She became a Certified Public Accountant in 1986. Ms. Nichols serves as the treasurer and a director of the Vera Bradley Foundation for Breast Cancer.

Matthew C. Wojewuczki has served as our Executive Vice President – Operations since April 2010. From 2003 to April 2010, Mr. Wojewuczki served as our Vice President – Operations. Prior to joining Vera Bradley, he served as Vice President of Manufacturing and Supply Chain Management of Wabash Alloys, a secondary aluminum producer, from 2000 to 2003. From 1997 to 2000, he served as a principal consultant in the Management Consulting Services Group of PricewaterhouseCoopers. In addition, Mr. Wojewuczki is a Commissioned Officer in the U.S. Air Force Reserves, where he holds the rank of Major.

David O. Thompson has served as our Vice President – Direct Sales since 2008. Prior to joining Vera Bradley, Mr. Thompson was a Senior Consultant, Manager and Vice President at LakeWest Group from 1998 to 2008. Prior to working at LakeWest Group, he served in various retail positions at OfficeMax, based in Cleveland, Ohio, and Bradlees, based in Braintree, Massachusetts. With over 20 years of experience in the retail industry, Mr. Thompson has expertise in retail operations, web operations, business process improvement and information technology in traditional retail, catalog and e-commerce channels.

P. Michael Miller has served as a director since 1990. From 1990 through June 2010, he also served as our Secretary and Treasurer. Mr. Miller is a senior partner in the law firm of Hunt Suedhoff Kalamaros LLP. He has been a partner with the firm since 1997. Mr. Miller also serves as a director of the Vera Bradley Foundation for Breast Cancer.

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

John E. Kyees has served as a director since April 2010. Mr. Kyees served as the Chief Investor Relations Officer of Urban Outfitters, Inc. from 2009 to 2010 and served that company as Chief Financial Officer from 2003 to 2009. Mr. Kyees formerly held the position of Chief Financial Officer and Chief Administrative Officer for bebe stores, Inc., a retail chain headquartered in San Francisco, California, from 2002 to 2003. Prior to joining bebe, Mr. Kyees served as Chief Financial Officer for Skinmarket, a startup teenage cosmetic retailer, from 2000 to 2002. Mr. Kyees was also Chief Financial Officer for HC Holdings from 1997 to 2000. HC Holdings filed a bankruptcy petition under Chapter 11 of the U.S. Bankruptcy Code in 2000. From May 1997 to December 1997, he was Chief Financial Officer for Ashley Stewart and from 1984 to 1997 Mr. Kyees was Chief Financial Officer for Express, which was a division of The Limited Brands, Inc. Mr. Kyees is currently a director and member of the audit committee of Casual Male Retail Group, Inc., a publicly-traded specialty retailer of men's clothing.

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

Edward M. Schmults has served as a director since September 2010. Mr. Schmults currently serves as the Chief Executive Officer of Wild Things, LLC, a private company that provides cold weather clothing to the U.S. military and federal and state law enforcement agencies. Mr. Schmults has served as the Chief Executive Officer of Wild Things, LLC since 2009. From 2005 to 2009, Mr. Schmults served as the Chief Executive Officer of FAO Schwarz, a toy retailer. Prior to joining FAO Schwarz, he was employed at RedEnvelope, Inc., a catalog and internet retailer of affordable luxury goods, where he started as Senior Vice President of Operations in 2004 and was promoted to Chief Operating Officer in 2005. Mr. Schmults was a consultant in the Entrepreneur-in-Residence program at Benchmark Capital in London in 2003. From 2000 to 2003, he served as President of Global Sales for Freeborders, an enterprise software company . From 1997 to 2000, he served as President of Moonstone Mountain Equipment, an outdoor equipment company. Prior to joining Moonstone Mountain Equipment, Mr. Schmults held various positions at Patagonia, Inc., a high-end outdoor clothing company, from 1990 to 1997. Mr. Schmults previously served on the board of directors of Recreational Equipment, Inc. (REI), a retailer of outdoor clothing and equipment, from 2007 to 2010. He currently serves on the Board of Trustees of the National Outdoor Leadership School and is a member of the National Council of the American Prairie Foundation.

Mr. Schmults brings to our board of directors over 20 years of experience in branded consumer products, direct-to-consumer sales, finance, information technology and socially responsible business practices.

Family Relationships

Several members of our board of directors and executive officers are related to one another. See "Certain Relationships and Related Party Transactions — Relationships Among Members of our Board of Directors and Management" on page 75 of this prospectus.

Board of Directors and Board Committees

We believe that our board of directors as a whole should encompass a range of talent, skill, diversity, and expertise enabling it to provide sound guidance with respect to our operations and interests. In addition to considering a candidate's

background and accomplishments, candidates are reviewed in the context of the current composition of our board of directors and the evolving needs of our businesses. Our board of directors identifies candidates for election to the board and reviews their skills, characteristics and experience.

Our board of directors seeks directors with strong reputations and experience in areas relevant to the strategy and operations of our businesses, particularly industries and growth segments that we serve. We believe each of our current directors has operating experience that meets this objective. We believe that our board collectively has experience in core management skills, such as strategic and financial planning, public company financial reporting, corporate governance, risk management and leadership development.

Our board of directors also believes that each of our current directors has other key attributes that are important to an effective board: integrity and demonstrated high ethical standards; sound judgment; analytical skills; the ability to engage management and each other in a constructive and collaborative fashion; diversity of origin, background, experience and thought; and the commitment to devote significant time and energy to service on our board.

Our board of directors currently consists of Barbara Bradley Baekgaard, Robert J. Hall, John E. Kyees, Patricia R. Miller, P. Michael Miller, Michael C. Ray and Edward M. Schmults. Our board has determined that Barbara Bradley Baekgaard, Patricia R. Miller, P. Michael Miller, Robert J. Hall and Michael C. Ray are not independent under the listing standards of The Nasdaq Stock Market. See “Certain Relationships and Related Party Transactions” for a description of such relationships. Our board has also affirmatively determined that John E. Kyees and Edward M. Schmults satisfy the independence requirements of The Nasdaq Stock Market standards for service on our board and each of its committees.

Although The Nasdaq Stock Market standards require that a majority of our directors be independent, under special phase-in rules applicable to initial public offerings we have twelve months from the date of listing to comply with this requirement. We plan to achieve compliance with this requirement by adding independent directors to our board of directors before the expiration of the phase-in period.

Our board of directors has established an audit committee, a compensation committee and a nominating and corporate governance committee. Although The Nasdaq Stock Market standards require that all members of our board committees be independent, under special phase-in rules applicable to initial public offerings we have twelve months from the date of listing to comply with this requirement. We believe that the composition of our board committees will meet the criteria for independence under the rules of The Nasdaq Stock Market before the expiration of the phase-in period. Additionally, we believe that the functioning of these committees will comply with the Sarbanes-Oxley Act of 2002, the rules of The Nasdaq Stock Market and SEC rules and regulations.

Audit Committee. Our audit committee reviews and recommends to the board of directors internal accounting and financial controls and accounting principles and auditing practices to be employed in the preparation and review of our financial statements. In addition, our audit committee has the authority to engage public accountants to audit our annual financial statements and determine the scope of the audit to be undertaken by such accountants. Our audit committee consists of John E. Kyees, Edward M. Schmults and P. Michael Miller, with John E. Kyees serving as chairman. As determined by our board, John E. Kyees is an audit committee financial expert under SEC rules implementing the Sarbanes-Oxley Act of 2002.

Compensation Committee. Our compensation committee reviews and recommends to our Chief Executive Officer and the board of directors policies, practices and procedures relating to the compensation of managerial employees and the establishment and administration of certain employee benefit plans for managerial employees. The compensation committee has the authority to administer our 2010 Plan and advise and consult with our officers regarding managerial personnel policies. Our compensation committee consists of John E. Kyees, Edward M. Schmults and Robert J. Hall, with John E. Kyees serving as chairman.

Nominating and Corporate Governance Committee. Our nominating and corporate governance committee assists the board of directors with its responsibilities regarding the identification of individuals qualified to become directors, the

selection of the director nominees for the next annual meeting of shareholders and the selection of director candidates to fill any vacancies on the board of directors. Our nominating and corporate governance committee consists of John E. Kyees, Edward M. Schmults and Patricia R. Miller, with Edward M. Schmults serving as chairman.

Compensation Committee Interlocks and Insider Participation

Historically, compensation decisions for our executive officers were made by our board of directors as a whole and certain officers and employees not on our board of directors at the time such decisions were made, including Michael C. Ray, Jeffrey A. Blade, David R. Traylor and Julie North. Following the closing of this offering, our compensation committee is expected to be comprised exclusively of directors who have not, at any time, served as an officer or employee of us or any of our subsidiaries. None of our executive officers has served as a member of the compensation committee, or other committee serving an equivalent function, of any other entity, one of whose executive officers served as a member of our compensation committee.

Limitation of Liability and Indemnification of Directors and Officers

Our second amended and restated articles of incorporation will provide for indemnification, to the fullest extent permitted by the IBCL, of our directors and officers against liability and reasonable expenses that may be incurred by them in connection with proceedings to which the directors or officers are made a party by reason of their relationship to the company. Our second amended and restated articles of incorporation and amended and restated bylaws will also provide for indemnification of our directors and officers where they have acted in good faith and in a manner they reasonably believed to be in, or not opposed to, our best interests, and in the case of criminal proceedings, they had reasonable cause to believe the action was lawful or they had no reasonable cause to believe the action was unlawful. Prior to the completion of this offering, we intend to obtain insurance that insures our directors and officers against specified losses.

In addition, prior to the completion of this offering, we intend to enter into separate indemnification agreements with our directors and executive officers. We believe that these provisions and agreements are necessary to attract and retain qualified persons as directors and executive officers. These indemnification agreements may require us to indemnify our directors and executive officers for related expenses, including attorneys' fees, judgments, fines and amounts paid in settlement that were actually and reasonably incurred or suffered by a director or executive officer in an action or proceeding arising out of his or her service as one of our directors or executive officers.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This is a presentation of the material elements of compensation of our Chief Executive Officer, Chief Financial Officer and other executive officers identified in the "Summary Compensation Table" (collectively, our named executive officers) who served in those positions during the fiscal year ended January 31, 2010. To assist in understanding our named executive officer compensation program, we have included a discussion of our compensation policies and decisions for periods before and after fiscal year 2010 where relevant.

Our compensation program is designed to provide some common standards throughout the company. Therefore, much of what is disclosed below applies to executives in general and is not limited to our named executive officers.

Overview

Our board of directors has overall responsibility for the compensation program for our named executive officers. Following the offering, a compensation committee of our board of directors will have overall responsibility for the compensation program for our named executive officers. Members of the compensation committee will be appointed by the board of directors.

Our executive compensation program is designed to encourage our named executive officers to focus on building shareholder value, maximizing growth and profitability, as well as continuing to maintain our unique culture and building our strong brand. We strive to provide our named executive officers with a compensation package that is competitive within our industry.

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

- base salaries, which are designed to allow us to attract and retain qualified candidates in a highly competitive market;
- annual incentive compensation, which provides additional cash compensation and is designed to support our pay-for-performance philosophy, and, beginning during fiscal year 2011, equity-based compensation; and
- a comprehensive benefits package that is available to all of our employees.

A detailed description of these components is provided below.

Elements of Our Executive Compensation Program

Base Salary. We utilize base salary as the primary means of providing compensation for performing the essential elements of an executive's job. We believe our base salaries are set at levels that allow us to attract and retain executives in competitive markets.

Annual Incentive Compensation. Our annual incentive compensation, in the form of an annual cash bonus, is intended to compensate our named executive officers for meeting our corporate objectives and, for some of our named executive officers, individual performance objectives, and to incentivize our named executive officers to meet these objectives. These objectives may be both financial and non-financial and may be based on company or individual performance. The board of directors typically sets a target level where the full 100% bonus can be earned and then also sets a slightly lower target where a partial bonus can be earned if the objective is almost achieved, as well as a higher target where a larger-than-100% bonus can be earned for exceeding the 100% bonus target.

Long-Term Incentive Compensation. Beginning in fiscal year 2011, we intend to add long-term equity awards to our executive compensation program in order to compete for executive talent and align the interests of our named executive officers with those of the company's owners. We anticipate that long-term incentive compensation will be an integral part of our compensation program going forward.

Benefits. Our benefits, such as our basic health benefits, 401(k) plan, life insurance, paid time off, matching charitable gifts program, tuition reimbursement and discounts on certain company products, are intended to provide a stable array of support to our employees and their families throughout various stages of their careers, and these core benefits are provided to all employees. The 401(k) plan allows participants to defer amounts of their annual compensation before taxes, up to the cap set by the Internal Revenue Code, which was $16,500 per person for calendar year 2009. Employees' elective deferrals are immediately vested and nonforfeitable upon contribution to the 401(k) plan. We currently provide matching contributions equal to 50% of an employee's individual contribution, up to a maximum of 10% of the participant's annual salary and subject to certain other limits.

Determining the Amount of Each Element of Compensation

Overview. The amount of each element of our compensation program is determined by our board of directors on an annual basis taking into consideration our results of operations, long and short-term goals, individual goals, the competitive market for our named executive officers and general economic factors. In fiscal year 2010 and in prior years, our approach has been to provide executives with a base salary and an annual bonus opportunity that were generally competitive with the level of those elements paid for comparable positions at comparable companies.

In fiscal year 2010, our board of directors engaged a compensation consultant, Towers Watson (formerly known as Towers Perrin, prior to its merger with Watson Wyatt), to provide data and recommendations regarding our compensation program in order to remain competitive with compensation programs at other companies with which we may compete for talent. Their final report and recommendations were presented in fiscal year 2011.

Once the level of compensation is set for the year, the board of directors may revisit its decisions if there are material developments during the year, such as promotions, that may warrant a change in compensation. After the year is over, the board of directors reviews the performance of the named executive officers to determine the achievement of annual incentive compensation targets and to assess the overall functioning of our compensation plans against our goals.

Base Pay. Our board of directors reviews our named executive officers' base salaries on an annual basis taking into consideration the factors described above as well as changes in position or responsibilities. In the event of material changes in position, responsibilities or other factors, the board of directors may consider changes in base pay during the year. The level of base pay for each named executive officer in fiscal year 2010 and prior years was not determined through formal benchmarking, but rather through an annual assessment of the individual factors described in "— Overview" above. Most of our named executive officers received a 3.5% increase in base salary during fiscal year 2010. This increase represented, and was set based on, the company-wide average merit increase for all employees during fiscal year 2010. Additional increases were made to reflect promotions and any other significant performance during fiscal year 2009.

In fiscal year 2010, our board of directors engaged Towers Watson to review our current levels of base salary as compared to the market. Base salary data was gathered from Watson Wyatt's Top Management Database, which was adjusted to the company's revenue size. We did not select a specific peer group nor did we review data from specific companies (nor were we aware of the identities of the specific component companies included in the database), but rather we used market pay data for the non-durable goods manufacturer segment within the Watson Wyatt database. The base salary data that was gathered was effective as of April 1, 2010. We consider a range of +/- 15% around the market median (50th percentile) to be competitive but still capable of recognizing differences among executives. Our objective going forward, which we achieved for fiscal year 2011, is generally to be within the competitive range of the market median, on average, for base salaries of our executive officers, including our named executive officers.

As a result of our consultant's review, the board of directors decided to adjust Mr. Ray's base salary (which, for fiscal year 2010, was 25% below the 50th percentile) for fiscal year 2011 so that his base salary was at the 50 th percentile of

chief executive officers of the surveyed companies. Notwithstanding our objective of bringing the base salaries of our executive officers, on average, within the competitive range of the market median, Mr. Traylor and Ms. Colby both received modest base salary increases in recognition of their performance in fiscal year 2010.

The following table shows base salary rate increases for each of our named executive officers since fiscal year 2009.

Name and Principal Position	Fiscal Year 2009 Base Salary Rate[1]	Fiscal Year 2010 Base Salary Rate[2]	Fiscal Year 2010 Percentage Increase	Fiscal Year 2011 Base Salary Rate[3]	Fiscal Year 2011 Percentage Increase
Michael C. Ray Chief Executive Officer	$ 400,010	$ 413,998	3.5%	$ 550,004	32.9%
David R. Traylor Vice President — Finance[4]	240,006	255,450	6.4%	267,280	4.6%
Jill A. Nichols Executive Vice President — Philanthropy and Community Relations[5]	350,012	362,258	3.5%	362,258	n/a
Kimberly F. Colby Executive Vice President — Design	350,012	362,258	3.5%	379,002	4.6%
Patricia R. Miller Co-Founder and National Spokesperson[6]	450,008	465,764	3.5%	465,764	n/a
Barbara Bradley Baekgaard Co-Founder and Chief Creative Officer[7]	450,008	465,764	3.5%	465,764	n/a

(1) Effective for Mr. Ray, Ms. Nichols, Ms. Colby, Ms. Miller and Ms. Bradley Baekgaard in November 2007, and for Mr. Traylor in November 2008.

(2) Effective April 26, 2009.

(3) Effective March 28, 2010.

(4) Prior to April 29, 2010, Mr. Traylor was our Chief Financial Officer, a position to which he was appointed in fiscal year 2009.

(5) Prior to April 29, 2010, Ms. Nichols' position was Executive Vice President and Chief Operating Officer.

(6) Prior to June 29, 2010, Ms. Miller's position was Co-President.

(7) Prior to June 29, 2010, Ms. Bradley Baekgaard's position was Co-President and Chief Creative Officer.

Annual Incentive Compensation. Our board of directors establishes the goals for our Annual Incentive Bonus Program on an annual basis and distributions are typically made after the end of each fiscal year after the board of directors has determined if the goals have been achieved. However, the board of directors has the authority to modify a bonus structure during the year if they deem appropriate.

Ms. Miller and Ms. Bradley Baekgaard have not participated in our Annual Incentive Bonus Program. For our other named executive officers, our Annual Incentive Bonus Program provided a potential bonus for fiscal year 2010 based on annual goals. For Mr. Ray, Ms. Nichols and Ms. Colby, the potential bonus was based 100% on company-wide net income goals, and for Mr. Traylor, was based 50% on company-wide net income goals and 50% on qualitative individual performance goals. For fiscal year 2010, Mr. Traylor's individual goals, which were qualitative and subjective, included broadening of his skill set to include knowledge of the Sarbanes-Oxley Act in anticipation of this offering and progress towards completion of certain initiatives in our strategic plan, including navigating the company through an economic downturn and managing our assets to allow us to reduce our net borrowings.

Our board of directors established the following net income goals for fiscal year 2010, taking into account low expectations in a harsh economic environment, for purposes of developing the Annual Incentive Bonus Program: a threshold

of $24.1 million; a target of $26.8 million; and a maximum of $29.5 million. As a result of positive company performance in a better-than-expected economic environment, actual net income for fiscal year 2010 was $43.2 million, which resulted in the payment of annual incentive awards at their maximum level. In addition, based on the board's and Mr. Ray's overall evaluation of Mr. Traylor's individual performance, Mr. Traylor earned the maximum of the 50% portion of the annual bonus opportunity that was based on individual performance goals for fiscal year 2010.

For each of our named executive officers, the board of directors set a target bonus at a certain percentage of the particular executive's base salary for fiscal year 2010. As with base salaries for fiscal year 2010, the target bonus percentage for each executive was intended to be competitive with the target bonus levels for comparable positions at comparable companies.

Our board of directors set each executive's fiscal year 2010 threshold, target and maximum bonus as a percentage of his fiscal year 2010 annualized base salary as set forth in the table below.

Name[1]	2009 Calendar Year Base Salary Earned[2]	Fiscal Year 2010 Threshold Bonus Opportunity	Fiscal Year 2010 Target Bonus Opportunity	Fiscal Year 2010 Maximum Bonus Opportunity	Fiscal Year 2010 Threshold/Target/Maximum Bonus as a Percentage of Base Salary	Fiscal Year 2010 Bonus Earned
Michael C. Ray	$ 409,156	$ 153,434	$ 255,723	$ 306,867	37.5% / 62.5% / 75.0%	$ 306,867
David R. Traylor	250,121	31,265	93,795	122,716	12.5% / 37.5% / 49.1%	122,716
Jill A. Nichols	358,019	134,257	223,762	268,514	37.5% / 62.5% / 75.0%	268,514
Kimberly F. Colby	358,019	134,257	223,762	268,514	37.5% / 62.5% / 75.0%	268,514

(1) Neither Ms. Miller nor Ms. Bradley Baekgaard participated in our Annual Incentive Bonus Program.

(2) Our Annual Incentive Bonus Program payouts for fiscal year 2010 were determined based on salary earned during the 2009 calendar year.

In fiscal year 2010, our board of directors engaged Towers Watson to review our current levels of bonus compensation. Target bonus values were gathered from Towers Perrin's Executive Compensation Database, which was adjusted to the company's revenue size. We did not select a specific peer group nor did we review data from specific companies (nor were we aware of the identities of the specific component companies included in the database), but rather we used market pay data for the general industries segment within the Towers Perrin database. The bonus information that was gathered was effective as of April 1, 2010. Consistent with our newly-adopted company-wide approach of targeting annual incentive opportunities near the market 60th percentile for all employees, the board of directors decided to adjust the annual target bonus opportunity in fiscal year 2011 for our named executive officers generally to approach more closely the 60th percentile of comparable positions at comparable companies within the database. Accordingly, Ms. Nichols and Ms. Colby's fiscal year 2011 target bonus opportunities were reduced to 50% of their fiscal year 2011 base salaries (from a previous bonus opportunity of 62.5% of their fiscal year 2010 base salaries), with their maximum opportunities unchanged at 75% of base salary.

Mr. Ray's fiscal year 2010 target bonus opportunity was significantly below the 60th percentile for chief executive officers in the survey data. Mr. Ray's target bonus opportunity for fiscal year 2011 was set at 60% of his fiscal year 2011 base salary (compared to a previous opportunity of 62.5% of his fiscal year 2010 base salary). The board of directors decided not to increase Mr. Ray's annual target bonus opportunity to the 60th percentile (which would have resulted in a target bonus opportunity of 90% of his fiscal year 2011 base salary) because his recently-increased base salary had already resulted in a dramatic increase in Mr. Ray's fiscal year 2011 annual target bonus opportunity from his fiscal year 2010 annual target bonus opportunity.

Notwithstanding our general company-wide approach of bringing the annual target bonus opportunities of our named executive officers nearer to the market 60th percentile, Mr. Traylor's fiscal year 2011 target bonus opportunity was increased to 50% of his fiscal year 2011 base salary (from a previous bonus opportunity of 37.5% of his fiscal year 2010 base salary), which is above the 60th percentile for his position. However, the board of directors determined this increase was appropriate based on the experience Mr. Traylor brings to the company as a result of having formerly served as the company's chief financial officer.

Bonus payouts for fiscal year 2011 will be determined as follows: for the positions of Chief Executive Officer and Executive Vice President, based 100% on a combination of company-wide net revenues and operating income performance; and for the position of Vice President, based 75% on a combination of company-wide net revenues and operating income performance and 25% on individual performance.

The table below sets forth each named executive officer's threshold, target and maximum annual bonus opportunity for fiscal year 2011, as well as the bonus levels as a percentage of each officer's fiscal year 2011 annualized base salary.

Name[1]	Fiscal Year 2011 Annualized Base Salary Rate	Fiscal Year 2011 Threshold Bonus Opportunity	Fiscal Year 2011 Target Bonus Opportunity	Fiscal Year 2011 Maximum Bonus Opportunity	Fiscal Year 2011 Threshold/Target/Maximum Bonus as a Percentage of Base Salary
Michael C. Ray	$ 550,004	$ 165,000	$ 330,000	$ 495,000	30% / 60% / 90%
David R. Traylor	267,280	66,820	133,640	200,460	25% / 50% / 75%
Jill A. Nichols	362,258	90,565	181,129	271,694	25% / 50% / 75%
Kimberly F. Colby	379,002	94,751	189,501	284,252	25% / 50% / 75%

(1) Neither Ms. Miller nor Ms. Bradley Baekgaard participated in our Annual Incentive Bonus Program.

For fiscal years beginning after the completion of this offering, it is expected that annual incentive compensation will be paid under the 2010 Equity and Incentive Plan (the "2010 Plan"), described further in "—2010 Equity and Incentive Plan" below.

Equity Compensation Awards

In fiscal year 2010 and prior years, we did not have a plan or arrangement under which our named executive officers were granted options or other equity awards.

Pre-IPO Equity Grants. In order to retain key executives and provide a vehicle for executive ownership, on July 30, 2010, our board of directors approved our 2010 Restricted Stock Plan and granted to our named executive officers, certain of our employees and our non-employee directors a one-time grant of restricted shares of our common stock. The total number of restricted shares granted was 1,095,003 and included grants to our named executive officers, as follows: Michael C. Ray - 155,923 shares; David R. Traylor - 106,311 shares; Jill A. Nichols - 106,311 shares; and Kimberly F. Colby - 106,311 shares.

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

The restricted shares vest on the first anniversary of the grant date. Vesting of the restricted shares will be accelerated upon completion of this offering and may be accelerated by our board of directors, in its sole discretion, upon a change in control. Recipients of restricted shares made Section 83(b) elections and were each paid an additional cash bonus by us in the amount of the required tax withholding obligation on the restricted shares and the expected actual tax obligation on the cash bonus in the following amounts: $839,908 for Michael C. Ray; and $572,665 for each of David R. Traylor, Jill A. Nichols, Kimberly F. Colby and Jeffrey A. Blade.

Post-IPO Equity and Incentive Grants. Our board of directors and our shareholders approved, effective upon the completion of this offering, the 2010 Plan that will allow us to provide a variety of different types of incentive awards (including annual and long-term incentive awards) to our executives and other employees. The 2010 Plan will permit us to issue stock options, restricted stock units, restricted stock, stock appreciation rights, performance units, performance shares and cash incentive awards to eligible employees (including our named executive officers), directors and advisors, as determined by the compensation committee. For more details regarding the 2010 Plan, see "— 2010 Equity and Incentive Plan" below.

Severance and Change in Control Arrangements

We do not have any formal severance, change in control or employment agreements or arrangements with our named executive officers. Severance arrangements with executives have traditionally been determined on a case-by-case basis. We have a general severance policy for employees that provides for one week of pay for each year of service with us, with a minimum total payment of 2 weeks of pay, in the event of an involuntary termination of the employee by us. The board of directors is considering adopting a more formal severance plan for executives going forward. For a description of the severance agreement with our new Executive Vice President — Chief Financial and Administrative Officer, see "— Hiring of New Chief Financial and Administrative Officer" below.

The 2010 Plan permits the potential acceleration of outstanding awards in the event of an involuntary termination of employment for an executive in connection with a change in control, as defined in the 2010 Plan, in accordance with the applicable award agreements. See "— 2010 Equity and Incentive Plan" below for a description of the change in control provisions contained in the 2010 Plan.

Effect of Accounting and Tax Treatment on Compensation Decisions

In the review and establishment of our compensation programs, we consider, among other factors, the anticipated accounting and tax implications to us and our executives. After the completion of this offering, Section 162(m) of the Internal Revenue Code may impose a limit on the amount of compensation that we may deduct in any one year with respect to our chief executive officer and each of our next three most highly compensated executive officers other than the chief financial officer, unless specific and detailed criteria are satisfied. Performance-based compensation, as defined in the Internal Revenue Code, is fully deductible if the programs are approved by shareholders and meet other requirements. We will seek to maintain flexibility in compensating our executives in a manner designed to promote our corporate goals and therefore we have not adopted a policy requiring all compensation to be deductible. Our compensation committee will assess the impact of Section 162(m) on our compensation practices and determine what further action, if any, is appropriate. The 2010 Plan will allow us to provide compensation that meets the deductibility requirements of Section 162(m).

Role of Executives in Executive Compensation Decisions

Our board of directors, which includes Ms. Miller and Ms. Bradley Baekgaard, generally seeks input from Mr. Ray when discussing the performance of and compensation levels for the other named executive officers. The board of directors also works with Messrs. Ray and Traylor and the head of our human resources department in evaluating the financial, accounting, tax and retention implications of our various compensation programs. Neither Mr. Ray, Mr. Traylor nor any of our other executives participates in deliberations relating to his or her own compensation, other than Ms. Miller and Ms. Bradley Baekgaard, each of whom participated in the setting of their own base salary levels and, in their roles as directors of the company, in the setting of compensation of our other named executive officers. Following this offering, it is not expected that Ms. Miller or Ms. Baekgaard will play any role in setting their own compensation or the compensation of our named executive officers.

Hiring of New Chief Financial and Administrative Officer

On May 2, 2010, we hired Jeffrey A. Blade to serve as our Executive Vice President — Chief Financial and Administrative Officer. Mr. Blade's responsibilities are to oversee our finances, human resources, information technology, legal matters and investor relations. Mr. Blade's base salary for fiscal year 2011 is $315,016, and his target bonus opportunity for fiscal year 2011 is 50% of his fiscal year 2011 base salary. Mr. Blade's fiscal year 2011 base salary is within the competitive range of the targeted market 50 th percentile, and his fiscal year 2011 target bonus opportunity corresponds with our company-wide approach of aligning target bonuses with the market 60th percentile. As part of his hiring, Mr. Blade will also receive relocation benefits in fiscal year 2011 of up to $127,500 for costs and expenses relating to the sale of his existing home and move to and purchase of a new home, and reimbursement of expenses relating to two pre-move house hunting trips. Certain of these relocation reimbursement amounts will be subject to pro-rated repayment by Mr. Blade to us in the event that Mr. Blade voluntarily terminates his employment within the first year of employment. In addition, if his employment

is terminated by us without just cause (as defined in his offer letter), he will be entitled to a severance payment equal to one year's base salary and a pro-rata bonus for the portion of the year prior to his termination, to the extent that a bonus would be payable for the year based on company performance. We also granted Mr. Blade a one-time award of 106,311 shares of restricted stock, as one of several pre-IPO equity grants described in "Equity Compensation Awards—Pre-IPO Equity Grants" above.

Summary Compensation Table

The following table shows information concerning the annual compensation for services to the company in all capacities of the company's named executive officers during the last completed fiscal year.

Name and Principal Position	Fiscal Year	Salary[1]	Bonus	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation[2]	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compen-sation[3]	Total Compen-sation
Michael C. Ray Chief Executive Officer	2010	$410,232	n/a	n/a	n/a	$ 306,867	n/a	$ 11,800	$ 728,899
David R. Traylor Vice President — Finance[4]	2010	251,311	n/a	n/a	n/a	122,716	n/a	11,000	385,027
Jill A. Nichols Executive Vice President — Philanthropy and Community Relations[5]	2010	358,961	n/a	n/a	n/a	268,514	n/a	11,800	639,275
Kimberly F. Colby Executive Vice President — Design	2010	358,961	n/a	n/a	n/a	268,514	n/a	10,300	637,775
Patricia R. Miller Co-Founder and National Spokesperson[6]	2010	461,522	n/a	n/a	n/a	n/a	n/a	21,880	483,402
Barbara Bradley Baekgaard Co-Founder and Chief Creative Officer[7]	2010	461,522	n/a	n/a	n/a	n/a	n/a	18,955	480,477

(1) Reflects a blend of the base salary rates of our named executive officers that went into effect on April 26, 2009 and the base salary rates prior to April 26, 2009.

(2) Includes annual incentive compensation paid under the company's Annual Incentive Bonus Program.

(3) Includes 401(k) matching contributions made by the company of $8,250 for each of Mr. Ray, Ms. Nichols and Ms. Colby, and $11,000 for each of Mr. Traylor, Ms. Miller and Ms. Bradley Baekgaard; automobile allowances of $7,330 and $4,405 for Ms. Miller and Ms. Bradley Baekgaard, respectively; and reimbursement for tax planning services of $3,550 for each of Mr. Ray, Ms. Nichols, Ms. Miller and Ms. Bradley Baekgaard, and $2,050 for Ms. Colby.

(4) Prior to April 29, 2010, Mr. Traylor's position was Chief Financial Officer.

(5) Prior to April 29, 2010, Ms. Nichols' position was Executive Vice President and Chief Operating Officer.

(6) Prior to June 29, 2010, Ms. Miller's position was Co-President.

(7) Prior to June 29, 2010, Ms. Bradley Baekgaard's position was Co-President and Chief Creative Officer.

Fiscal Year 2010 Grants of Plan-Based Awards

The following table sets forth information regarding grants of plan-based awards in fiscal year 2010.

	Estimated Potential Payouts Under Non-Equity Incentive Plan Awards[1]		
	Threshold	Target	Maximum
Michael C. Ray	$ 153,434	$255,723	$ 306,867
David R. Traylor	31,265	93,795	122,716
Jill A. Nichols	134,257	223,762	268,514
Kimberly F. Colby	134,257	223,762	268,514
Patricia R. Miller[2]	n/a	n/a	n/a
Barbara Bradley Baekgaard[2]	n/a	n/a	n/a

(1) Awards made under the company's Annual Incentive Bonus Program. Actual amounts earned under the program are disclosed in the "non-equity incentive plan compensation" column of the Summary Compensation Table.

(2) Neither Ms. Miller nor Ms. Bradley Baekgaard received any grants of plan-based awards in fiscal year 2010 because they do not participate in the Annual Incentive Bonus Program.

Outstanding Equity Awards at 2010 Fiscal Year-End

There were no outstanding equity awards as of January 31, 2010.

In 1998, Ms. Nichols purchased 1,772,027 shares of the company's common stock at fair market value, which are not subject to any vesting schedule and which are still owned by Ms. Nichols. In 2003, each of Mr. Ray, Ms. Nichols and Ms. Colby purchased 1,772,027 shares of the company's common stock at fair market value, which are not subject to any vesting period and which are still owned by Mr. Ray, Ms. Nichols and Ms. Colby.

Fiscal Year 2010 Option Exercises and Stock Vested

None of our named executive officers exercised options or had stock awards that vested during fiscal year 2010.

Fiscal Year 2010 Pension Benefits

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

Fiscal Year 2010 Nonqualified Deferred Compensation

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

Potential Payments Upon Termination or Change in Control

Our named executive officers are not specifically entitled to any payments upon termination of employment or upon a change in control. Severance arrangements with executives have typically been determined on a case-by-case basis in the past. However, we maintain an informal general severance policy that provides all employees, including our named executive officers, with one week of pay for each year of service with the company, with a minimum total payment of 2 weeks pay, in the event of an involuntary termination of the employee by the company. The following table shows the value of severance benefits that would be payable in a lump sum to each of our named executive officers under this formula, assuming an involuntary termination of employment, other than for good cause, as of January 31, 2010.

Name[1]	Severance
Michael C. Ray	$ 95,538
David R. Traylor	24,565
Jill A. Nichols	146,297
Kimberly F. Colby	146,297
Patricia R. Miller	n/a
Barbara Bradley Baekgaard	n/a

(1) Neither Ms. Miller nor Ms. Bradley Baekgaard participates in our severance program.

Compensation and Risk

We have, with the assistance of our board's compensation consultant, evaluated the risk profile of our compensation policies and practices, and concluded that they do not motivate imprudent risk taking. In our evaluation, we reviewed our employee compensation structures, and noted numerous factors and design elements that manage and mitigate risk without diminishing the incentive nature of the compensation, including:

- a unique and strong company culture that attracts passionate and motivated employees who are excited about our products and our brand (as opposed to being motivated by purely financial considerations);
- as proposed for fiscal year 2011, a balanced mix between cash and equity, and annual and longer-term incentives under our executive compensation program;
- the large percentage ownership of our shares by senior management, which ensures that their interests are aligned with the long-term interests of the company and our shareholders;
- reasonable limits on annual incentive awards (as determined by a review of our current business plan);
- with respect to annual incentive awards, a balanced mix of performance measures and linear payouts between target levels; and
- subjective considerations (including a review of individual performance) and discretion in compensation decisions, which limit the influence of formulae or objective factors on excessive risk taking.

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

2010 Equity and Incentive Plan

We have approved, effective upon the completion of this offering, the Vera Bradley, Inc. 2010 Equity and Incentive Plan (referred to below as the 2010 Plan). The principal purposes of the 2010 Plan are to optimize the profitability and growth of the company through short-term and long-term incentives that are consistent with the company's objectives and that link participants' interests to those of the company's shareholders; to give participants an incentive for excellence in individual performance; to promote teamwork among participants; and to give the company a significant advantage in attracting and retaining key employees, directors, and consultants. Our 2010 Plan will provide for the grant of incentive stock options within the meaning of Section 422 of the Internal Revenue Code, nonqualified stock options, stock appreciation rights, restricted stock, restricted stock units, performance based awards (including performance shares, performance units and annual performance bonus awards), and other stock or cash-based awards.

*Administration***.** The 2010 Plan will be administered by our board of directors or by a committee that the board designates for this purpose (referred to below as the Plan Administrator). The Plan Administrator has the power to determine the terms of the awards granted under our 2010 Plan, including the exercise price, the number of shares subject to each award, and the exercisability of the awards. The Plan Administrator also has full power to determine the persons to whom and the time or times at which awards will be made and to make all other determinations and take all other actions advisable for the administration of the 2010 Plan.

*Grant of Awards; Shares Available for Awards***.** Certain employees, advisors, and directors are eligible to be granted awards under the 2010 Plan, other than incentive stock options, which may be granted only to employees. We have reserved 6,076,001 shares of our common stock for issuance under the 2010 Plan. The number of shares issued or reserved pursuant to the 2010 Plan will be adjusted by the Plan Administrator, as they deem appropriate and equitable, as a result of stock splits, stock dividends, and similar changes in our common stock. No more than 2,025,334 shares of our common stock will be granted, or $5.0 million paid in cash, pursuant to awards which are intended to be performance-based compensation (within the meaning of Section 162(m) of the Internal Revenue Code) to any one participant in a calendar year.

*Stock Options***.** Under the 2010 Plan, the Plan Administrator may grant participants incentive stock options, which qualify for special tax treatment in the United States, as well as non-qualified stock options. The Plan Administrator will establish the duration of each option at the time it is granted, with a maximum duration of ten years from the effective date of the 2010 Plan, and may also establish vesting performance requirements that must be met prior to the exercise of options. Stock option grants must have an exercise price that is equal to or greater than the fair market value of our common stock on the date of grant. Stock option grants may include provisions that permit the option holder to exercise all or part of the holder's vested options, or to satisfy withholding tax liabilities, by tendering shares of our common stock already owned by the option holder for at least six months (or another period consistent with the applicable accounting rules) with a fair market value equal to the exercise price.

*Stock Appreciation Rights***.** The Plan Administrator may also grant stock appreciation rights, which will be exercisable upon the occurrence of certain contingent events. Stock appreciation rights entitle the holder upon exercise to receive an amount in any combination of cash and shares of our common stock (as determined by the Plan Administrator) equal in value to the excess of the fair market value of the shares covered by the stock appreciation rights over the exercise price of the right.

*Restricted Stock***.** The Plan Administrator may also grant restricted stock, which are awards of shares of our common stock that vest in accordance with the terms and conditions established by the Plan Administrator. The Plan Administrator will determine in the award agreement whether the participant will be entitled to vote the shares of restricted stock and/or receive dividends on such shares.

*Restricted Stock Units***.** Restricted stock units represent the right to receive shares of our common stock at a specified date in the future, subject to forfeiture of such right. If the restricted stock unit has not been forfeited, then on the date specified in the restricted stock unit grant, the company must deliver to the holder of the restricted stock unit, unrestricted shares of our common stock, which will be freely transferable.

Performance Based Awards. Performance based awards are denominated in shares of our common stock, stock units, or cash, and are linked to the satisfaction of performance criteria established by the Plan Administrator for the applicable performance period. If the Plan Administrator determines that the performance based award to an employee is intended to meet the requirements of "qualified performance based compensation" and therefore is deductible under Section 162(m) of the Internal Revenue Code, then the performance based criteria upon which the awards will be based shall be with reference to any one or more of the following: earnings before interest and taxes; earnings before interest, taxes, depreciation and amortization; net operating profit after tax; cash flow; revenue; net revenues; sales; comparable-store sales; income; net income; operating income; net operating income, operating margin; earnings; earnings per share; return on equity; return on investment; return on capital; return on assets; return on net assets; total shareholder return; economic profit; market share; appreciation in the fair market value, book value or other measure of value of the company's common stock; expense/cost control; working capital; volume/production; new products; customer satisfaction; brand development; employee retention or employee turnover; employee satisfaction or engagement; environmental, health, or other safety goals; individual performance; or strategic objectives milestones.

Change in Control Provisions. In connection with the grant of an award, the Plan Administrator may provide that, in the event of an involuntary termination of an executive's employment by the company in connection with a change in control, any outstanding awards that are unexercisable or otherwise unvested will become fully vested and/or immediately exercisable.

Amendment and Termination. Our board of directors may alter, amend, modify, or terminate the 2010 Plan at any time. However, no modification of an award will, without the prior written consent of the participant, materially impair any rights or obligations under any award already granted under the 2010 Plan unless the board expressly reserved the right to do so at the time of the award.

Compliance with Applicable Laws. We have attempted to structure the 2010 Plan so that remuneration attributable to stock options and other performance-based awards will not be subject to a deduction limitation contained in Section 162(m) of the Internal Revenue Code. Awards under our 2010 Plan shall be designed, granted, and administered in such a manner that they are either exempt from the application of, or comply with, the requirements of Section 409A of the Internal Revenue Code.

Employee Restricted Stock Unit Grant

Following the completion of this offering, we anticipate awarding an aggregate of approximately 60,000 restricted stock units to our employees. The restricted stock units will be granted under the 2010 Plan and vest on the second anniversary of the grant date and will be subject to forfeiture during the vesting period if an employee is no longer employed by us. We intend to file a registration statement under the Securities Act with respect to these restricted stock units following the completion of this offering, but in any event prior to the grant of these awards.

Fiscal Year 2010 Director Compensation

The following table summarizes compensation that our directors earned during fiscal year 2010 for services as members of our board of directors.

Name[1]	Fees Earned or Paid in Cash	Option Awards	Stock Awards	Total
P. Michael Miller	$ 81,000	n/a	n/a	$81,000
Robert J. Hall	80,500	n/a	n/a	80,500

(1) We did not pay our employee directors, Ms. Miller and Ms. Bradley Baekgaard, any cash compensation for their service on our board of directors in fiscal year 2010.

Summary of Director Compensation

During fiscal year 2010, we paid our non-employee directors a base cash retainer of $70,000 and meeting fees of $1,000 per meeting ($500 for telephonic meetings). All of our directors are reimbursed for reasonable travel and other expenses incurred in connection with attending meetings of the board of directors and its committees.

In fiscal year 2011, our outside compensation consultant reviewed our cash compensation for non-employee directors. In reviewing total compensation for our non-employee directors, our consultant evaluated the cash compensation programs and long-term equity incentive programs for non-employee directors of comparable companies. On July 1, 2010, we began providing a revised cash compensation program to our non-employee directors, including Mr. Miller, Mr. Hall and Mr. Kyees, who became a director in April 2010. Mr. Schmults, who became a director in September 2010, will also participate in the non-employee director compensation programs.

We will pay each of our non-employee directors a cash retainer of $34,000 annually, a per board of directors meeting fee of $2,000 ($500 for telephonic meetings) and a per committee meeting fee of $2,000. In addition, if such directors are not employees, we will pay our audit committee chair an additional retainer of $8,750 and each of our other committee chairs an additional retainer of $5,000. Finally, if such chairperson is not an employee, we will pay the chairperson of our board of directors an additional $40,000 retainer.

In July 2010, we awarded long-term equity incentives in the form of restricted shares of our common stock as part of our overall compensation program to certain of our non-employee directors, as discussed in “Equity Compensation Awards— Pre-IPO Equity Grants” above, as follows: P. Michael Miller - 35,437 shares; Robert J. Hall - 35,437 shares; and John Kyees - 17,719 shares. Recipients of restricted shares made Section 83(b) elections and were each paid an additional cash bonus by us in the amount of the expected tax obligation on the restricted shares and the cash bonus as follows: P. Michael Miller - $190,888; Robert J. Hall - $190,888; and John Kyees - $95,444. Under the 2010 Plan, our non-employee directors will also be eligible to receive stock options and other equity grants at the discretion of our compensation committee or other administrator of the 2010 Plan. See “Equity Compensation Awards— 2010 Equity and Incentive Plan” above for a description of the 2010 Plan. We will pay each of our non-employee directors an annual equity grant with a value of $50,000.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

It is our intention to ensure that all future transactions between us and our directors, executive officers, principal shareholders and their affiliates are approved by a majority of our board of directors, including a majority of the independent and disinterested members of our board of directors, and are on terms no less favorable to us than those that we could obtain from unaffiliated third parties. As a public company following the completion of this offering, our audit committee will be responsible for reviewing the fairness of related party transactions in accordance with the rules of The Nasdaq Stock Market. Our audit committee will operate under a written charter pursuant to which it must approve, prior to consummation, any related party transaction, which includes any transaction or series of similar transactions in which we are to be a participant, the amount exceeds $120,000 and a "related person" (as defined under SEC rules) has a direct or indirect material interest. Based on its consideration of all relevant facts and circumstances, the audit committee will decide whether or not to approve the particular transaction and will generally approve only those transactions that are negotiated at arm's length and have terms and conditions that are reasonable and customary.

Related Party Transactions for Calendar Year 2007, Fiscal Year 2009, Fiscal Year 2010 and Fiscal Year 2011

Other than compensation agreements and other arrangements described under "Management" and the transactions described below, since February 1, 2007, there has not been, and there is not currently proposed, any transaction or series of similar transactions to which we were or will be a party in which the amount involved exceeded or will exceed $120,000 and in which any of our directors, executive officers, holders of more than five percent of any class of our voting securities or any member of the immediate family of any of the foregoing persons had or will have a direct or indirect material interest. We believe that we have executed all of the transactions set forth below on terms no less favorable to us than we could have obtained from unaffiliated third parties.

"S" Corporation Final Distribution

On October 3, 2010, we distributed to our existing shareholders, in proportion to their ownership of our shares, notes in an aggregate principal amount equal to approximately $106,000,000, or 100% of our undistributed taxable income from the date of our formation through October 2, 2010, as a final distribution resulting from the termination of our "S" Corporation status. Upon the completion of this offering, we will use all of the net proceeds from this offering, together with approximately $52.7 million of borrowings under our amended and restated credit facility, to pay in full the principal amount of these undistributed earnings notes as described under "Use of Proceeds." The shareholders and the amounts payable to each shareholder and their respective related trusts are as follows: Barbara Bradley Baekgaard - $42,400,000; Patricia R. Miller - $42,365,447; P. Michael Miller - $34,553; Michael C. Ray - $5,300,000; Kimberly F. Colby - $5,300,000; and Jill A. Nichols - $10,600,000.

Relationships with Baekgaard Ltd. of Indiana, Inc.

In May 2006, we entered into a licensing agreement with Baekgaard Ltd. of Indiana, Inc. ("Baekgaard Ltd."), a manufacturer of leather accessories, ties, pocket squares and cuff links, pursuant to which we licensed certain of our copyrighted patterns. Baekgaard Ltd. is owned solely by Barbara Bradley Baekgaard and she serves as chairman of its board of directors. Robert J. Hall serves as secretary and treasurer of Baekgaard Ltd. Under the licensing agreement, we earned licensing revenues from Baekgaard Ltd. of $27,658, $21,849 and $6,646 for calendar year 2007, fiscal year 2009 and fiscal year 2010, respectively. We did not and do not expect to earn any licensing revenues from Baekgaard Ltd. in fiscal year 2011. The licensing agreement was terminated on June 21, 2010.

In addition, from time to time, we purchase products from Baekgaard Ltd. for sale in our stores. As consideration, we paid Baekgaard Ltd. $308,617, $260,764, $118,928 and $50,312 for calendar year 2007, fiscal year 2009, fiscal year 2010 and the six months ended July 31, 2010, respectively. From time to time, Baekgaard Ltd. has purchased products from us. As consideration, Baekgaard Ltd. paid us $315,476, $761,105, $43,019 and $1,770 for calendar year 2007, fiscal year 2009, fiscal year 2010 and the six months ended July 31, 2010, respectively.

Leasing Arrangements

In February 1996, we entered into a lease with Milburn, LLC, a leasing company in which Barbara Bradley Baekgaard owns a 50% interest and Patricia R. Miller and P. Michael Miller each own a 25% interest, for our corporate

headquarters located at 2208 Production Road, Fort Wayne, Indiana. Lease expenses for calendar year 2007, fiscal year 2009, fiscal year 2010 and the six months ended July 31, 2010, related to this arrangement with Milburn, LLC, were $168,000, $168,000, $168,000 and $84,000, respectively. The lease with Milburn, LLC will expire on March 1, 2011. We are continuing to review options regarding our corporate headquarters. We believe we will be able to renew the lease with Milburn, LLC prior to the end of such lease term on substantially the same or similar terms.

Certain Employees of the Company

Joanie Hall, the daughter of Barbara Bradley Baekgaard, wife of Robert J. Hall and sister-in-law of Michael C. Ray, has been engaged by us to serve as an independent sales representative and has provided us with freelance artwork. For calendar year 2007, Joanie Hall received compensation of $237,944 for her service as an independent sales representative. For fiscal year 2009, fiscal year 2010 and the six months ended July 31, 2010, she received compensation of $4,073, $20,685 and $231, respectively, for her services as a freelance artist.

Joan Reedy, the sister of Barbara Bradley Baekgaard, is employed by us in a public relations role. As the daughter of our namesake, Vera Bradley, she attends retail events to share our history with our customers. For calendar year 2007, Joan Reedy received compensation of $651,120 for her service as an independent sales representative and, for fiscal year 2009, fiscal year 2010 and the six months ended July 31, 2010, she received compensation of $139,817, $100,256 and $48,221, respectively, for her service as an Indirect sales consultant.

Kathleen Ray, the sister-in-law of Michael C. Ray, is employed by us as an Indirect sales consultant, and previously was engaged by us as an independent sales representative. For calendar year 2007, we paid her, through a company solely owned by her, $154,522 for independent sales representative services. In calendar year 2007, fiscal year 2009, fiscal year 2010 and the six months ended July 31, 2010, she received compensation of $21,670, $118,508, $88,106 and $95,116, respectively, for her service as an Indirect sales consultant.

Relationships Among Members of our Board of Directors and Management

Several members of our board of directors and our management team are related to one another. P. Michael Miller is the husband of Patricia R. Miller. Robert J. Hall and Michael C. Ray are sons-in-law of Barbara Bradley Baekgaard. Accordingly, Robert J. Hall and Michael C. Ray are brothers-in-law.

Loans to the Company

In February 2003, we entered into four note agreements with Barbara Bradley Baekgaard and Patricia Miller, including a 10% note payable to Patricia R. Miller in the original amount of $1,500,000, a 10% note payable to Barbara Bradley Baekgaard in the original amount of $1,500,000, a 7% note payable to Patricia R. Miller in the original amount of $2,011,238 and a 7% note payable to Barbara Bradley Baekgaard in the original amount of $2,013,238. As of January 31, 2010, there were no amounts outstanding on these notes.

Shareholder Agreements

Our shareholders, Barbara Bradley Baekgaard, Patricia R. Miller, Jill A. Nichols, Michael C. Ray and Kimberly F. Colby, entered into an Amended and Restated Stock Purchase and Sale Agreement Re Non-Voting Shares dated February 26, 2003 and certain amendments thereto, pursuant to which non-selling shareholders were granted the right of first refusal with respect to any sale of Class B non-voting common stock owned by Jill A. Nichols, Michael C. Ray and Kimberly F. Colby.

In addition, the shareholders entered into an Amended and Restated Surviving Rights Under Vera Bradley Designs, Inc. Stock Purchase and Sale Agreement Re Voting Shares dated November 13, 2007, pursuant to which the non-selling voting shareholder, followed by the non-voting shareholders, were granted the right of first refusal with respect to any sale of common stock by a voting shareholder.

Barbara Bradley Baekgaard and Patricia R. Miller also entered into a Voting Agreement re Disability — Vera Bradley Designs, Inc. Voting Stock on September 25, 2003, by which each agreed that if she became totally disabled (as

defined in the Agreement), Jill A. Nichols, Michael C. Ray and Kimberly F. Colby, acting by majority vote, would vote the disabled voting shareholder's shares.

On September 17, 2010, Barbara Bradley Baekgaard, Patricia R. Miller, P. Michael Miller and their related trusts, which constitute all of the holders of the company's voting shares, entered into a Stock Purchase and Sale Agreement Re Voting Shareholders, pursuant to which they granted certain rights of first refusal to the other shareholders and the company with respect to any sale by them of common stock of the company during their lifetime. The voting shareholders further agreed that upon the death of either Barbara Bradley Baekgaard or Patricia R. Miller, the company and each shareholder will purchase the number of shares of such deceased voting shareholder which value is equivalent to the proceeds of any life insurance received by the company or such surviving shareholder as a result of such voting shareholder's death. The shares of the deceased voting shareholder will be offered as follows: (i) first, to the surviving voting shareholder, with voting shares being sold first, followed by non-voting shares; (ii) second, to the non-voting shareholders, with non-voting shares being sold first, followed by voting shares; and (iii) third, to the company, with non-voting shares being sold first, followed by voting shares.

The shareholder agreement dated September 17, 2010 automatically terminates upon completion of this offering and the shareholder agreements dated February 26, 2003, November 13, 2007 and September 23, 2003 will terminate on or prior to the completion of this offering.

Indemnification Agreements and Directors and Officers Liability Insurance

Our second amended and restated articles of incorporation will provide for indemnification, to the fullest extent permitted by the IBCL, of our directors and officers against liability and reasonable expenses that may be incurred by them in connection with proceedings to which the directors or officers are made a party by reason of their relationship to the company. A general description of these provisions is contained under the heading "Management — Limitation of Liability and Indemnification of Directors and Officers." In addition, we intend to obtain directors' and officers' liability insurance to provide our directors and officers with insurance coverage for losses arising from claims based on breaches of duty, negligence, errors and other wrongful acts. We also intend to enter into agreements to indemnify our directors and executive officers.

PRINCIPAL AND SELLING SHAREHOLDERS

The following table sets forth certain information regarding ownership of our common stock prior to and after this offering by:

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

The table below gives effect to the reorganization transaction as described under "Description of Capital Stock—Reorganization Transaction" and the stock split as described under "Description of Capital Stock—Stock Split." After giving effect to such transactions and immediately before the sale of shares in this offering, we will have 36,506,670 shares of common stock outstanding. Unless otherwise indicated in the footnotes below, the persons and entities named in the table have sole voting and investment power as to all shares shown as beneficially owned by them.

Unless otherwise indicated, the address of each beneficial owner listed below is c/o Vera Bradley, Inc., 2208 Production Road, Fort Wayne, Indiana 46808.

	Shares of capital stock beneficially owned immediately prior to this offering				Number of shares of common stock to be sold in this offering	Number of shares of common stock to be sold pursuant to over-allotment option[1]	Shares of common stock beneficially owned after this offering			
Name of beneficial owner	Shares	Options	Total	%			Shares	Options	Total	%
Directors and Named Executive Officers										
Barbara Bradley Baekgaard[2]	14,176,219	—	14,176,219	38.8%	2,212,000	521,400	11,442,819	—	11,442,819	28.2%
Robert J. Hall[3]	35,437	—	35,437	*	—	—	35,437	—	35,437	*
John E. Kyees[4]	17,719	—	17,719	*	—	—	17,719	—	17,719	*
Patricia R. Miller[5]	14,211,655	—	14,211,655	38.9%	2,800,000	660,000	10,751,655	—	10,751,655	26.5%
P. Michael Miller[5]	14,211,655	—	14,211,655	38.9%	2,800,000	660,000	10,751,655	—	10,751,655	26.5%
Michael C. Ray[6]	1,927,950	—	1,927,950	5.3%	—	—	1,927,950	—	1,927,950	4.8%
Kimberly F. Colby[7]	1,878,338	—	1,878,338	5.1%	490,000	115,500	1,272,838	—	1,272,838	3.1%
Jill A. Nichols[8]	3,650,366	—	3,650,366	10.0%	1,498,000	353,100	1,799,266	—	1,799,266	4.4%
David R. Traylor[9]	88,593	—	88,593	*	—	—	88,593	—	88,593	*
Directors and Executive Officers as a Group	36,003,995	—	36,003,995	98.6%	7,000,000	1,650,000	27,353,995	—	27,353,995	67.5%

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

(1) Assumes the underwriters exercise in full their option to purchase additional shares from the selling shareholders.

(2) Includes 12,833,865 shares held by the Barbara B. Baekgaard 2009 Grantor Retained Annuity Trust and 1,342,354 shares held by the Barbara B. Baekgaard Revocable Trust.

(3) Includes 35,437 restricted shares of common stock, which vest upon the occurrence of certain events, including the consummation of this offering.

(4) Includes 17,719 restricted shares of common stock, which vest upon the occurrence of certain events, including the consummation of this offering.

(5) P. Michael Miller and Patricia R. Miller are husband and wife. Includes 1,066,654 shares held by the Patricia Miller 2007 Annuity Trust, 1,599,839 shares held by the Miller 2007 Dynasty Trust, 1,188,344 shares held by the P. Michael Miller 2009 Annuity Trust, 5,242,196 shares held by the Patricia R. Miller 2009 Annuity Trust and 46,989 shares held by P. Michael Miller, the husband of Patricia R. Miller. Also includes 35,437 restricted shares of common stock granted to Mr. Miller, which vest upon the occurrence of certain events, including the consummation of this offering.

(6) Includes 885,996 shares held by the Michael Ray 2009 Grantor Retained Annuity Trust. Includes 155,923 restricted shares of common stock, which vest upon the occurrence of certain events, including the consummation of this offering.

(7) Includes 155,214 shares held by the Colby Gift Trust and 516,494 shares held by the Colby 2009 Annuity Trust. Also includes 106,311 restricted shares of common stock, which vest upon the occurrence of certain events, including the consummation of this offering.

(8) Includes 155,214 shares held by the Nichols Gift Trust and 530,634 shares held by the Nichols 2009 Annuity Trust. Also includes 106,311 restricted shares of common stock, which vest upon the occurrence of certain events, including the consummation of this offering.

(9) Includes 88,593 restricted shares of common stock, which vest upon the occurrence of certain events, including the consummation of this offering.

The selling shareholders participating in the distribution of the shares sold in this offering may be deemed to be “underwriters” within the meaning of the Securities Act. Because the selling shareholders hold restricted securities, any public sales by them not effected pursuant to Rule 144 will be subject to the prospectus delivery requirements of the Securities Act. We will make copies of this prospectus available to the selling shareholders for the purpose of satisfying the prospectus delivery requirements of the Securities Act.

DESCRIPTION OF CAPITAL STOCK

General

Upon the closing of this offering, the total amount of our authorized capital stock will consist of 200 million shares of common stock, without par value, and five million shares of preferred stock, without par value. The discussion herein describes the reorganization transaction, our capital stock, the material provisions of our second amended and restated articles of incorporation and amended and restated bylaws as anticipated to be in effect upon the closing of this offering and certain provisions of the IBCL. For a more thorough understanding of the terms of our capital stock, we refer you to our second amended and restated articles of incorporation and amended and restated bylaws, which are included as exhibits to the registration statement of which this prospectus forms a part.

Reorganization Transaction

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

On October 3, 2010, the shareholders of Vera Bradley Designs, Inc. contributed all of their equity interests in Vera Bradley Designs, Inc., including Shares of Class A Voting Common Stock and Class B Non-Voting Common Stock, to us in return for shares of our Class A Voting Common Stock and Class B Non-Voting Common Stock, respectively, on a one-for-one basis. In connection with our reorganization transaction, we distributed to our existing shareholders, in proportion to their ownership of our shares, notes in an aggregate principal amount equal to approximately $106.0 million, or 100% of our undistributed taxable income from the date of our formation through October 2, 2010, the date of our "S" Corporation status termination, as a final distribution resulting from the termination of our "S" Corporation status. Upon the completion of this offering, we will use substantially all of the net proceeds from this offering, together with approximately $52.7 million of borrowings under our amended and restated credit facility, to pay in full the principal amount of these undistributed earnings notes as described under "Use of Proceeds." Upon completion of the reorganization transaction, we automatically converted to a "C" corporation and Vera Bradley Designs, Inc. became our wholly-owned subsidiary.

Stock Split

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

Common Stock

Following the reorganization transaction and stock split and immediately prior to the closing of this offering, there will be 36,506,670 shares of common stock outstanding held by 16 individuals and related trusts of six such individuals. Holders of common stock are entitled to one vote for each share held on all matters subject to a vote of shareholders, subject to the rights of holders of any outstanding preferred stock. Accordingly, holders of a majority of the shares of common stock entitled to vote in any election of directors may elect all of the directors standing for election, subject to the rights of holders of any outstanding preferred stock. Holders of common stock will be entitled to receive ratably any dividends that the board of directors may declare out of funds legally available therefrom, subject to any preferential dividend rights of outstanding preferred stock. Upon our liquidation, dissolution or winding up, the holders of common stock will be entitled to receive ratably our net assets available after the payment of all debts and other liabilities and subject to the prior rights of holders of any outstanding preferred stock. Holders of common stock have no preemptive, subscription, redemption or conversion rights. There are no redemption or sinking fund provisions applicable to the common stock.

Preferred Stock

Following the reorganization transaction and stock split and immediately prior to the closing of this offering, we will be authorized to issue shares of preferred stock, which may be issued from time to time in one or more series upon

authorization by the board of directors. The board of directors, without further approval of the shareholders, will be authorized to fix the number of shares constituting any series, as well as the dividend rights and terms, conversion rights and terms, voting rights and terms, redemption rights and terms, liquidation preferences and any other rights, preferences, privileges and restrictions applicable to each series of preferred stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could also adversely affect the voting power and dividend and liquidation rights of the holders of common stock. The issuance of preferred stock could also, under certain circumstances, have the effect of making it more difficult for a third party to acquire, or discouraging a third party from acquiring, a majority of our outstanding voting stock or otherwise adversely affect the market price of our common stock. It is not possible to state the actual effect of the issuance of any shares of preferred stock on the rights of holders of common stock until the board of directors determines the specific rights of that series of preferred stock.

Number of Directors; Removal; Vacancies

Our amended and restated bylaws will provide that we are to have 11 directors, provided that this number may be changed by the board of directors. Our second amended and restated articles of incorporation will provide that, subject to the rights of holders of any future series of preferred stock, directors may be removed, with or without cause, only at meetings of shareholders called for that purpose by the affirmative vote of the holders of at least a majority of the outstanding shares entitled to be cast generally in the election of directors.

Our board of directors will be divided into three classes that will be, as nearly as possible, of equal size. Each class of directors will be elected for a three-year term of office, but the terms are staggered so that the term of only one class of directors expires at each annual meeting of shareholders. The proposed terms of the Class I, Class II and Class III directors will expire in 2011, 2012 and 2013, respectively. The Class I directors will include Michael C. Ray and John E. Kyees, the Class II directors will include Robert J. Hall, P. Michael Miller and Edward M. Schmults and the Class III directors will include Barbara Bradley Baekgaard and Patricia R. Miller. Vacancies on the board of directors may be filled only by the affirmative vote of a majority of the remaining directors then in office.

Special Meetings of Shareholders; Limitations on Shareholder Action by Written Consent

Our amended and restated bylaws will provide that special meetings of our shareholders may be called only by our chairman of the board of directors, our chief executive officer or our board of directors. The only matters that may be considered at any special meeting of the shareholders are the matters specified in the notice of the meeting. Any action required or permitted to be taken by our shareholders must be effected at an annual or special meeting of shareholders and may not be effected by written consent.

Amendments; Vote Requirements

Under Indiana law, a proposal to amend our second amended and restated articles of incorporation will be approved if the votes cast favoring the proposal exceed the votes cast opposing the proposal at a meeting at which a quorum is present. Our amended and restated bylaws provide that they may be amended or waived by the affirmative vote of a majority of the directors. Our shareholders do not have the right to amend our amended and restated bylaws.

Authorized but Unissued Shares

The authorized but unissued shares of common stock will be available for future issuance without shareholder approval. These additional shares may be utilized for a variety of corporate purposes, including future public offerings to raise additional capital, corporate acquisitions and employee benefit plans. The existence of authorized but unissued shares of common stock could render it more difficult or discourage an attempt to obtain control of us by means of a proxy contest, tender offer, merger or otherwise.

Advance Notice Requirements for Shareholder Proposals and Nomination of Directors

Our amended and restated bylaws will provide that shareholders seeking to bring business before an annual meeting of shareholders, or to nominate candidates for election as directors at an annual meeting of shareholders, must provide timely notice in writing. To be timely, a shareholder's notice must be delivered to or mailed and received at our principal executive offices not less than 90 days nor more than 120 days prior to the anniversary date of the immediately preceding annual meeting of shareholders. However, in the event that the annual meeting is called for a date that is not within 30 days before or after such anniversary date, such notice will be timely only if received not later than the close of business on the tenth day following the date on which notice of the date of the annual meeting was mailed to shareholders or made public, whichever first occurs. Our amended and restated bylaws will also specify requirements as to the form and content of a shareholder's notice.

Certain Provisions of the Indiana Business Corporation Law

As an Indiana corporation, we are governed by the IBCL. Under specified circumstances, the following provisions of the IBCL may delay, prevent or make more difficult unsolicited acquisitions or changes of control of us. These provisions also may have the effect of preventing changes in our management. It is possible that these provisions could make it more difficult to accomplish transactions which shareholders may otherwise deem to be in their best interest.

Control Share Acquisitions. Under Chapter 42 of the IBCL, an acquiring person or group who makes a "control share acquisition" in an "issuing public corporation" may not exercise voting rights on any "control shares" unless these voting rights are conferred by a majority vote of the disinterested shareholders of the issuing public corporation at a special meeting of those shareholders held upon the request and at the expense of the acquiring person. If control shares acquired in a control share acquisition are accorded full voting rights and the acquiring person has acquired control shares with a majority or more of all voting power, all shareholders of the issuing public corporation have dissenters' rights to receive the fair value of their shares pursuant to Chapter 44 of the IBCL.

Under the IBCL, "control shares" are shares acquired by a person that, when added to all other shares of the issuing public corporation owned by that person or in respect to which that person may exercise or direct the exercise of voting power, would otherwise entitle that person to exercise voting power of the issuing public corporation in the election of directors within any of the following ranges:

- one-fifth or more but less than one-third;
- one-third or more but less than a majority; or
- a majority or more.

A “control share acquisition” means, subject to specified exceptions, the acquisition, directly or indirectly, by any person of ownership of, or the power to direct the exercise of voting power with respect to, issued and outstanding control shares. For the purposes of determining whether an acquisition constitutes a control share acquisition, shares acquired within 90 days or under a plan to make a control share acquisition are considered to have been acquired in the same acquisition.

An “issuing public corporation” means a corporation which has (i) 100 or more shareholders, (ii) its principal place of business or its principal office in Indiana, or that owns or controls assets within Indiana having a fair market value of greater than $1,000,000, and (iii) (A) more than 10% of its shareholders resident in Indiana, (B) more than 10% of its shares owned of record or owned beneficially by Indiana residents, or (C) 1,000 shareholders resident in Indiana.

The provisions described above do not apply if, before a control share acquisition is made, the corporation’s articles of incorporation or bylaws, including a bylaw adopted by the corporation’s board of directors, provide that they do not apply. Our second amended and restated articles of incorporation and our amended and restated bylaws will not, upon the closing, exclude us from Chapter 42.

Certain Business Combinations. Chapter 43 of the IBCL restricts the ability of a “resident domestic corporation” to engage in any combinations with an “interested shareholder” for five years after the date the interested shareholder became such, unless the combination or the purchase of shares by the interested shareholder on the interested shareholder’s date of acquiring shares is approved by the board of directors of the resident domestic corporation before that date. If the combination was not previously approved, then the interested shareholder may effect a combination after the five-year period only if that shareholder receives approval from a majority of the disinterested shareholders or the offer meets specified “fair price” criteria.

For purposes of the above provisions, “resident domestic corporation” means an Indiana corporation that has 100 or more shareholders. “Interested shareholder” means any person, other than the resident domestic corporation or its subsidiaries, who is (1) the beneficial owner, directly or indirectly, of 10% or more of the voting power of the outstanding voting shares of the resident domestic corporation or (2) an affiliate or associate of the resident domestic corporation, which at any time within the five-year period immediately before the date in question, was the beneficial owner, directly or indirectly, of 10% or more of the voting power of the then outstanding shares of the resident domestic corporation.

The definition of “beneficial owner” for purposes of Chapter 43 means a person who, directly or indirectly, owns the shares, has the right to acquire or vote the subject shares (excluding voting rights under revocable proxies made in accordance with federal law), has any agreement, arrangement or understanding for the purpose of acquiring, holding or voting or disposing of the subject shares, or holds any “derivative instrument” that includes the opportunity, directly or indirectly, to profit or share in any profit derived from any increase in the value of the subject shares.

The above provisions do not apply to corporations that elect not to be subject to Chapter 43 in an amendment to their articles of incorporation approved by a majority of the disinterested shareholders. That amendment, however, cannot become effective until 18 months after its passage and would apply only to share acquisitions occurring after its effective date. Our second amended and restated articles of incorporation do not exclude us from Chapter 43.

Directors’ Duties and Liability. Under Chapter 35 of the IBCL, directors are required to discharge their duties:

- in good faith;
- with the care an ordinarily prudent person in a like position would exercise under similar circumstances; and
- in a manner the directors reasonably believe to be in the best interests of the corporation.

Under the IBCL, a director is not liable for any action taken as a director, or any failure to act, regardless of the nature of the alleged breach of duty (including breaches of the duty of care, the duty of loyalty, and the duty of good faith)

unless the director has breached or failed to perform the duties of the director's office and the action or failure to act constitutes willful misconduct or recklessness. This exculpation from liability under the IBCL does not affect the liability of directors for violations of the federal securities laws.

Consideration of Effects on Other Constituents. Chapter 35 of the IBCL also provides that a board of directors, in discharging its duties, may consider, in its discretion, both the long-term and short-term best interests of the corporation, taking into account, and weighing as the directors deem appropriate, the effects of an action on the corporation's shareholders, employees, suppliers and customers and the communities in which offices or other facilities of the corporation are located and any other factors the directors consider pertinent. Directors are not required to consider the effects of a proposed corporate action on any particular corporate constituent group or interest as a dominant or controlling factor. If a determination is made with the approval of a majority of the disinterested directors of the board of directors, that determination is conclusively presumed to be valid unless it can be demonstrated that the determination was not made in good faith after reasonable investigation.

Chapter 35 specifically provides that specified judicial decisions in Delaware and other jurisdictions, which might be looked upon for guidance in interpreting Indiana law, including decisions that propose a higher or different degree of scrutiny in response to a proposed acquisition of the corporation, are inconsistent with the proper application of the business judgment rule under that section.

Mandatory Classified Board of Directors. Under Section 23-1-33-6(c) of the IBCL, a corporation with a class of voting shares registered with the SEC under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), must have a classified board of directors unless the corporation adopts a bylaw expressly electing not to be governed by this provision by the later of July 31, 2009 or 30 days after the corporation's voting shares are registered under Section 12 of the Exchange Act. Although we intend to have a classified board of directors, our amended and restated bylaws will include a provision electing not to be subject to this mandatory requirement; however, the IBCL permits this election to be rescinded by subsequent action of our board of directors.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Wells Fargo Bank, N.A.

Listing

Our common stock will be listed on The Nasdaq Global Market under the symbol "VRA".

SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of this offering, we will have approximately 40,506,670 shares of common stock outstanding. Of these shares, the 11,000,000 shares sold in this offering, plus any shares sold upon exercise of the underwriters' over-allotment option, will be freely tradable without restriction under the Securities Act, except for any shares held by our "affiliates" as that term is defined in Rule 144 under the Securities Act. In general, affiliates include executive officers, directors and 10% shareholders. Shares held by affiliates will remain subject to the resale limitations of Rule 144.

The remaining shares of common stock outstanding following this offering will be "restricted securities" as that term is defined in Rule 144. We issued and sold these restricted securities in private transactions in reliance on exemptions from registration under the Securities Act. Restricted securities may be sold in the public market only if they are registered or if they qualify for an exemption from registration such as under Rule 144 or 701 under the Securities Act, as summarized below.

We have agreed with the underwriters that we will not, without the prior written consent of Robert W. Baird & Co. Incorporated, issue any additional shares of common stock or securities convertible into, exercisable for or exchangeable for shares of common stock for a period of 180 days (subject to extensions) after the date of this prospectus, except that we may grant options to purchase shares of common stock under the 2010 Plan and issue shares of common stock upon the exercise of outstanding options and warrants.

Our officers and directors and our current shareholders, who will hold an aggregate of 29,506,670 shares of common stock upon completion of this offering, have agreed that they will not, without the prior written consent of Robert W. Baird & Co. Incorporated, offer, sell, pledge or otherwise dispose of any shares of our common stock or any securities convertible into or exercisable or exchangeable for, or any rights to purchase, any of our common stock, or publicly announce an intention to effect any of these transactions, for a period of 180 days (subject to extensions) after the date of this prospectus without the prior written consent of Robert W. Baird & Co. Incorporated, except that nothing will prevent any of them from exercising outstanding options and warrants. These lock-up agreements are subject to such shareholders' rights to transfer their shares of common stock as a bona fide gift or to a trust for the benefit of an immediate family member or to a wholly-owned subsidiary, provided that such donee or transferee agrees in writing to be bound by the terms of the lock-up agreement.

We have been advised by Robert W. Baird & Co. Incorporated that it may in its discretion waive the lock-up agreements but that it has no current intention of releasing any shares subject to a lock-up agreement. The release of any lock-up would be considered case by case. In considering any request to release shares covered by a lock-up agreement, Robert W. Baird & Co. Incorporated may consider, among other factors, the particular circumstances surrounding the request, including but not limited to the number of shares requested to be released, market conditions, the possible impact on the market for our common stock, the trading price of our common stock, historical trading volumes of our common stock, the reasons for the request and whether the person seeking the release is one of our officers or directors. No agreement has been made between Robert W. Baird & Co. Incorporated and us or any of our shareholders pursuant to which Robert W. Baird & Co. Incorporated will waive the lock-up restrictions.

Taking into account the lock-up agreements, and assuming Robert W. Baird & Co. Incorporated does not release shareholders from these agreements, an additional 29,506,670 of our shares will be eligible for sale in the public market subject to volume, manner of sale, and other limitations under Rules 144 and 701 beginning 180 days after the date of this prospectus (unless the lock-up period is extended as described above and in "Underwriting").

In general, under Rule 144, a shareholder has beneficially owned restricted securities of an issuer that has been subject to the reporting requirements of the Exchange Act for at least six months, and who is not affiliated with the issuer, is entitled to sell an unlimited number of shares of common stock so long as the issuer has satisfied its public information disclosure requirements. In addition, an affiliate of the issuer who has beneficially owned restricted securities for at least six months is entitled to sell, within any three-month period, a number of restricted shares that does not exceed the greater of:

- one percent of the then outstanding number of shares of common stock; or

- the average weekly trading volume of the common stock on The Nasdaq Global Market during the filing of a notice on Form 144 with respect to the sale.

Sales under Rule 144 also are subject to requirements with respect to manner of sale, notice and the availability of current public information about us.

Under Rule 701, each of our employees, officers, directors and consultants who acquired shares pursuant to a written compensatory plan or contract is eligible to resell those shares beginning 90 days after the date of this prospectus in reliance upon Rule 144. Affiliates may resell their Rule 701 shares under Rule 144 without complying with the holding period requirement of Rule 144. Non-affiliates may resell their Rule 701 shares without complying with the holding period or current public information requirements of Rule 144.

We intend to file a registration statement under the Securities Act as soon as practicable after the completion of this offering to cover the issuance of shares issuable upon the exercise of options granted, and of shares granted, under the 2010 Plan. As a result, any shares issued or optioned under the 2010 Plan after the completion of this offering also will be freely tradable in the public market.

CERTAIN MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES TO NON-U.S. HOLDERS

The following discussion summarizes certain material U.S. federal income tax considerations relating to the acquisition, ownership and disposition of common stock by a Non-U.S. Holder (as defined below). This summary is based on the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), applicable U.S. Treasury Regulations, administrative rulings, and judicial decisions as in effect on the date hereof. All such authorities may be repealed, revoked, or modified, possibly with retroactive effect, so as to result in different U.S. federal income tax consequences than those discussed herein. There can be no assurance that the Internal Revenue Service (the "IRS") will not take a contrary position to the discussion of the U.S. federal income tax consequences discussed herein or such position will not be sustained by a court. No ruling from the IRS or opinion of counsel has been obtained with respect to the U.S. federal income tax consequences of owning or disposing of the common stock.

The following discussion deals only with Non-U.S. Holders holding shares of our common stock as capital assets as of the date of this prospectus. The following discussion also does not address considerations that may be relevant to certain Non-U.S. Holders that are subject to special rules, such as the following:

- controlled foreign corporations;
- passive foreign investment companies;
- corporations that accumulate earnings to avoid U.S. federal income tax, brokers or dealers in securities or currencies;
- holders of securities held as part of a hedge or a position in a "straddle," conversion transaction, risk reduction transaction, or constructive sale transaction; or
- certain former citizens or long-term residents of the U.S. that are subject to special treatment under the Code.

The following discussion also does not address entities that are taxed as partnerships or similar pass-through entities classified as partnerships for U.S. federal income tax purposes. If a partnership or other pass-through entity holds common stock, the tax treatment of the partnership (or other pass-through entity) and its partners (or owners) will depend on the status of the partner and the activities of the partnership. Partnerships (and other pass-through entities) and their partners (and owners) should consult with their own tax advisors to determine the tax consequences of owning or disposing of common stock.

The following discussion does not address any non-income tax consequences of acquiring, owning or disposing of common stock or any income tax consequences under state, local, or foreign law. **Potential purchasers are urged to consult their own tax advisors to discuss the tax consequences of acquiring, owning or disposing of common stock based on their particular situation, including non-income tax consequences and tax consequences under state, local, and foreign law.**

Non-U.S. Holder

As used in this discussion, a "Non-U.S. Holder" means a beneficial owner of our common stock that is not any of the following for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the U.S.;
- a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, that was created or organized in or under the laws of the U.S., any state thereof or the District of Columbia;
- an estate whose income is subject to U.S. federal income taxation regardless of its source;
- a trust (i) if it is subject to the supervision of a court within the U.S. and one or more U.S. persons have the authority to control all substantial decisions of the trust or (ii) that has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a U.S. person; or
- an entity that is disregarded as separate from its owner if all of its interests are owned by a single person described above.

Dividends

As discussed under the section entitled "Dividend Policy" above, we do not currently anticipate paying dividends. In the event that we do make distributions on our common stock, such distributions paid to a Non-U.S. Holder will generally constitute dividends for U.S. federal income tax purposes to the extent such distributions are paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. If a distribution exceeds our current and accumulated earnings and profits, the excess will be treated as a tax-free return of the Non-U.S. Holder's investment to the extent of the Non-U.S. Holder's adjusted tax basis in our common stock. Any remaining excess will be treated as capital gain from a sale or disposition of such common stock, reduced by the amount of any tax-free return of capital. See "— Gain on Disposition of Common Stock" for additional information.

Dividends paid to a Non-U.S. Holder generally will be subject to withholding of U.S. federal income tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. A Non-U.S. Holder of common stock who wishes to claim the benefit of an applicable treaty rate for dividends will be required to (a) complete IRS Form W-8BEN (or appropriate substitute form) and certify, under penalty of perjury, that such holder is (or, in the case of a Non-U.S. Holder that is an estate or trust, such forms certifying the status of each beneficiary of the estate or trust as) not a U.S. person and is eligible for the benefits with respect to dividends allowed by such treaty or (b) hold common stock through certain foreign intermediaries and satisfy the certification requirements for treaty benefits of applicable Treasury regulations. Special certification requirements apply to certain Non-U.S. Holders that act as intermediaries (including partnerships). A Non-U.S. Holder eligible for a reduced rate of U.S. withholding tax pursuant to an income tax treaty may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS.

This U.S. withholding tax generally will not apply to dividends that are effectively connected with the conduct of a trade or business by the Non-U.S. Holder within the U.S., and, in cases in which certain tax treaties apply, attributable to a U.S. permanent establishment or fixed base of the Non-U.S. Holder. Dividends effectively connected with the conduct of a trade or business, and, in cases in which certain tax treaties apply, attributable to a U.S. permanent establishment or fixed base of the Non-U.S. Holder, are subject to U.S. federal income tax generally in the same manner as if the Non-U.S. Holder were a U.S. person, as defined under the Code. Certain IRS certification and disclosure requirements, including delivery of a properly executed IRS Form W-8ECI, must be complied with in order for effectively connected dividends to be exempt from withholding. Any such effectively connected dividends received by a Non-U.S. Holder that is a foreign corporation may, under certain circumstances, be subject to an additional "branch profits tax" at a 30% rate or such lower rate as may be specified by an applicable income tax treaty.

Gain on Disposition of Common Stock

A Non-U.S. Holder generally will not be subject to U.S. federal income tax (or any withholding thereof) with respect to gain recognized on a sale or other disposition of common stock unless:

- the gain is effectively connected with a trade or business of the Non-U.S. Holder in the U.S. and, in cases in which certain tax treaties apply, is attributable to a U.S. permanent establishment or fixed base of the Non-U.S. Holder;
- the Non-U.S. Holder is an individual who is present in the U.S. for 183 or more days during the taxable year of disposition and meets certain other requirements; or
- we are or have been a "U.S. real property holding corporation" within the meaning of Section 897(c)(2) of the Code, also referred to as a USRPHC, for U.S. federal income tax purposes at any time within the five-year period preceding the disposition (or, if shorter, the Non-U.S. Holder's holding period for the common stock).

Gain recognized on the sale or other disposition of common stock and effectively connected with a U.S. trade or business, and, in cases in which certain tax treaties apply, attributable to a U.S. permanent establishment or fixed base of the Non-U.S. Holder, is subject to U.S. federal income tax on a net income basis generally in the same manner as if the Non-U.S. Holder were a U.S. person, as defined under the Code. Any such effectively connected gain from the sale or disposition of common stock received by a Non-U.S. Holder that is a foreign corporation may, under certain circumstances, be subject to an additional "branch profits tax" at a 30% rate or such lower rate as may be specified by an applicable income tax treaty.

An individual Non-U.S. Holder who is present in the U.S. for 183 or more days during the taxable year of disposition generally will be subject to a 30% tax imposed on the gain derived from the sale or disposition of our common stock, which may be offset by U.S. source capital loses realized in the same taxable year.

We believe that we currently are not a USRPHC, and we do not anticipate becoming a USRPHC for United States federal income tax purposes. However, no assurances can be provided in this regard.

Information Reporting and Backup Withholding

We must report annually to the IRS and to each Non-U.S. Holder the amount of dividends paid to such holder and the tax withheld with respect to such dividends, regardless of whether withholding was required. Copies of the information returns reporting such dividends and withholding may also be made available to the tax authorities in the country in which the Non-U.S. Holder resides under the provisions of an applicable income tax treaty.

The U.S. imposes a backup withholding tax on dividends and certain other types of payments to U.S. persons (currently at a rate of 28%) of the gross amount. Dividends paid to a Non-U.S. Holder will not be subject to backup withholding if proper certification of foreign status (usually on an IRS Form W-8BEN) is provided, and the payor does not have actual knowledge or reason to know that the beneficial owner is a U.S. person, or the holder is a corporation or one of several types of entities and organizations that qualify for exemption, also referred to as an exempt recipient.

The payment of the proceeds from the disposition of common stock to or through the U.S. office of any broker (U.S. or non-U.S.) will be subject to information reporting and possible backup withholding unless the Non-U.S. Holder certifies as to such holder's non-U.S. status under penalties of perjury or otherwise establishes an exemption and the broker does not have actual knowledge or reason to know that the Non-U.S. Holder is a U.S. person or that the conditions of an other exemption are not, in fact, satisfied. The payment of proceeds from the disposition of common stock to or through a non-U.S. office of a non-U.S. broker will not be subject to information reporting or backup withholding unless the non-U.S. broker has certain types of relationships with the United States (a "U.S. related financial intermediary"). In the case of the payment of proceeds from the disposition of common stock to or through a non-U.S. office of a broker that is either a U.S. person or a U.S. related financial intermediary, the Treasury Regulations require information reporting (but not backup withholding) on the payment unless the broker has documentary evidence in its files that the owner is a Non-U.S. Holder and the broker has no knowledge to the contrary. Holders of common stock are urged to consult their tax advisor on the application of information reporting and backup withholding in light of their particular circumstances.

Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against such holder's U.S. federal income tax liability provided the required information is timely furnished to the IRS.

Recently Enacted Withholding Legislation

Newly enacted legislation may impose withholding taxes on certain types of payments made to "foreign financial institutions" and certain other non-U.S. entities after December 31, 2012. The legislation imposes a 30% withholding tax on dividends on, or gross proceeds from the sale or other disposition of, common stock paid to a foreign financial institution unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain U.S. persons (including certain equity and debt holders of such institutions) or U.S.-owned foreign entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these reporting and other requirements. In addition, the legislation imposes a 30% withholding tax on the same types of payments to a foreign non-financial entity unless the entity certifies that it does not have any substantial U.S. owners (which generally includes any U.S. person who directly or indirectly own more than 10% of the entity) or furnishes identifying information regarding each substantial U.S. owner. Prospective investors should consult their tax advisors regarding this legislation.

THIS SUMMARY OF MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES ABOVE IS INCLUDED FOR GENERAL INFORMATION PURPOSES ONLY. POTENTIAL PURCHASERS OF OUR COMMON STOCK ARE URGED TO CONSULT THEIR OWN TAX ADVISORS TO DETERMINE THE U.S. FEDERAL, STATE, LOCAL AND NON-U.S. TAX CONSIDERATIONS OF ACQUIRING, OWNING AND DISPOSING OF THE COMMON STOCK.

UNDERWRITING

Under an underwriting agreement dated , 2010, we and the selling shareholders, which selling shareholders may be deemed to be underwriters, have agree to sell to the underwriters named below, subject to certain conditions, the indicated numbers of shares of our common stock:

Underwriters	Number of Shares
Robert W. Baird & Co. Incorporated	
Piper Jaffray & Co.	
Wells Fargo Securities, LLC	
KeyBanc Capital Markets Inc.	
Lazard Capital Markets LLC	
Total	11,000,000

The underwriters are committed to take and pay for all of the shares being offered, if any are taken, other than the shares covered by the option described below unless and until this option is exercised.

If the underwriters sell more shares than the total number set forth in the table above, the underwriters have an option to buy up to an additional 1,650,000 shares from the selling shareholders to cover such sales. They may exercise that option for 30 days. If any shares are purchased pursuant to this option, the underwriters will severally purchase shares in approximately the same proportion as set forth in the table above.

The following tables show the per share and total underwriting discounts and commissions to be paid to the underwriters by us and the selling shareholders. Such amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional shares from the selling shareholders.

	Per Share		Total	
	Without Over-Allotment	With Over-Allotment	Without Over-Allotment	With Over-Allotment
Underwriting discounts and commissions paid by us	$	$	$	$
Underwriting and commissions paid by selling shareholders	$	$	$	$

In addition, we estimate that the total expenses of this offering, including registration, filing and listing fees, printing fees and legal and accounting expenses, but excluding the underwriting discounts and commissions, will be approximately $2.5 million.

Shares sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus. Any shares sold by the underwriters to securities dealers may be sold at a discount of up to $ per share from the initial public offering price. Any such securities dealers may resell any shares purchased from the underwriters to certain other brokers or dealers at a discount of up to $ per share from the initial public offering price. If all the shares are not sold at the initial public offering price, the representatives may change the offering price and the other selling terms.

The underwriters have informed us that they do not intend sales to discretionary accounts to exceed 5% of the total number of shares of common stock offered by them.

We and our executive officers and directors and the holders of all of our common stock have agreed with the underwriters not to dispose of or hedge any of their common stock or securities convertible into or exchangeable for shares of common stock during the period from the date of this prospectus continuing through the date 180 days after the date of this prospectus, except with the prior written consent of Robert W. Baird & Co. Incorporated or in other limited circumstances. See "Shares Eligible for Future Sale" for a discussion of certain transfer restrictions.

The 180-day restricted period described in the preceding paragraph will be extended if:

- during the last 17 days of the 180-day restricted period, we issue an earnings release or announce material news or a material event; or
- prior to the expiration of the 180-day restricted period, we announce that we will release earnings results during the 16-day period beginning on the last day of the 180-day period,

in which case the restrictions described in the preceding paragraph will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the announcement of the material news or material event.

The underwriters have reserved for sale at the initial public offering price up to 550,000 shares of the common stock for our employees who have expressed an interest in purchasing common stock in the offering. The number of shares available for sale to the general public in the offering will be reduced to the extent these persons purchase the reserved shares. Any reserved shares not so purchased will be offered by the underwriters to the general public on the same terms as the other shares.

Prior to the offering, there has been no public market for the shares. The initial public offering price will be negotiated among us, the selling shareholders and Robert W. Baird & Co. Incorporated. Among the factors to be considered in determining the initial public offering price of the shares, in addition to prevailing market conditions, will be our historical performance, estimates of our business potential and earnings prospects, an assessment of our management and the consideration of the above factors in relation to market valuation of companies in related businesses.

Application has been made to list the common stock on The Nasdaq Global Market under the symbol “VRA.”

We and the selling shareholders have agreed or will agree to indemnify the underwriters against certain liabilities under the Securities Act or contribute to payments that the underwriters may be required to make in that respect.

In connection with this offering, the underwriters may engage in stabilizing transactions, over-allotment transactions, syndicate covering transactions, and penalty bids in accordance with Regulation M under the Exchange Act.

Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.

Over-allotment involves sales by the underwriters of shares in excess of the number of shares the underwriters are obligated to purchase, which creates a syndicate short position. The short position may be either a covered short position or a naked short position. In a covered short position, the number of shares over-allotted by the underwriters is not greater than the number of shares that they may purchase in the over-allotment option. In a naked short position, the number of shares involved is greater than the number of shares in the over-allotment option. The underwriters may close out any covered short position by exercising their over-allotment option or by purchasing shares in the open market (or both).

Syndicate-covering transactions involve purchases of the common stock in the open market after the distribution has been completed in order to cover syndicate short positions. In determining the source of shares to close out the short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option. If the underwriters sell more shares than could be covered by the over-allotment option (a naked short position), the position can only be closed out by buying shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors that purchase in the offering.

Penalty bids permit the representatives to reclaim a selling concession from a syndicate member when the common stock originally sold by the syndicate member is purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions. Stabilization and syndicate covering transactions may cause the price of the shares to be higher than it would be in the absence of these transactions. The imposition of a penalty bid might also have an effect on the price of the shares if it discourages presale of the shares.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of the common stock. As a result, the price of our common stock may be higher than the price that might otherwise exist in the open market.

These transactions may be effected on The Nasdaq Global Market or otherwise and, if commenced, may be discontinued at any time.

In relation to each member state of the European Economic Area that has implemented the Prospectus Directive (each, a "relevant member state") and the shares offered by this prospectus, with effect from and including the date on which the Prospectus Directive is implemented in that relevant member state (the "relevant implementation date") an offer of securities to the public may not be made in that relevant member state prior to the publication of a prospectus in relation to the securities that has been approved by the competent authority in that relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in that relevant member state, all in accordance with the Prospectus Directive, except that, with effect from and including the relevant implementation date, an offer of securities may be offered to the public in that relevant member state at any time:

- to any legal entity that is authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- to any legal entity that has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- in any other circumstances that do not require the publication of a prospectus pursuant to Article 3 of the Prospectus Directive.

Each purchaser of securities described in this prospectus located within a relevant member state will be deemed to have represented, acknowledged and agreed that it is a "qualified investor" within the meaning of Article 2(1)(e) of the Prospectus Directive.

For purposes of this prospectus, the expression an "offer of securities to the public" in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe the securities, as the expression may be varied in that member state by any measure implementing the Prospectus Directive in that member state, and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each relevant member state.

The sellers of the securities have not authorized and do not authorize the making of any offer of securities through any financial intermediary on their behalf, other than offers made by the underwriters with a view to the final placement of the securities as contemplated in this prospectus. Accordingly, no purchaser of the securities, other than the underwriters, is authorized to make any further offer of the securities on behalf of the sellers or the underwriters.

This prospectus is only being distributed to, and is only directed at, persons in the United Kingdom that are (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (ii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons").

This prospectus and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom. Any person in the United Kingdom that is not a relevant person should not act or rely on this document or any of its contents.

Affiliates of Lazard Ltd. referred this transaction to Lazard Capital Markets LLC and will receive a referral fee from Lazard Capital Markets LLC in connection therewith.

Other Relationships

The underwriters and their respective affiliates are full-service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Some of the underwriters and their respective affiliates have in the past and may in the future engage in investment banking and other commercial dealings in the ordinary course of business with us or our affiliates and may in the future receive customary fees and commissions for these transactions. In particular, in addition to the underwriting discount to be received by our underwriters in connection with this offering, affiliates of Wells Fargo Securities, LLC and KeyBanc Capital Markets Inc. are lenders under our amended and restated credit facility that became effective on October 4, 2010. In addition, we expect an affiliate of Wells Fargo Securities, LLC will become our transfer agent effective immediately upon completion of this offering.

LEGAL MATTERS

Certain legal matters in connection with this offering will be passed upon for us by Winston & Strawn LLP, Chicago, Illinois. The validity of the securities and certain other legal matters relating to Indiana law will be passed upon for us by Ice Miller LLP, Indianapolis, Indiana. Certain legal matters will be passed upon for the underwriters by Foley & Lardner LLP, Chicago, Illinois.

EXPERTS

The consolidated financial statements of Vera Bradley Designs, Inc. as of January 31, 2009, and January 30, 2010 and for the years ending January 30, 2010, January 31, 2009 and December 31, 2007 and the one-month period ended January 31, 2008, and the balance sheet of Vera Bradley, Inc. as of July 31, 2010, included in this prospectus have been so included in the reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed a registration statement on Form S-1 with the SEC relating to the common stock offered by this prospectus. This prospectus does not contain all of the information set forth in the registration statement and the exhibits and schedules to the registration statement. Statements contained in this prospectus as to the contents of any contract or other document referred to are not necessarily complete and in each instance we refer you to the copy of the contract or other document filed as an exhibit to the registration statement, each such statement being qualified in all respects by such reference. For further information with respect to our company and the common stock offered by this prospectus, we refer you to the registration statement, exhibits and schedules. Anyone may inspect a copy of the registration statement without charge at the public reference facility maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. Copies of all or any part of the registration statement may be obtained from that facility upon payment of the prescribed fees. The public may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330. The SEC maintains a website at http://www.sec.gov that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC.

We intend to make available free of charge on our website at www.verabradley.com our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, amendments to such reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, proxy statements, and other information as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. The information contained on our website or that can be accessed through our website is not part of this prospectus.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Vera Bradley Designs, Inc.

Vera Bradley, Inc.

Vera Bradley, Inc. is a newly-formed entity and its only asset is its investment in Vera Bradley Designs, Inc. For additional information regarding the reorganization of Vera Bradley Designs, Inc., refer to the "Reorganization" Section in Note 1 on page F-6.

Vera Bradley Designs, Inc.
Unaudited Consolidated Balance Sheets
($ in thousands, except numbers of shares and per share data)

	January 30, 2010	July 31, 2010	Pro Forma July 31, 2010 (unaudited)
Assets			
Current assets			
Cash and cash equivalents	$ 6,509	$ 7,592	$ 7,592
Accounts receivable, net	31,013	25,782	25,782
Inventories	66,535	84,798	84,798
Other current assets	6,468	7,430	15,824
Total current assets	110,525	125,602	133,996
Property, plant and equipment, net	40,123	40,544	40,544
Restricted cash	1,500	1,500	1,500
Other assets	1,604	1,523	2,502
Total assets	$ 153,752	$ 169,169	$ 178,542
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable	$ 19,221	$ 20,759	$ 20,759
Distributions payable	1,091	102	102
Accrued employment costs	14,181	17,926	17,926
Other accrued liabilities	9,772	10,468	10,468
Current portion of long-term debt	5,022	5,033	—
Total current liabilities	49,287	54,288	49,255
Long-term debt	25,114	28,120	140,154
Other long-term liabilities	1,458	1,988	7,901
Total liabilities	75,859	84,396	197,310
Commitments and contingent liabilities (Note 6)			
Shareholders' equity			
Capital stock (Class A), voting, without par value, 35,437 shares authorized; 2,835 shares issued and outstanding	$ 1	$ 1	$ —
Capital stock (Class B), non-voting, without par value, 53,155,500 shares authorized; 35,437,712 shares issued and outstanding	—	—	—
Common stock, without par value, 200,000,000 shares authorized, 36,506,670 shares issued and outstanding, pro forma	—	—	—
Additional paid in capital	—	87	15,788
Retained earnings (accumulated deficit)	77,892	84,685	(34,556)
Total shareholders' equity (deficit)	77,893	84,773	(18,768)
Total liabilities and shareholders' equity	$ 153,752	$ 169,169	$ 178,542

Vera Bradley Designs, Inc.
Unaudited Consolidated Statements of Income
($ in thousands, except numbers of shares and per share data)

	Six Months Ended	
	August 1, 2009	July 31, 2010
Net revenues	$ 131,087	$ 165,078
Cost of sales	66,850	69,441
Gross profit	64,237	95,637
Selling, general and administrative expenses	54,724	72,585
Other Income	4,980	3,912
Operating income	14,493	26,964
Interest expense, net	1,015	644
Income before state income taxes	13,478	26,320
State income taxes	315	356
Net income	$ 13,163	$ 25,964
Basic weighted average common shares outstanding	35,440,547	35,440,547
Diluted weighted average common shares outstanding	35,440,547	35,443,559
Basic net income per share	$ 0.37	$ 0.73
Diluted net income per share	$ 0.37	$ 0.73
Basic distributions per share	$ 0.19	$ 0.54
Diluted distributions per share	$ 0.19	$ 0.54
Pro forma income information (Note 1):		
Operating income		$ 26,964
Pro forma interest expense, net		1,200
Pro forma income before state income taxes		25,764
Pro forma income tax provision		10,306
Pro forma net income		$ 15,458
Pro forma basic and diluted net income per share		$ 0.39

Vera Bradley Designs, Inc.
Unaudited Consolidated Statements of Cash Flows
($ in thousands, except numbers of shares and per share data)

	Six Months Ended	
	August 1, 2009	July 31, 2010
Cash flows from operating activities		
Net income	$ 13,163	$ 25,964
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation and amortization	4,494	4,131
Provision for doubtful accounts	634	(58)
Loss on disposal of fixed assets	109	274
Share based compensation	—	87
Changes in assets and liabilities		
Accounts receivable	13,338	5,289
Inventories	16,753	(18,263)
Other assets	326	(881)
Accounts payable	(301)	1,538
Accrued and other liabilities	4,020	4,970
Net cash provided by operating activities	$ 52,536	$ 23,051
Cash flows from investing activities		
Purchase of fixed assets	(2,398)	(4,795)
Net cash used in investing activities	(2,398)	(4,795)
Cash flows from financing activities		
Payments on financial institution debt	(50,000)	(25,900)
Borrowings on financial institution debt	13,500	28,900
Repayment of vendor financed debt	(243)	(14)
Repayment of related party debt	(3,488)	—
Repayment of life insurance policy debt	(600)	—
Payment of distributions	(6,306)	(20,159)
Net cash used in financing activities	(47,137)	(17,173)
Change in cash and cash equivalents	3,001	1,083
Cash and cash equivalents		
Beginning of period	776	6,509
End of period	$ 3,777	$ 7,592
Supplemental disclosure of cash flow information		
Cash paid during the period for state income taxes	$ 305	$ 670
Cash paid during the period for interest	$ 1,180	$ 653

Vera Bradley Designs, Inc.
Notes to the Unaudited Consolidated Financial Statements
($ in thousands, except numbers of shares and per share data)

1. Description of Company

Vera Bradley is a leading designer, producer, marketer and retailer of stylish, highly-functional accessories for women. The Company's products include a wide offering of handbags, accessories and travel and leisure items. Over the Company's 28-year history, Vera Bradley products have appealed to a broad range of consumers. The Company's brand vision is accessible luxury that inspires a casual, fun and family-oriented lifestyle. The Company has positioned its brand to highlight the high quality, distinctive and vibrant styling and functional design of its products. Additionally, frequent releases of new designs encourage customers to express a personal style that is distinctly "Vera Bradley."

The Company generates net revenues by selling products through two reportable segments: Indirect and Direct (note 8). The Indirect business consists of sales of Vera Bradley products to approximately 3,300 independent retailers, substantially all of which are located in the U.S., as well as select national retailers and third party e-commerce sites. The Direct business consists of sales of Vera Bradley products through the Company's 31 full-price stores, two outlet stores, verabradley.com, and an annual outlet sale in Fort Wayne, Indiana.

Principles of Consolidation
The consolidated financial statements include the accounts of the Company and its wholly-owned domestic and international subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Fiscal Periods
The Company's fiscal year ends on the Saturday closest to January 31. References to the six months ended August 1, 2009 and July 31, 2010 refer to the 26-week periods ended as of those dates.

Equity
In October 2010, the Board of Directors agreed to proceed with a 35.437-for-1 stock split of the Company's common stock to be authorized and effected prior to the effectiveness of the Company's registration statement for the initial public offering. All historical common stock and per share common stock information has been changed to reflect the stock split.

Following the grant of the restricted stock awards discussed in Note 4, the Company is owned by 16 individuals and related trusts of six such individuals. Two of the individuals and their related trusts own 100% of the Class A voting stock. The Class B nonvoting stock is owned by all 16 individuals and related trusts of six such individuals. Other than voting rights there are no distinguishing characteristics between the two classes of stock.

Comprehensive Income
The Statement of Comprehensive Income has been excluded from these financial statements as comprehensive income equals net income.

Unaudited Pro Forma Balance Sheet Information
The unaudited pro forma balance sheet information gives effect to:

- The Company's issuance of the undistributed taxable earnings notes to existing shareholders in the aggregate principal amount equal to 100% of the undistributed taxable income from the date of formation through October 2, 2010 as a final distribution resulting from the termination of the "S" Corporation status, equal to approximately $106,000;

- The Company's amended and restated credit facility, effective as of October 4, 2010. The amended and restated credit facility provides for a revolving credit commitment of $125,000. The credit facility will mature on October 3, 2015. Under the amended and restated credit agreement, interest rates fluctuate based on the LIBO rate, the Prime Rate and the Federal Funds Effective Rate. The Company will use the borrowings from the amended and restated credit facility to repay its existing shareholders $52,700 of the

($ in thousands, except numbers of shares and per share data)

approximately $106,000 undistributed taxable earnings notes; to repay the current portion of its existing long-term debt, equal to $5,033; and to pay debt issuance costs of $1,001;

- An increase in net deferred income tax assets of $2,550, assuming the Company's "S" Corporation status terminated on July 31, 2010; and

- The vesting of 1.066 million restricted stock awards, which increases additional paid-in capital by $15,700.

Unaudited Pro Forma Income Statement Information
The unaudited pro forma income statement information gives effect to:

- An adjustment for income tax expense as if the Company had been a "C" Corporation as of January 31, 2010, at an assumed combined federal, state, and local effective income tax rate of 40%, which approximates the calculated effective tax rate for each period, equal to $10,172; and

- An adjustment to interest expense as if the borrowings under the amended and restated credit facility and the issuance of the undistributed taxable earnings notes had occurred as of January 31, 2010, which approximates $556, and a related income tax expense adjustment of $222. The interest expense adjustment consists of the following:

	Assumed Interest Rate	Adjustment
Amended and restated credit facility	2.14%	$ 928
Undistributed taxable earnings notes	0.41%	109
Amortization of debt issuance costs	—	137
Adjusted pro forma interest expense	—	1,174
Less: elimination of interest expense on old debt structure	—	618
Pro forma adjustment		$ 556

An assumed increase or decrease of 1/8 of one percent in the interest rate of the amended and restated credit facility and undistributed taxable earnings notes, which have a variable interest rate, would impact total pro forma interest expense by $88.

The unaudited pro forma basic and diluted net income per share is computed using unaudited pro forma net income, as discussed above, and unaudited pro forma weighted average number of common shares (basic and diluted). The unaudited pro forma weighted average number of common shares (basic and diluted) gives effect to (i) the increase in the number of shares which would be sufficient to replace the capital in excess of earnings being withdrawn pursuant to the Reorganization and the related distributions of notes and cash and (ii) the vesting of restricted stock awards upon an initial public offering. The pro forma adjustment to weighted average number of common shares (basic and diluted) for the six months ended July 31, 2010 is 4.40 million shares.

Reorganization
On October 3, 2010, the shareholders of Vera Bradley Designs, Inc. contributed all of their equity interests in Vera Bradley Designs, Inc. to Vera Bradley, Inc. in return for shares of Vera Bradley, Inc. common stock on a one-for-one basis (collectively referred to as the "Reorganization"). As a result of the Reorganization, Vera Bradley Designs, Inc. became a wholly-owned subsidiary of Vera Bradley, Inc. The only asset of Vera Bradley, Inc. is its investment in Vera Bradley Designs, Inc. and all of its operations are conducted through Vera Bradley Designs, Inc.

($ in thousands, except numbers of shares and per share data)

In addition, the Company expects a final "S" Corporation distribution to the Company's shareholders of undistributed taxable earnings. This is expected to be completed subsequent to the Reorganization.

2. Basis of Presentation and Organization

The accompanying unaudited condensed consolidated financial statements include the accounts of the Company and all wholly-owned subsidiaries. These condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted from this report as is permitted by SEC rules and regulations. However, the Company believes that the disclosures are adequate to make the information presented not misleading. This report should be read in conjunction with the audited consolidated financial statements and notes thereto included elsewhere in this prospectus.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all normal and recurring adjustments necessary to present fairly the consolidated financial condition, results of operations and cash flows of the Company for the interim periods presented. The results of operations for the 26 weeks ended July 31, 2010 and August 1, 2009 are not necessarily indicative of results to be expected for the full fiscal year.

3. Earnings Per Share

Net income per share is computed under the provisions of ASC 260, Earnings Per Share. Basic income per share is computed using net income and the weighted average number of common shares outstanding. Diluted earnings per share reflect the weighted average number of common shares outstanding plus any potentially dilutive shares outstanding during the period. Because the Company has granted restricted stock awards which have not yet vested, these stock awards are included in the diluted earnings per share calculation using the treasury stock method. Using this method, there was a small difference between basic and diluted number of shares resulting in an immaterial difference between the basic and diluted earnings per share.

	Six Months Ended	
	August 1, 2009	July 31, 2010
Numerator:		
Net Income	$ 13,163	$ 25,964
Denominator:		
Weighted average number of common shares (basic)	35,440,547	35,440,547
Weighted average number of common shares (diluted)	35,440,547	35,443,559
Income per common share (basic)	$ 0.37	$ 0.73
Income per common share (diluted)	$ 0.37	$ 0.73

4. Stock-Based Compensation

The Company accounts for stock-based compensation under fair value recognition provisions. For its restricted stock awards, the Company recognizes expense in an amount equal to the fair market value of the underlying stock on the grant date of the award. This expense is recognized as compensation expense over the period the awards lapse or upon an initial public offering event if such event occurs prior to the completion of the service period.

Restricted Stock Awards
The Company granted restricted stock awards to certain management level employees and non-employee directors under its 2010 Restricted Stock Plan. These awards entitle the recipient to all of the rights of a holder of Class B

($ in thousands, except number of shares and per share data)

Common Stock with respect to the Restricted Stock, including the right to receive dividends and other distributions payable with respect to the Restricted Stock. The restrictions on these awards lapse after one year or upon an initial public offering event if such event occurs prior to the completion of the service period. The Company recognizes expense in an amount equal to the fair market value of the underlying stock on the grant date of the award.

The following table summarizes transactions for the Company's nonvested restricted stock awards for the six months ended July 31, 2010:

Restricted Stock Awards	Number of Share Units	Weighted Average Grant Date Fair Value (per share)
Nonvested awards at January 31, 2010	—	$ —
Granted	1,095,004	14.42
Vested	—	—
Forfeited	—	—
Nonvested awards at July 31, 2010	1,095,004	$ 14.42

The fair value of the restricted stock awards was estimated on the date of grant using an estimated per share fair value of the Company's common stock as of July 30, 2010, the grant date. This enterprise fair value was based on a continuing operations basis, primarily using the income and market approaches.

As of July 31, 2010, there was $15.7 million of total unrecognized compensation expense related to nonvested restricted stock awards. This unrecognized compensation expense is expected to be recognized over a one year period or earlier if an initial public offering occurs.

5. Inventories

The components of inventories are as follows:

	January 30, 2010	July 31, 2010
Raw materials	$ 8,414	$ 7,887
Work in process	2,074	1,715
Finished goods	56,047	75,196
	$ 66,535	$84,798

6. Fair Value of Financial Instruments

The carrying amounts reflected on the Consolidated Balance Sheets for cash, cash equivalents, receivables, other current assets, debt and payables as of January 30, 2010 and July 31, 2010 approximated their fair values.

7. Commitments and Contingent Liabilities

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 the likelihood is remote that any of these claims will have a material effect on the Company's financial condition as of July 31, 2010 or its results of operations or cash flows for the periods presented.

Vera Bradley Designs, Inc.
Notes to the Unaudited Consolidated Financial Statements
($ in thousands, except numbers of shares and per share data)

8. Segment Reporting

The Company has two operating segments which are also its reportable segments, Indirect and Direct. 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 to assess performance of the segments.

The Indirect segment represents activity driven by revenues generated through the distribution of Company-branded product to approximately 3,300 independent Indirect retailers across the country. The Direct segment includes the Company's full-price and outlet stores, e-commerce activity driven by the Company's website and the annual outlet sale. Revenues generated through this segment are driven through the sale of Company-branded product from Vera Bradley to the end customer.

Corporate costs represent the Company's administrative expenses which include, but are not limited to: human resources, legal, finance, IT, and various other corporate level activity related expenses. All inter-company 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 segment operating income. The table below represents key financial information for each of the Company's reportable segments, Indirect and Direct.

	Six Months Ended	
	August 1, 2009	July 31, 2010
Segment net revenue:		
Indirect	$ 87,861	$ 101,532
Direct	43,226	63,546
Total	$ 131,087	$ 165,078
Segment operating income:		
Indirect	29,798	44,219
Direct	11,398	19,044
Total	$ 41,196	$ 63,263
Reconciliation:		
Segment operating income		
Less:		
Unallocated corporate expenses	26,703	36,299
Operating Income	$ 14,493	$ 26,964

Sales outside of the United States of America are insignificant.

9. Subsequent Events

The Company evaluated subsequent events through September 3, 2010.

No events have occurred that would require adjustment to the condensed consolidated financial statements.

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
Vera Bradley Designs, Inc.
Fort Wayne, Indiana

The stock split described in Note 1 to the financial statements has not been consummated as of October 6, 2010. When it has been consummated, we will be in a position to furnish the following report:

> "In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, shareholders' equity and cash flows present fairly, in all material respects, the financial position of Vera Bradley Designs, Inc. and its subsidiaries at January 31, 2009 and January 30, 2010, and the results of their operations and their cash flows for the year ended December 31, 2007, the one month period ended January 31, 2008 and the fiscal years ended January 31, 2009 and January 30, 2010 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.
>
> As more fully described in Note 3 to the consolidated financial statements, in the fiscal year ended January 30, 2010, the Company changed its accounting policy for certain advertising costs and related reimbursements."

/s/ PricewaterhouseCoopers LLP

Indianapolis, Indiana

June 1, 2010, except with respect to our opinion on the consolidated financial statements insofar as it relates to earnings per share, segment reporting and transition period comparative data described in Notes 11, 12 and 13, respectively, as to which the date is July 1, 2010.

Vera Bradley Designs, Inc.
Consolidated Balance Sheets
($ in thousands, except numbers of shares and per share data)

	January 31, 2009	January 30, 2010
Assets		
Current assets		
Cash and cash equivalents	$ 776	$ 6,509
Accounts receivable, net	30,641	31,013
Inventories	64,475	66,535
Other current assets	4,468	6,468
Total current assets	100,360	110,525
Property, plant and equipment, net	46,272	40,123
Other assets	3,299	3,104
Total assets	$ 149,931	$ 153,752
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable	$ 16,071	$ 19,221
Distributions payable	3,421	1,091
Accrued employment costs	6,405	14,181
Other accrued liabilities	6,004	9,772
Current portion of long-term debt	5,961	5,022
Total current liabilities	37,862	49,287
Long-term debt	52,864	25,114
Other long-term liabilities	1,258	1,458
Total liabilities	91,984	75,859
Commitments and contingent liabilities (Note 8)		
Shareholders' equity		
Capital stock (Class A), voting, without par value, 35,437 shares authorized; 2,835 shares issued and outstanding	1	1
Capital stock (Class B), non-voting, without par value, 53,155,500 shares authorized; 35,437,712 shares issued and outstanding	—	—
Retained earnings	57,946	77,892
Total shareholders' equity	57,947	77,893
Total liabilities and shareholders' equity	$ 149,931	$ 153,752

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

Vera Bradley Designs, Inc.
Consolidated Statements of Income
($ in thousands, except numbers of shares and per share data)

	Year Ended December 31, 2007	Month Ended January 31, 2008	Fiscal Year Ended January 31, 2009	Fiscal Year Ended January 30, 2010
Net revenues	$ 281,085	$ 39,621	$ 238,577	$ 288,940
Cost of sales	133,522	16,135	115,473	137,803
Gross profit	147,563	23,486	123,104	151,137
Selling, general and administrative expenses	101,022	11,133	109,195	116,168
Other income	7,799	1,722	13,282	10,743
Operating income	54,340	14,075	27,191	45,712
Interest expense, net	2,924	356	2,511	1,604
Income before state income taxes	51,416	13,719	24,680	44,108
State income taxes	1,185	112	1,009	889
Net income	$ 50,231	$ 13,607	$ 23,671	$ 43,219
Basic and diluted weighted average common shares outstanding	35,440,547	35,440,547	35,440,547	35,440,547
Basic and diluted net income per share	$ 1.42	$ 0.38	$ 0.67	$ 1.22
Basic and diluted distributions per share	$ 1.16	$ 0.05	$ 0.77	$ 0.66
Pro forma income information (Note 1):				
Operating Income				$ 45,712
Pro forma interest expense, net (unaudited)				2,454
Pro forma income before state income taxes (unaudited)				43,258
Pro forma income tax provision (unaudited)				17,303
Pro forma net income (unaudited)				$ 25,955
Pro forma basic and diluted net income per share (unaudited)				$ 0.65

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

Vera Bradley Designs, Inc.
Consolidated Statements of Shareholders' Equity
($ in thousands, except numbers of shares and per share data)

	Common Stock Shares		Common Stock	Retained Earnings	Total Equity
	Voting	Non-Voting			
Balance at December 31, 2006	2,835	709	$ 1	$ 40,492	$ 40,493
Net income				50,231	50,231
Stock dividend		35,437,003			
Distributions of retained earnings				(41,162)	(41,162)
Balance at December 31, 2007	2,835	35,437,712	1	49,561	49,562
Net income				13,607	13,607
Distributions of retained earnings				(1,752)	(1,752)
Balance at January 31, 2008	2,835	35,437,712	1	61,416	61,417
Net income				23,671	23,671
Distributions of retained earnings				(27,141)	(27,141)
Balance at January 31, 2009	2,835	35,437,712	1	57,946	57,947
Net income				43,219	43,219
Distributions of retained earnings				(23,273)	(23,273)
Balance at January 30, 2010	2,835	35,437,712	$ 1	$ 77,892	$ 77,893

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

Vera Bradley Designs, Inc.
Consolidated Statements of Cash Flows
($ in thousands, except numbers of shares and per share data)

	Year Ended December 31, 2007	Month Ended January 31, 2008	Fiscal Year Ended January 31, 2009	Fiscal Year Ended January 30, 2010
Cash flows from operating activities				
Net income	$ 50,231	$ 13,607	$ 23,671	$ 43,219
Adjustments to reconcile net income to net cash provided by (used in) operating activities				
Depreciation and amortization	4,657	516	7,347	10,666
Provision for doubtful accounts	1,368	136	358	858
Loss on disposal of fixed assets	40	—	28	1,462
Changes in assets and liabilities				
Accounts receivable	(459)	(25,046)	10,644	(1,230)
Inventories	(17,905)	6,719	2,858	(2,059)
Other assets	(4,207)	812	(553)	(1,806)
Accounts payable	(13,525)	(370)	4,541	3,150
Accrued and other liabilities	4,128	(3,079)	1,293	11,746
Net cash provided by (used in) operating activities	24,328	(6,705)	50,187	66,006
Cash flows from investing activities				
Purchase of fixed assets	(16,641)	(2,133)	(14,949)	(5,844)
Restricted cash on deposit	—	—	(1,500)	—
Net cash used in investing activities	(16,641)	(2,133)	(16,449)	(5,844)
Cash flows from financing activities				
Payments on financial institution debt	(126,444)	(2,250)	(153,626)	(54,800)
Borrowings on financial institution debt	162,544	10,986	149,190	30,300
Borrowings/(payments) on cash surrender value - life insurance	—	—	600	(600)
Repayment of vendor financed debt	(8)	(15)	(190)	(237)
Repayment of related party debt	(653)	(57)	(714)	(3,488)
Deferred financing costs	—	—	(1,024)	—
Change in bank overdraft	(1,854)	1,867	(3,131)	—
Payment of distributions	(41,161)	(1,752)	(24,119)	(25,604)
Net cash provided by (used in) financing activities	(7,576)	8,779	(33,014)	(54,429)
Change in cash and cash equivalents	111	(59)	724	5,733
Cash and cash equivalents				
Beginning of period	—	111	52	776
End of period	$ 111	$ 52	$ 776	$ 6,509
Supplemental disclosure of cash flow information				
Cash paid during the period for state income taxes	$ 749	$ 117	$ 1,464	$ 412
Cash paid during the period for interest	$ 2,928	$ 303	$ 2,624	$ 1,782
Supplemental disclosure of non-cash activity				
Vendor financed purchase of fixed assets	$ 451	$ —	$ —	$ 136

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

Vera Bradley Designs, Inc.
Notes to Consolidated Financial Statements
($ in thousands, except numbers of shares and per share data)

1. Description of Company

Vera Bradley is a leading designer, producer, marketer and retailer of stylish, highly-functional accessories for women. The Company's products include a wide offering of handbags, accessories and travel and leisure items. Over the Company's 28-year history, Vera Bradley products have appealed to a broad range of consumers. The Company's brand vision is accessible luxury that inspires a casual, fun and family-oriented lifestyle. The Company has positioned its brand to highlight the high quality, distinctive and vibrant styling and functional design of its products. Additionally, frequent releases of new designs encourage customers to express a personal style that is distinctly "Vera Bradley."

The Company generates net revenues by selling products through two reportable segments: Indirect and Direct (note 12). As of May 1, 2010, the Indirect business consisted of sales of Vera Bradley products to approximately 3,300 independent retailers, substantially all of which are located in the U.S., as well as select national retailers and third party e-commerce sites. As of May 1, 2010, the Direct business consisted of sales of Vera Bradley products through the Company's 28 full-price stores, one outlet store, verabradley.com, and an annual outlet sale in Fort Wayne, Indiana.

Principles of Consolidation
The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Fiscal Periods
Effective January 1, 2008, the Company changed its fiscal year to end on the Saturday closest to January 31. Fiscal years ended on January 31, 2009 ("Fiscal 2009") and on January 30, 2010 ("Fiscal 2010"). Due to the change to a January year-end, the Company has presented certain financial statements as of and for the month ended January 31, 2008 ("Fiscal 2008") and as of and for the year ended December 31, 2007 ("Fiscal 2007").

Equity
The Company is owned by six individuals and their related trusts. Two of the individuals and their related trusts own 100% of the Class A voting stock. The Class B nonvoting stock is owned by all six individuals and their related trusts. Other than voting rights there are no distinguishing characteristics between the two classes of stock.

In October 2010, the Board of Directors agreed to proceed with a 35.437-for-1 stock split of the Company's common stock to be authorized and effected prior to the effectiveness of the Company's registration statement for the initial public offering. All historical common stock and per share common stock information has been changed to reflect this stock split.

In April 2007, the Board of Directors authorized an additional 53,154,792 Class B shares resulting in total authorized Class B shares of 53,155,500. The existing shareholders received a total of 35,437,003 Class B shares as a stock dividend. This brought the total common shares issued to 35,440,547 consisting of 35,437,712 Class B shares and 2,835 Class A shares.

Comprehensive Income
The statements of comprehensive income have been excluded from these financial statements as comprehensive income equals net income.

Unaudited Pro Forma Income Statement Information
The unaudited pro forma income statement information gives effect to:

- An adjustment for income tax expense as if the Company had been a "C" Corporation as of February 1, 2009, at an assumed combined federal, state, and local effective income tax rate of 40%, which approximates the calculated effective tax rate for each period, equal to $16,754; and

($ in thousands, except numbers of shares and per share data)

- An adjustment to interest expense as if the borrowings under the amended and restated credit facility and the issuance of the undistributed taxable earnings notes had occurred as of February 1, 2009, which approximates $850, and a related income tax expense adjustment of $340. The interest expense adjustment consists of the following:

	Assumed Interest Rate	Adjustment
Amended and restated credit facility	2.14%	$ 1,857
Undistributed taxable earnings notes	0.41%	219
Amortization of debt issuance costs	—	273
Adjusted pro forma interest expense	—	2,349
Less: elimination of interest expense on old debt structure	—	1,499
Pro forma adjustment		$ 850

An assumed increase or decrease of 1/8 of one percent in the interest rate of the amended and restated credit facility and undistributed taxable earnings notes, which have a variable interest rate, would impact total pro forma interest expense by $175.

The unaudited pro forma basic and diluted net income per share is computed using unaudited pro forma net income, as discussed above, and unaudited pro forma weighted average number of common shares (basic and diluted). The unaudited pro forma weighted average number of common shares (basic and diluted) gives effect to (i) the increase in the number of shares which would be sufficient to replace the capital in excess of earnings being withdrawn pursuant to the conversion and the related distributions of notes and cash and (ii) the vesting of restricted stock awards upon the initial public offering. The pro forma adjustment to weighted average number of common shares (basic and diluted) for the fiscal year ended January 31, 2010 is 4.40 million shares.

2. Summary of Significant Accounting Policies

Use of Significant Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Significant areas requiring the use of management estimates relate to the valuation of inventories, accounts receivable valuation allowances, sales return allowances, the useful lives of assets for depreciation. Actual results could differ from these estimates. The Company revises its estimates and assumptions as new information becomes available.

Cash and Cash Equivalents
Cash and cash equivalents include cash on hand, deposits with financial institutions, and treasury security investments with an original maturity of three months or less.

At December 31, 2006, December 31, 2007 and January 31, 2008, the Company was in a bank overdraft position with one financial institution. The bank overdraft would be funded by the Company’s lender by increasing the financial institution debt and is classified in the financing section of the Statements of Cash Flows as “Change in Bank Overdraft”.

Restricted Cash
At January 31, 2009 and January 30, 2010, the Company maintained $1,500 in an account with one of its lenders as a compensating balance in connection with the credit agreement entered into during Fiscal 2009, referred to in Note 6. The balance will be maintained until the earlier of November 2011 or the date that the Company and the bank agree to reduce or eliminate the balance requirement. Restricted cash is included in Other Assets in the Consolidated Balance Sheets.

Inventories
Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out ("FIFO") method. Market is determined based on net realizable value which includes cost to dispose. Appropriate consideration is given to obsolescence, excess quantities, and other factors including the popularity of a pattern or product in evaluating net realizable value.

Property, Plant and Equipment
Property, plant and equipment are carried at cost and depreciated over the following estimated useful lives using the straight-line method:

Buildings and building improvements	39.5 years
Furniture and fixtures	5.0 years
Computer equipment	3.0 years
Software	3.0 years
Production equipment	7.0 years
Vehicles	5.0 years

Leasehold improvements are amortized over the shorter of the life of the asset or the lease term. Lease terms typically range from five to ten years.

When a decision is made to abandon property and equipment prior to the end of the previously estimated useful life, depreciation estimates are revised to reflect the use of the asset over the shortened estimated useful life. At the time of disposal, the cost of assets sold or retired and the related accumulated depreciation are removed from the accounts and any resulting loss is included in the Consolidated Statements of Income.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. The reviews are conducted at the lowest identifiable level of cash flows. If the estimated undiscounted future cash flows related to the property and equipment are less than the carrying value, the Company recognizes a loss equal to the difference between the carrying value and the fair value, as defined further in Note 2.

Assets under construction are not depreciated until the asset is substantially complete and placed in service. Interest is capitalized during periods of construction and depreciated over the estimated useful life of the applicable assets. There was no interest capitalized for any of the periods presented.

Routine maintenance and repair costs are expensed as incurred.

The Company capitalizes certain costs incurred in connection with acquiring, modifying and installing internal-use software. Capitalized costs are included in property, plant and equipment, net and are amortized over three years. Software costs that do not meet capitalization criteria are expensed as incurred.

Revenue Recognition and Accounts Receivable
Revenues from the sale of the Company's products are recognized upon customer receipt of the product when collection of relevant receivables is reasonably assured, persuasive evidence of an arrangement exists, the sales price is fixed and determinable and ownership and risk of loss have been transferred to the customer which, for most customers, reflects an estimate of shipments that have not yet been received by the customer. The estimate of these shipments is based on shipping terms and historical delivery times. Included in net revenues are product sales to Direct and Indirect retailers, including amounts billed to customers for shipping fees. Costs related to shipping of product are classified in cost of sales in the accompanying Consolidated Statements of Income. Net revenues exclude sales taxes collected from customers and remitted to governmental authorities.

($ in thousands, except numbers of shares and per share data)

Historical experience provides the Company the ability to reasonably estimate the amount of product sales that will be returned by customers. Product returns are often resalable through the Company's annual outlet sale or other channels. The Company accounts for anticipated returns by reducing sales, cost of sales and accounts receivable and increasing inventory, essentially reversing the effects of the original sales transactions. The returns reserve as of January 31, 2009 and January 30, 2010 and the related activity for all periods presented was as follows:

	Balance at Beginning of Year	Provision Charged to Expenses	Allowances Taken	Balance at End of Year
Fiscal 2007	$ 595	11,424	(11,348)	$ 671
Fiscal 2008	$ 671	785	(703)	$ 753
Fiscal 2009	$ 753	7,831	(8,056)	$ 528
Fiscal 2010	$ 528	10,530	(10,167)	$ 891

The Company establishes an allowance for doubtful accounts based on customer specific identification and believes that collections of receivables, net of the allowance for doubtful accounts, is reasonably assured. The allowance for doubtful accounts was approximately $527 and $290 at January 31, 2009 and January 30, 2010, respectively.

Bad debt expense was insignificant for the periods presented.

Other Income and Advertising Costs
As discussed further in Note 3, the Company changed the income statement classification for certain of its advertising costs and related reimbursements from Indirect retailers. Advertising costs are expensed at the time the promotion first appears in media, in stores, or on the website and are recorded in selling, general and administrative expense on the Consolidated Statements of Income. The related recovery of a portion of such costs from Indirect retailers is recorded as other income in the Consolidated Statements of Income.

Total advertising expense recorded was as follows:

Year ended December 31, 2007	$ 15,940
Month ended January 31, 2008	$ 3,458
Fiscal year ended January 31, 2009	$ 28,403
Fiscal year ended January 30, 2010	$ 23,004

Total recovery from Indirect retailers of certain costs recorded as other income was as follows:

Year ended December 31, 2007	$ 7,799
Month ended January 31, 2008	$ 1,722
Fiscal year ended January 31, 2009	$13,282
Fiscal year ended January 30, 2010	$10,743

Deferred Financing Costs
During Fiscal 2009, certain costs associated with financing activities were deferred and are being amortized over the term of the related credit facilities. The total debt issuance costs incurred during Fiscal 2009 were $1,024. The unamortized asset related to deferred financing costs is included in other assets on the Consolidated Balance Sheets. Amortization expense of $57 and $341 for the fiscal years ended January 31, 2009 and January 30, 2010, respectively, is reflected in interest expense on the Consolidated Statements of Income.

Cost of Sales
Costs of sales includes material costs, freight, inventory shrinkage, payroll, benefit costs, operating lease costs, duty and other operating expenses including depreciation of the Company's distribution center, warehouse and manufacturing facilities and equipment. Costs and related expenses to manufacture and distribute the products are recorded as cost of sales when the related revenues are recognized.

Derivative Instruments
The Company enters into derivative transactions to protect against the risk of adverse interest rate movement. The Company does not engage in speculative derivative transactions for trading purposes. Derivative financial instruments involve, to a varying degree, elements of market risk not recognized in the balance sheet.

Derivative financial instruments involve a level of credit risk. Such risk is primarily related to the possibility of nonperformance by the counterparties involved in the derivative transactions. The Company mitigates the risk of such nonperformance through its selection criteria for counterparties. The Company uses a reputable financial institution with a high credit rating as a counterparty.

The Company entered into two interest rate swap agreements in Fiscal 2010, swapping its variable LIBOR based interest rate on its line of credit with a fixed rate ranging from .79% to 1.20%. The Company did not elect hedge accounting and marked these derivative instruments to market resulting in an insignificant liability and additional expense presented in other accrued liabilities and selling, general and administrative expense at January 30, 2010. The interest rate swap agreements are for the notional amounts of $20,000, $10,000 of which expires on February 2, 2011 and $10,000 expired on February 2, 2010.

The Company has not designated any instruments as hedges for any period presented.

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 Company incorporates credit valuation adjustments ("CVAs") to appropriately reflect its non-performance risk and the respective counterparty's non-performance risk in its fair value measurements. Although the Company has determined that the majority of the inputs used to value its derivatives and the Company's and counterparty's credit ratings, fall within Level 2 of the fair value hierarchy, the CVAs associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads, to evaluate the likelihood of default by itself and its counterparty. However, as of January 31, 2009 and January 30, 2010, the Company has assessed the significance of the impact of the CVAs on the overall valuation of its derivative positions and has determined that the CVAs are not significant to the overall valuation of its derivatives. As a result, the Company has determined that its derivative and debt valuations in their entirety are classified in Level 2 of the fair value hierarchy.

The classification of fair value measurements within the hierarchy is based upon the lowest level of input that is significant to the measurement. The interest rate swaps are valued using observable benchmark rates at commonly quoted intervals for the full term of the swap. Debt is valued using observable benchmark interest rates for similar companies.

The carrying amounts reflected on the Consolidated Balance Sheets for cash, cash equivalents, receivables, other current assets, debt and payables as of January 31, 2009 and January 30, 2010 approximated their fair values.

Concentration of Credit Risk
The Company maintains nearly all of its cash and cash equivalents with one financial institution. The Company monitors the credit standing of this financial institution on a regular basis.

Income Taxes
The Company, with the consent of its shareholders, has elected to have its income taxed under Section 1362 of the Internal Revenue Code as an "S" Corporation. This section provides that in lieu of corporate income taxes, the shareholders are taxed on the Company's taxable income for federal tax purposes. Additionally, certain state taxing jurisdictions recognize the "S" Corporation status and tax the shareholders instead of the Company. The state income tax provision represents state taxes that have been or will be paid by the Company related to income generated by the Company. The Company pays distributions to Shareholders' to fund their tax obligations. Effective January 1, 2007, the Company adopted an interpretation issued by the FASB which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The impact of the adoption of this interpretation did not have a material impact on the Company's consolidated financial statements. There was no liability recorded for uncertain tax positions as of January 31, 2009 or January 30, 2010.

Recently Issued Accounting Pronouncements
In March 2008, the FASB issued a statement which requires disclosures of how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for and how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. The statement is effective for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. The Company adopted this Statement as of February 1, 2009.

In May 2009, the FASB issued guidance which defines and establishes the period after the balance sheet date during which management of a reporting entity evaluates transactions and events for potential disclosure in the financial statements in addition to disclosing the date through which such events have been evaluated. The guidance was effective for financial statements issued for fiscal years and interim periods ended after June 15, 2009 and was applied prospectively. The adoption of this guidance did not have a material impact on the Company's consolidated financial position, statement of income or cash flows. The Company has evaluated subsequent events through June 1, 2010, which is the date on which these financial statements were available to be issued.

In July 2009, the Financial Accounting Standards Board ("FASB") released the authoritative version of the FASB Accounting Standards Codification ("FASB ASC") as the single source of authoritative nongovernmental U.S. GAAP. The FASB ASC supersedes all existing accounting standard documents recognized by the FASB. All other accounting literature not included in the FASB ASC will be considered non-authoritative. The FASB ASC is effective for fiscal years and interim periods ended after September 15, 2009. The adoption of the FASB ASC had no impact on the Company's consolidated financial position, statements of income or cash flows.

In January 2010, the FASB issued Accounting Standards Update (ASU) 2010-06, "Improving Disclosures about Fair Value Measurements" (ASU 2010-06). ASU 2010-06 amends the FASB's authoritative guidance related to fair value measurements and disclosures to require additional disclosures related to transfers between levels in the hierarchy of fair value measurements. ASU 2010-06 is effective for interim and annual fiscal years beginning after December 15, 2009. The standard does not change how fair values are measured. The Company has adopted the guidance without any impact on the consolidated financial statements.

The FASB issues ASUs to amend the authoritative literature in Accounting Standards Codification (ASC). There have been a number of ASUs to date that amend the original text of ASC. Except for the ASU listed above, those issued to date either (i) provide supplemental guidance, (ii) are technical corrections, (iii) are not applicable to the Company or (iv) are not expected to have a significant impact on the Company.

Vera Bradley Designs, Inc.
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3. Accounting Change

Effective February 1, 2009 and in previously issued financial statements, the Company retrospectively changed its method of accounting for certain advertising costs and related reimbursements from Indirect retailers. Prior to February 1, 2009, the Company recorded the cost of producing and distributing catalogs and other marketing material sent to the end consumer as cost of sales. The related recovery of such costs from Indirect retailers was recorded in net revenues above the gross margin line. The Company believes that the change in the classification of catalog and other marketing material costs as selling, general and administrative expense rather than cost of sales and the recovery of a portion of such costs as other income below the gross margin line is preferable because it is consistent with industry practice and management's view of the true nature of such costs. Advertising costs are expensed at the time the promotion first appears in media, in stores, or on the website and are recorded in selling, general and administrative expense in the Consolidated Statements of Income. The amount of advertising costs that were impacted by the change in the application of accounting principle was as follows:

Year ended December 31, 2007	$ 7,799
Month ended January 31, 2008	$ 1,722
Fiscal year ended January 31, 2009	$13,282
Fiscal year ended January 30, 2010	$10,743

The amount of related reimbursements that were impacted by the change in the application of accounting principle was as follows:

Year ended December 31, 2007	$ 7,799
Month ended January 31, 2008	$ 1,722
Fiscal year ended January 31, 2009	$13,282
Fiscal year ended January 30, 2010	$10,743

4. Inventories

The components of inventories are as follows:

	January 31, 2009	January 30, 2010
Raw materials	$ 6,623	$ 8,414
Work in process	1,791	2,074
Finished goods	56,061	56,047
	$ 64,475	$ 66,535

5. Property, Plant and Equipment

Property, plant and equipment consist of the following:

	January 31, 2009	January 30, 2010
Land	$ 2,145	$ 2,145
Building and building improvements	16,340	16,345
Furniture, fixtures and computer equipment	29,391	35,255
Production equipment and vehicles	9,642	10,268
Construction in progress	3,184	559
	60,702	64,572
Less: Accumulated depreciation	(14,430)	(24,449)
Property, plant and equipment, net	$ 46,272	$ 40,123

($ in thousands, except numbers of shares and per share data)

Construction in progress at January 31, 2009 represents the costs associated with the implementation of a retail software system, construction of retail store leasehold improvements, expansion of the inventory system and various software upgrades. Construction in progress at January 30, 2010 represents the costs associated with the implementation of manufacturing equipment and costs related to various software upgrades.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. The reviews are conducted at the lowest identifiable level of cash flows. If the estimated undiscounted future cash flows related to the property and equipment are less than the carrying value, the Company recognizes a loss equal to the difference between the carrying value and the fair value, as defined further in Note 2. An impairment charge of $1,350 was recognized in the fourth quarter of the fiscal year ended January 30, 2010 for assets related to underperforming stores and is recorded in selling, general, and administrative expense in the accompanying Consolidated Statements of Income.

The Company had cumulative capitalized software costs net of accumulated amortization of approximately $3,537 and $1,332 at January 31, 2009 and January 30, 2010 respectively. The Company recorded amortization expense related to capitalized software costs as follows:

Year ended December 31, 2007	$1,593
Month ended January 31, 2008	$ 158
Fiscal year ended January 31, 2009	$1,783
Fiscal year ended January 30, 2010	$2,198

Depreciation and amortization expense associated with property, plant and equipment (excluding amortization of capitalized software costs and deferred financing costs) was recorded as follows:

Year ended December 31, 2007	$3,064
Month ended January 31, 2008	$ 358
Fiscal year ended January 31, 2009	$5,564
Fiscal year ended January 30, 2010	$8,468

6. Debt

During the fiscal year ended January 31, 2009, the Company's two credit facilities expired and were consolidated into one credit agreement with two levels of commitment, a revolving facility of $60,000 which expires on November 26, 2011 and a term note of $15,000 which is due in quarterly installments of $1,250 which began March 31, 2009.

The agreement requires that the Company comply with quarterly financial covenants beginning with the second quarter of Fiscal 2009. These covenants require the Company to maintain a minimum leverage ratio that is less than 2.00 to 1.00; to maintain a consolidated net worth of no less than $38,778 plus 40% of net income earned in each fiscal quarter beginning in the third quarter of Fiscal 2009; and to maintain a minimum fixed charge coverage ratio at specific levels by quarter (1.11:1.00 as of January 31, 2009 and 1.62:1.00 at January 30, 2010). The Company was in compliance with these covenants for all periods presented.

As of January 31, 2009, the Company had borrowed $39,500 on the revolving facility and $15,000 on the term loan. As of January 30, 2010, the Company had borrowed $20,000 on the revolving facility and $10,000 on the term loan. Interest rates fluctuate based on LIBOR or Prime plus a credit spread ranging from 2.5% to 3.5%. The interest rates on the borrowings under the lines of credit were 3.5% at January 31, 2009 and 3.0% at January 30, 2010. Interest payments are required to be made quarterly on the last day of March, June, September and December.

($ in thousands, except numbers of shares and per share data)

Available credit on the revolving facility is subject to a monthly borrowing base calculation. The borrowing base allows for inclusion of 80% of the Company's consolidated net accounts receivable and 50% of the Company's consolidated net inventory, adjusted for certain components and subject to an inventory cap of $39,000. The available credit as of January 31, 2009 and January 30, 2010 under the revolving facility was approximately $20,500 and $40,000, respectively. The Company is obligated to pay a commitment fee to the lender on the unused portion of the revolving facility. The commitment fee is based on an annual rate ranging from .4% to .5% and is paid quarterly on the last day of March, June, September and December.

The credit facility is collateralized by all of the Company's assets.

In addition to the credit facility with external lending institutions, the Company had entered into four note agreements with two shareholders, various agreements with vendors to finance certain software license agreements and had borrowed against the cash surrender value of life insurance policies on two shareholders. The shareholder notes and cash borrowed under the life insurance policies were paid in full during Fiscal 2010.

	January 31, 2009			
	Financial Institutions	Related Parties	Other Debt	Total
3.50% borrowing of financial institution debt.	$ 54,500	—	—	$54,500
10% notes payable to two shareholders with monthly principal and interest payments of $40, beginning February 1, 2003.				
Paid in full during Fiscal 2010	—	1,537	—	1,537
7% notes payable to two shareholders with monthly principal and interest payments of $47, beginning February 1, 2003.				
Paid in full during Fiscal 2010	—	1,951	—	1,951
Other borrowings	589	—	249	837
	55,089	3,488	249	58,825
Less: Current maturities	5,000	775	186	5,961
	$ 50,089	$2,713	$ 63	$52,864

	January 30, 2010		
	Financial Institutions	Other Debt	Total
3.00% borrowing of financial institution debt.	$ 30,000	—	$30,000
Other borrowings	—	136	136
	30,000	136	30,136
Less: Current maturities	5,000	22	5,022
	$ 25,000	$114	$25,114

Future maturities of debt due as of January 30, 2010

	Financial Institutions	Other Debt	Total
2011	$ 5,000	$ 22	$ 5,022
2012	25,000	114	25,114
	$ 30,000	$136	$30,136

Vera Bradley Designs, Inc.
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7. Leases

The Company has many non-cancellable operating leases. Future minimum lease payments under the non-cancelable operating leases through expiration are as follows:

	Non-Related Party	Related Party
2011	$ 6,922	$ 168
2012	5,534	168
2013	5,513	14
2014	5,637	—
2015	5,288	—
Thereafter	18,792	—
	$ 47,686	$ 350

Rental expense for all leases was recorded as follows:

Year ended December 31, 2007	$1,944
Month ended January 31, 2008	$ 357
Fiscal year ended January 31, 2009	$4,857
Fiscal year ended January 30, 2010	$6,985

Lease terms generally range from five to ten years with options to renew for varying terms. Future minimum lease payments relate primarily to the lease of retail space. Additionally, several lease agreements contain a provision for payments based on a percentage of sales in addition to the stated lease payments. Contingent rent for the periods presented was insignificant.

The Company leases one of its facilities from a leasing company owned by two of the Company's shareholders and a member of the board of directors of the Company. Lease expense related to this arrangement was recorded as follows:

Year ended December 31, 2007	$168
Month ended January 31, 2008	$ 14
Fiscal year ended January 31, 2009	$168
Fiscal year ended January 30, 2010	$168

8. Commitments and Contingent Liabilities

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 the likelihood is remote that any of these claims will have a material effect on the Company's financial condition as of January 31, 2009 or January 30, 2010 or its results of operations or cash flows for the periods presented.

9. 401(K) Profit Sharing Plan and Trust

The Company has a 401(k) profit sharing plan and trust for all qualified employees and provides a 50% match of an employee's contribution to the plan up to a maximum employer contribution of 10% of the employee's annual compensation or the annual legal allowable contribution limit, whichever is lower. Additionally, the Company has the

($ in thousands, except numbers of shares and per share data)

option of making discretionary profit sharing payments to the plan as approved by the board of directors. As of January 31, 2009 and January 30, 2010, no discretionary profit sharing payments had been approved. Total approximate Company contributions to the plan were as follows:

Year ended December 31, 2007	$291
Month ended January 31, 2008	$ 28
Fiscal year ended January 31, 2009	$416
Fiscal year ended January 30, 2010	$800

10. Related Party Transactions

The Company leases one of its facilities from a leasing company partially owned by two of the shareholders as described further in Note 7.

For each of the periods presented, the Company made charitable contributions of 10% of the net proceeds from the sale of inventory of certain designated patterns to the Vera Bradley Foundation for Breast Cancer (the “Foundation”). The liability associated with this commitment was approximately $468 and $290 at January 31, 2009 and January 30, 2010, respectively, which was recorded in other accrued liabilities. The Foundation was founded by two of the Company’s officers and shareholders who are also on the board of directors of the Foundation. The expense was recorded as selling, general and administrative expense as follows:

Year ended December 31, 2007	$663
Month ended January 31, 2008	$348
Fiscal year ended January 31, 2009	$490
Fiscal year ended January 30, 2010	$694

11. Earnings Per Share

Net income per share is computed under the provisions of ASC 260, Earnings Per Share. Basic income per share is computed using net income and the weighted average number of common shares outstanding. Diluted earnings per share reflect the weighted average number of common shares outstanding plus any potentially dilutive shares outstanding during the period. As the Company did not have any potentially dilutive shares during the periods presented, there was no difference between basic and diluted earnings per share.

	Year Ended December 31, 2007	Month Ended January 31, 2008	Fiscal Year Ended January 31, 2009	Fiscal Year Ended January 30, 2010
Numerator:				
Net income	$ 50,231	$ 13,607	$ 23,671	$ 43,219
Denominator:				
Weighted average number of common shares (basic and diluted)	35,440,547	35,440,547	35,440,547	35,440,547
Income per common share (basic and diluted)	$ 1.42	$ 0.38	$ 0.67	$ 1.22

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12. Segment Reporting

The Company has two operating segments which are also its reportable segments, Indirect and Direct. 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 to assess performance of the segments.

The Indirect segment represents activity driven by revenues generated through the distribution of Company-branded products to approximately 3,300 independent Indirect retailers across the country. The Direct segment includes the Company's full-price and outlet stores, e-commerce activity driven by the Company's website and the annual outlet sale. Revenues generated through this segment are driven through the sale of Company-branded products from Vera Bradley to end customers.

Corporate costs represent the Company's administrative expenses which include, but are not limited to: human resources, legal, finance, IT, 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. The table below represents key financial information for each of the Company's operating and reportable segments, Indirect and Direct.

The accounting policies of the segments are the same as those described in Note 2. The Company does not report depreciation expense, total assets and capital expenditures by segment as such information is neither used by management nor accounted for at the segment level. Net revenues and operating income information for the Company's reportable segments consisted of the following:

	Year Ended December 31, 2007	Month Ended January 31, 2008	Fiscal Year Ended January 31, 2009	Fiscal Year Ended January 30, 2010
Segment net revenues:				
Indirect	$ 243,388	$ 37,545	$ 167,454	$ 192,829
Direct	37,697	2,076	71,123	96,111
Total	$ 281,085	$ 39,621	$ 238,577	$ 288,940
Segment operating income:				
Indirect	93,307	20,909	58,115	72,923
Direct	3,059	(216)	14,930	25,285
Total	$ 96,366	$ 20,693	$ 73,045	$ 98,208
Reconciliation:				
Segment operating income				
Less:				
Unallocated corporate expenses	(42,026)	(6,618)	(45,854)	(52,496)
Operating Income	$ 54,340	$ 14,075	$ 27,191	$ 45,712

Sales outside of the U.S. were insignificant.

Vera Bradley Designs, Inc.
Notes to Consolidated Financial Statements
($ in thousands, except numbers of shares and per share data)

13. Transition Period Comparative Data

As explained further in Note 1, the Company changed from a calendar year to a 52-53 week fiscal year ending on the Saturday closest to January 31. The following table presents certain financial information for the one month transition period ended January 31, 2008 and the comparable one month period ended January 31, 2007 (unaudited):

	One Month Period Ended January 31,	
	2007 (unaudited)	2008
Net revenues	$ 34,554	$ 39,621
Gross profit	$ 14,656	$ 23,486
Income before state income taxes	$ 6,600	$ 13,719
State income taxes	117	112
Net income	6,483	13,607
Earnings per common share (basic and diluted)	$ 0.18	$ 0.38
Weighted average common shares outstanding	35,440,547	35,440,547

14. Subsequent Events

Subsequent to January 30, 2010, there was a total of $13,301 in cash distributions declared. In lieu of direct payment to the shareholders, certain payments totaling $701 were made to various states on behalf of the shareholders for first quarter 2010 estimated tax liabilities.

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
Vera Bradley, Inc.
Fort Wayne, Indiana

In our opinion, the accompanying balance sheet presents fairly, in all material respects, the financial position of Vera Bradley, Inc. at July 31, 2010 in conformity with accounting principles generally accepted in the United States of America. This financial statement is the responsibility of the Company's management; our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit of this statement in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the balance sheet, assessing the accounting principles used and significant estimates made by management, and evaluating the overall balance sheet presentation. We believe that our audit of the balance sheet provides a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

September 24, 2010
Indianapolis, Indiana

Vera Bradley, Inc.
Balance Sheet
July 31, 2010

	July 31, 2010
Assets	
Cash	$ 100
Total assets	100
Shareholders' Equity	
Capital stock, $1.00 par value, 100 shares issued and outstanding	100
Total shareholders' equity	$ 100

Vera Bradley, Inc.
Notes to Financial Statement

1. Description of Company

Vera Bradley, Inc (the "Company") was formed as an Indiana corporation on June 23, 2010 and has no material assets or operations.

Reorganization

On October 3, 2010, the shareholders of Vera Bradley Designs, Inc. contributed all of their equity interests in Vera Bradley Designs, Inc. to Vera Bradley, Inc. in return for shares of Vera Bradley, Inc. common stock on a one-for-one basis (collectively referred to as the "Reorganization"). As a result of the Reorganization, Vera Bradley Designs, Inc. became a wholly-owned subsidiary of Vera Bradley, Inc. The only asset of Vera Bradley, Inc. is its investment in Vera Bradley Designs, Inc. and all of its operations are conducted through Vera Bradley Designs, Inc.

2. Basis of Presentation and Organization

The Company's balance sheet has been prepared in accordance with accounting principles generally accepted in the United States of America. Separate statements of operations and comprehensive income, changes in shareholders' equity and of cash flows have not been presented because the Company has had no activity.

3. Shareholders' Equity

The Company had 1,000 shares authorized and 100 shares issued with a par value of $1.00 as of July 31, 2010 to six shareholders.

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Until , 2010 (25 days after the date of this prospectus), all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

Vera Bradley, Inc.

Shares of Common Stock

Prospectus

, 2010

Baird
Piper Jaffray
Wells Fargo Securities
KeyBanc Capital Markets
Lazard Capital Markets

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution

The following table sets forth the expenses (other than underwriting discounts and commissions) expected to be incurred in connection with this offering.

SEC Registration Fee	$ 12,478
FINRA Filing Fee	18,000
The Nasdaq Global Market Listing Fee	150,000
Accounting Fees and Expenses	775,000
Directors' and Officers' Insurance	302,000
Printing and Engraving Expenses	150,000
Legal Fees and Expenses	$1,075,000
Transfer Agent Fees and Expenses	18,000
Total	$2,500,478

* To be completed by amendment.

The foregoing items, except for the SEC registration, FINRA filing and The Nasdaq Global Market listing fees, are estimated. All expenses will be borne by us.

Item 14. Indemnification of Directors and Officers

Indiana Business Corporation Law

Chapter 37 of the IBCL authorizes every Indiana corporation to indemnify its officers and directors under certain circumstances against liability incurred in connection with proceedings to which the officers or directors are made a party by reason of their relationship to the corporation. Officers and directors may be indemnified where they have acted in good faith, which means, in the case of official action, they reasonably believed the conduct was in the corporation's best interests, and in all other cases, they reasonably believed the action taken was not against the best interests of the corporation, and in the case of criminal proceedings they had reasonable cause to believe the action was lawful or there was no reasonable cause to believe the action was unlawful. Chapter 37 also requires every Indiana corporation to indemnify any of its officers or directors (unless limited by the articles of incorporation of the corporation) who were wholly successful, on the merits or otherwise, in the defense of any such proceeding against reasonable expenses incurred in connection with the proceeding. A corporation may also, under certain circumstances, pay for or reimburse the reasonable expenses incurred by an officer or director who is a party to a proceeding in advance of final disposition of the proceeding. Chapter 37 states that the indemnification provided for therein is not exclusive of any other rights to which a person may be entitled under the articles of incorporation, bylaws or resolutions of the board of directors or shareholders.

Our second amended and restated articles of incorporation and bylaws will provide for indemnification, to the fullest extent permitted by the IBCL, of our directors, officers and employees against liability and reasonable expenses that may be incurred by them in connection with proceedings in which they are made a party by reason of their relationship to the company.

Indemnification Agreements

We intend to enter into indemnification agreements, a form of which is attached as Exhibit 10.13, with each of our directors and executive officers that may be broader than the specific indemnification provisions contained in the IBCL. These indemnification agreements may require us, among other things, to indemnify our directors and executive officers against liabilities that may arise by reason of their status or service. These indemnification agreements may also require us to advance all expenses incurred by the directors or executive officers in investigating or defending any such action, suit or proceeding. However, an individual will not receive indemnification for judgments, settlements or expenses if he or she is found liable to us (except to the extent the court determines he or she is fairly and reasonably entitled to indemnity for expenses that the court shall deem proper).

Underwriting Agreement

The underwriting agreement (filed as Exhibit 1.1 to this registration statement) provides that the underwriters are obligated, under certain circumstances, to provide indemnification for us and our officers, directors and employees for certain liabilities, including liabilities arising under the Securities Act or otherwise.

Directors' and Officers' Liability Insurance

We maintain directors' and officers' liability insurance policies, which insure against liabilities that directors or officers may incur in such capacities. These insurance policies, together with the indemnification agreements, may be sufficiently broad to permit indemnification of our directors and officers for liabilities, including reimbursement of expenses incurred, arising under the Securities Act or otherwise.

Item 15. Recent Sales of Unregistered Securities

Set forth below is information regarding shares issued, and incentive shares granted, by us within the past three years that were not registered under the Securities Act. Also included is the consideration, if any, received by us for such shares, incentive shares and information relating to the section of the Securities Act, or rule of the SEC, under which exemption from registration was claimed.

Restricted Share Awards

In order to retain key executives and provide a vehicle for executive ownership, on July 30, 2010, our board of directors approved our 2010 Restricted Stock Plan and granted to our named executive officers, certain of our employees and our non-employee directors a one-time grant of a total of 30,900 restricted shares of our common stock in consideration of their service to the Company. These restricted shares of our common stock were exempt from the registration provisions under the Securities Act in reliance upon Rule 701 of the Securities Act as transactions pursuant to a compensatory benefit plan or written contract relating to compensation.

Corporate Reorganization

Vera Bradley, Inc. is a newly-formed Indiana corporation that has not, prior to the completion of the reorganization transaction, conducted any activities other than those incident to our formation and the preparation of this prospectus. We were formed solely for the purpose of reorganizing the corporate structure of Vera Bradley Designs, Inc. Effective June 30, 2010, we issued a total of 100 shares of common stock to our directors and named executive officers in exchange for $1.00 per share, as follows: Barbara B. Baekgaard — 40 shares in exchange for $40.00; Patricia R. Miller — 37 shares in exchange for $37.00; Jill A. Nichols — 10 shares in exchange for $10.00; Michael C. Ray — 5 shares in exchange for $5.00; Kimberly F. Colby — 5 shares in exchange for $5.00; and P. Michael Miller — 3 shares in exchange for $3.00. The issuances of the common stock in connection with our formation were deemed to be exempt from registration under the Securities Act in reliance on Section 4(2) of the Securities Act as transactions not involving a public offering. We believe that, at the time of the issuance, each of the purchasers: (i) was a sophisticated investor having enough knowledge and experience in finance and business matters to evaluate the risks and merits of the investment; (ii) was able to bear the investment's economic risk; (iii) had access to the type of information normally provided in a prospectus through each individual's relationship with the Company; and (iv) understood and agreed that the shares could not be resold or distributed to the public. In addition, we did not use any form of public solicitation or advertisement in connection with the offerings.

On October 3, 2010, we entered into a subscription agreement with each shareholder of Vera Bradley Designs, Inc., pursuant to which each shareholder contributed all of his or her shares of Class A Voting Common Stock and Class B Non-Voting Common Stock of Vera Bradley Designs, Inc. to us in return for shares of our Class A Voting Common Stock and Class B Non-Voting Common Stock, respectively, on a one-for-one basis. The issuances of common stock were exempt from registration under the Securities Act in reliance on Section 4(2) of the Securities Act as transactions not involving a public offering. We believe that, at the time of the issuance, each of the purchasers: (i) was a sophisticated investor having enough

knowledge and experience in finance and business matters to evaluate the risks and merits of the investment; (ii) was able to bear the investment's economic risk; (iii) had access to the type of information normally provided in a prospectus through each individual's relationship with the Company; and (iv) understood and agreed that the shares could not be resold or distributed to the public. In addition, we did not use any form of public solicitation or advertisement in connection with the offering.

Item 16. Exhibits and Financial Statement Schedules.

(a) Exhibits

Exhibit No.	Description
1.1*	Form of Underwriting Agreement
3.1*	Second Amended and Restated Articles of Incorporation
3.2*	Amended and Restated Bylaws
4.1*	Specimen Common Stock Certificate
5.1	Form of Opinion of Ice Miller LLP
10.1*	Vera Bradley, Inc. 2010 Equity and Incentive Plan
10.2†	Letter Agreement with Jeffrey A. Blade
10.3†	Vera Bradley Designs, Inc. 2010 Restricted Stock Plan
10.4†	Form of Restricted Stock Award Agreement under Vera Bradley Designs, Inc. 2010 Restricted Stock Plan
10.5	Form of Indemnification Agreement
10.6	Amended and Restated Credit Agreement dated as of October 4, 2010 among Vera Bradley Designs, Inc. and JPMorgan Chase Bank, N.A.
10.7	Parent Guaranty dated as of October 4, 2010 made by Vera Bradley, Inc. in favor of JPMorgan Chase Bank, N.A.
10.8	Subsidiary Guaranty dated as of November 26, 2008 made by Vera Bradley Retail Stores, LLC and Vera Bradley International, LLC in favor of JPMorgan Chase Bank, N.A.
10.9	Security Agreement dated as of November 26, 2008 among Vera Bradley Designs, Inc., Vera Bradley Retail Stores, LLC, Vera Bradley International, LLC and JPMorgan Chase Bank, N.A.
10.10	Pledge Agreement dated as of November 26, 2008 among Vera Bradley Designs, Inc., Vera Bradley Retail Stores, LLC, Vera Bradley International, LLC and JPMorgan Chase Bank, N.A.
10.11	Trademark Security Agreement dated as of November 26, 2008 between Vera Bradley Designs, Inc. and JPMorgan Chase Bank, N.A.
10.12	Copyright Security Agreement dated as of November 26, 2008 between Vera Bradley Designs, Inc. and JPMorgan Chase Bank, N.A.
10.13	Reaffirmation of Guaranty and Security Documents dated as of October 4, 2010 by Vera Bradley Designs, Inc., Vera Bradley Retail Stores, LLC and Vera Bradley International, LLC for the benefit of JPMorgan Chase Bank, N.A.
10.14†	Lease dated February 8, 1996 between Vera Bradley Designs, Inc. and Milburn, LLC
10.15*	Form of Lock-Up Agreement (filed as Exhibit D to Exhibit 1.1)
10.16†	Form of Subscription Agreement
10.17†	Form of Share Repurchase Agreement
21.1†	Subsidiaries of Vera Bradley, Inc.
23.1	Consent of PricewaterhouseCoopers, LLP
23.2	Consent of PricewaterhouseCoopers, LLP
23.3*	Consent of Ice Miller LLP (contained in Exhibit 5.1)
24.1†	Powers of Attorney

* To be filed by amendment.
† Previously filed.

(b) Schedules not listed above have been omitted because the information required to be set forth therein is not applicable or is shown in the financial statements or notes thereto.

Item 17. Undertakings

The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Fort Wayne, State of Indiana, on October 6, 2010.

VERA BRADLEY, INC.

By: /s/ Michael C. Ray
Michael C. Ray
Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Michael C. Ray Michael C. Ray	Director and Chief Executive Officer (principal executive officer)	October 6, 2010
* Jeffrey A. Blade	Executive Vice President — Chief Financial and Administrative Officer (principal accounting and financial officer)	October 6, 2010
* Barbara Bradley Baekgaard	Director	October 6, 2010
* Robert J. Hall	Director	October 6, 2010
* John E. Kyees	Director	October 6, 2010
* Patricia R. Miller	Director	October 6, 2010
* P. Michael Miller	Director	October 6, 2010
* Edward M. Schmults	Director	October 6, 2010

*By: /s/ Michael C. Ray
Michael C. Ray, as *attorney-in-fact*

EXHIBIT INDEX

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24.1†	Powers of Attorney

* To be filed by amendment.
† Previously filed

[FORM OF OPINION OF ICE MILLER LLP]

Exhibit 5.1

October __, 2010

Board of Directors
Vera Bradley, Inc.
2208 Production Road
Fort Wayne, Indiana 46808

Re: Registration Statement on Form S-1

Ladies and Gentlemen:

We have acted as counsel to Vera Bradley, Inc., an Indiana corporation (the "Company"), in connection with the filing of a Registration Statement on Form S-1 (Registration No. 333-167934) (the "Registration Statement"), with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Securities Act"), relating to the public offering of up to 11,000,000 shares of the Company's authorized Common Stock (the "Shares"), by the Company and certain selling shareholders of the Company named in the Registration Statement. Unless otherwise defined herein, capitalized terms used herein shall have the meaning assigned to them in the Registration Statement.

We have investigated those questions of law as we have deemed necessary or appropriate for purposes of this opinion. We have also examined originals, or copies certified or otherwise identified to our satisfaction, of those documents, corporate or other records, certificates and other papers that we deemed necessary to examine for purposes of this opinion, including:

1. The Registration Statement, as amended through the date hereof;
2. A copy of the Second Amended and Restated Articles of Incorporation of the Company, together with all amendments thereto;
3. A copy of the Amended and Restated Bylaws of the Company, as amended to date;
4. An Officer's Certificate of even date herewith as to certain factual matters; and
5. Such other documents and matters as we have deemed necessary or appropriate to express the opinion set forth in this letter, subject to the assumptions, limitations and qualifications stated herein.

We have also relied, without investigation as to the accuracy thereof, on other certificates of and oral and written communications from public officials and officers of the Company.

For purposes of this opinion, we have assumed (i) the genuineness of all signatures; (ii) the authenticity of all documents submitted to us as originals and the conformity to authentic originals of all documents submitted to us as certified or photostatic copies; and (iii) that the registration requirements of the Securities Act and all applicable requirements of state laws regulating the offer and sale of the Common Stock will have been duly satisfied. The opinion set forth herein is limited to the law of the State of Indiana.

Based upon the foregoing and subject to the qualifications set forth in this letter, we are of the opinion that, if and when issued and delivered against payment therefor in accordance with the terms of the Underwriting Agreement referred to in the prospectus that is a part of the Registration Statement, the Shares will be legally issued, fully paid and nonassessable.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the reference to our firm in the Registration Statement under the caption “Legal Matters.” In giving this consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations of the Commission promulgated thereunder.

Very truly yours,

Exhibit 10.5

FORM OF INDEMNIFICATION AGREEMENT

This Indemnification Agreement ("Agreement") is made effective as of this day of by and between Vera Bradley, Inc., an Indiana corporation (the "Company"), and the undersigned officer, director or employee of the Company ("Indemnitee").

WHEREAS, the Company desires to attract and retain the services of highly qualified individuals such as Indemnitee to serve as officers, directors or employees of the Company;

WHEREAS, it is reasonable, prudent and in the best interests of the Company and its shareholders for the Company contractually to obligate itself to indemnify persons serving as officers, directors or employees of the Company to the fullest extent permitted by applicable law in order that they will serve or continue to serve the Company free from undue concern that they will not be so indemnified; and

WHEREAS, this Agreement is being entered into as part of the Indemnitee's total compensation for serving as an officer, director or employee of the Company, as applicable.

NOW THEREFORE, in consideration for Indemnitee's services as an officer, director or employee of the Company and the covenants contained herein, the Company and Indemnitee hereby agree as follows:

1. Indemnification.

(a) Third Party Proceedings. The Company shall indemnify Indemnitee if Indemnitee is or was a party or is threatened to be made a party or otherwise involved (including involvement as a witness) to any threatened, pending or completed action, suit, proceeding or any alternative dispute resolution mechanism, whether civil, criminal, administrative or investigative by reason of the fact that Indemnitee is or was a director, officer, employee or agent of the Company, by reason of any action or inaction on the part of Indemnitee while a director, officer, employee or agent of the Company or by reason of the fact that Indemnitee is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan, against all expenses (including attorneys' fees), judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement (if such settlement is approved in advance by the Company, which approval shall not be unreasonably withheld) actually and reasonably incurred or suffered by Indemnitee in connection with such action, suit or proceeding if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company and, with respect to any criminal action or proceeding, either (i) had reasonable cause to believe Indemnitee's conduct was lawful, or (ii) had no reasonable cause to believe Indemnitee's conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement or conviction, or upon a plea of *nolo contendere* or its equivalent, shall not, of itself, create a presumption that Indemnitee did not act in good faith and in a manner which Indemnitee reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal action or proceeding, either did not have reasonable cause to believe that Indemnitee's conduct was lawful or had reasonable cause to believe that Indemnitee's conduct was unlawful.

(b) Actions where Indemnitee is Deceased. If Indemnitee was or is a party, or is threatened to be made a party, to any proceeding by reason of the fact that he or she is or was a director, officer or employee of the Company or by reason of anything done or not done by Indemnitee in any such capacity, and prior to, during the pendency of, or after completion of, such proceeding, Indemnitee shall die, then the Company shall indemnify, defend and hold harmless the estate, heirs and legatees of Indemnitee against any and all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement (if such settlement is approved in advance by the Company, which approval shall not be unreasonably withheld) actually and reasonably incurred by such estate, heirs or legatees in connection with the investigation, defense, settlement or appeal of such proceeding on the same basis as provided for Indemnitee in subsection (a) of this Section 1.

(c) Mandatory Payment of Expenses. To the extent that Indemnitee has served as a witness on behalf of the Company or has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in subsection (a) of this Section 1, or in defense of any claim, issue or matter therein, Indemnitee shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by Indemnitee in connection therewith.

2. Agreement to Serve. In consideration of the protection afforded by this Agreement, if Indemnitee is a director of the Company, he or she agrees to serve at least for the six months after the effective date of this Agreement as a director and not to resign voluntarily during such period without the written consent of a majority of the Board of Directors of the Company. If Indemnitee is an officer of the Company not serving under an employment contract, he or she agrees to serve in such capacity at least for the balance of the current fiscal year of the Company and not to resign voluntarily during such period without the written consent of a majority of the Board of Directors of the Company. Following the applicable period set forth above, Indemnitee agrees to continue to serve in such capacity at the will of the Company (or under separate agreement, if such agreement exists) so long as he or she is duly appointed or elected and qualified in accordance with the applicable provisions of the Bylaws of the Company or until such time as he or she tenders his or her resignation in writing. Nothing contained in this Agreement is intended to create in Indemnitee any right to continued employment.

3. Expenses; Indemnification Procedure.

(a) Advancement of Expenses. The Company shall advance all expenses incurred by Indemnitee in connection with the investigation, defense, settlement or appeal of any civil or criminal action, suit or proceeding referenced in Section 1(a) (but not amounts actually paid in settlement of any such action, suit or proceeding). Indemnitee hereby undertakes to repay such amounts advanced (without interest) only if, and to the extent that, it shall ultimately be determined that Indemnitee is not entitled to be indemnified by the Company as authorized hereby. The advances to be made hereunder shall be paid by the Company to Indemnitee within twenty (20) days following delivery of a written request therefor by Indemnitee to the Company. Such request shall reasonably evidence the expenses and costs incurred by the Indemnitee in connection therewith. The Company's obligation to provide an advancement of expenses is subject to the following conditions: (a) if the proceeding arose in connection with Indemnitee's service as a director or officer, as applicable, then the Indemnitee or his or her representative shall have executed and delivered to the Company an undertaking, which need not be secured

and shall be accepted without reference to Indemnitee's financial ability to make repayment, by or on behalf of Indemnitee to repay all advances if and to the extent that it shall ultimately be determined by a final, unappealable decision rendered by a court having jurisdiction over the parties and the question that Indemnitee is not entitled to be indemnified for such advances under this Agreement or otherwise; (b) Indemnitee shall give the Company such information and cooperation as it may reasonably request and as shall be within Indemnitee's power; and (c) Indemnitee shall furnish, upon request by the Company and if required under applicable law, a written affirmation of Indemnitee's good faith belief that any applicable standards of conduct have been met by Indemnitee. Indemnitee's entitlement to such advances shall include those incurred in connection with any proceeding by Indemnitee seeking an adjudication pursuant to this Agreement.

(b) Notice to Company; Cooperation by Indemnitee. Indemnitee shall, as a condition precedent to his or her right to be indemnified under this Agreement, give the Company notice in writing as soon as practicable of any claim made against Indemnitee for which indemnification will or could be sought under this Agreement. Notice to the Company shall be directed to the Chief Financial Officer of the Company at the address shown on the signature page of this Agreement (or such other address as the Company shall designate in writing to Indemnitee). Notice shall be deemed received three (3) business days after the date postmarked if sent by domestic certified or registered mail, properly addressed; or five (5) business days if sent by airmail from a country outside of North America; otherwise, notice shall be deemed received when such notice shall actually be received by the Company. In addition, Indemnitee shall give the Company such information and cooperation as it may reasonably require and as shall be within Indemnitee's power.

(c) Procedure. Any indemnification and advances provided for in Section 1 and this Section 3 shall be made no later than forty-five (45) days (or, in the case of an advance of expenses, twenty (20) days) after receipt of the written request of Indemnitee. If the Company fails to respond within sixty (60) days of a written request for indemnification, the Company shall be deemed to have approved the request. If a claim under this Agreement, under any statute or under any provision of the Company's Certificate of Incorporation or Bylaws providing for indemnification is not paid in full by the Company within forty-five (45) days (or, in the case of an advance of expenses, twenty (20) days) after a written request for payment thereof has first been received by the Company, Indemnitee may, but need not, at any time thereafter, bring an action against the Company to recover the unpaid amount of the claim and, subject to Section 14 of this Agreement, Indemnitee shall also be entitled to be paid for the expenses (including attorneys' fees) of bringing such action. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in connection with any action, suit or proceeding in advance of its final disposition) that Indemnitee has not met the standards of conduct which make it permissible under applicable law for the Company to indemnify Indemnitee for the amount claimed. However, Indemnitee shall be entitled to receive interim payments of expenses pursuant to Section 3(a) unless and until such defense may be finally adjudicated by court order or judgment from which no further right of appeal exists. It is the parties' intention that, if the Company contests Indemnitee's right to indemnification, the question of Indemnitee's right to indemnification shall be for the court to decide, and neither the failure of the Company (including its Board of Directors, any committee or subgroup of its Board of Directors, independent legal counsel or its shareholders) to have made a determination

that indemnification of Indemnitee is proper in the circumstances because Indemnitee has met the applicable standard of conduct required by applicable law, nor an actual determination by the Company (including its Board of Directors, any committee or subgroup of its Board of Directors, independent legal counsel or its shareholders) that Indemnitee has not met such applicable standard of conduct, shall create a presumption that Indemnitee has or has not met the applicable standard of conduct.

(d) Notice to Insurers. If, at the time of the receipt of a notice of a claim pursuant to Section 3(b), the Company has directors and officers liability insurance in effect, the Company shall give prompt notice of the commencement of such proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of Indemnitee, all amounts payable as a result of such proceeding in accordance with the terms of such policies.

(e) Selection of Counsel. In the event the Company shall be obligated under Section 3(a) to advance the expenses of any proceeding against Indemnitee, the Company, if appropriate, shall be entitled to assume the defense of such proceeding, with counsel approved by Indemnitee, upon the delivery to Indemnitee of written notice of its election and approval of counsel by Indemnitee, which approval shall not be unreasonably withheld. After the delivery of such notice, approval of such counsel by Indemnitee and retention of such counsel by the Company, the Company shall not be liable to Indemnitee under this Agreement for any fees of counsel subsequently incurred by Indemnitee with respect to the same proceeding, except as provided below. The Indemnitee shall have the right to employ his or her own counsel in any such proceeding at Indemnitee's expense unless: (i) the employment of counsel by Indemnitee has been previously authorized by the Company, (ii) Indemnitee shall have reasonably concluded that there may be a material conflict of interest between the Company and Indemnitee in the conduct of any such defense or (iii) the Company shall not, in fact, have employed counsel to assume the defense of such proceeding, in each of which cases the fees and expenses of Indemnitee's counsel shall be at the expense of the Company.

4. Additional Indemnification Rights; Nonexclusivity.

(a) Scope. Notwithstanding any other provision of this Agreement, the Company hereby agrees to indemnify Indemnitee to the fullest extent permitted by law, notwithstanding that such indemnification is not specifically authorized by the other provisions of this Agreement, by the Company's Articles of Incorporation or Bylaws or by statute. In the event of any change after the date of this Agreement in any applicable law, statute or rule which expands the right of an Indiana corporation to indemnify a member of its board of directors or an officer or employee of the Company, such changes shall be, ipso facto, within the purview of Indemnitee's rights and the Company's obligations under this Agreement. In the event of any change in any applicable law, statute or rule which narrows the right of an Indiana corporation to indemnify a member of its board of directors or an officer or employee of the Company, such changes, to the extent not otherwise required by such law, statute or rule to be applied to this Agreement, shall have no effect on this Agreement or the parties' rights and obligations hereunder.

(b) Nonexclusivity. The indemnification provided by this Agreement shall not be deemed exclusive of any rights to which Indemnitee may be entitled under the Company's Articles of Incorporation or Bylaws, any agreement, any vote of shareholders or disinterested directors, the Indiana Business Corporation Law (the "IBCL") or otherwise, both as to action in Indemnitee's official capacity and as to action in another capacity while holding such office. The indemnification provided under this Agreement shall continue as to Indemnitee for any action taken or not taken while serving in an indemnified capacity even though he or she may have ceased to serve in such capacity at the time of any action, suit or other covered proceeding.

5. Partial Indemnification. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of the expenses, judgments, fines or penalties actually or reasonably incurred by him or her in the investigation, defense, appeal or settlement of any civil or criminal action, suit or proceeding, but not, however, for the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion of such actual and reasonable expenses, judgments, fines or penalties to which Indemnitee is entitled.

6. Mutual Acknowledgement. Both the Company and Indemnitee acknowledge that in certain instances Federal law or applicable public policy may prohibit the Company from indemnifying its directors, officers and employees under this Agreement or otherwise. Indemnitee understands and acknowledges that the Company has undertaken or may be required in the future to undertake with the Securities and Exchange Commission to submit the question of indemnification to a court in certain circumstances for a determination of the Company's right under public policy to indemnify Indemnitee.

7. Directors and Officers Liability Insurance.

(a) The Company shall obtain and maintain a policy or policies of insurance ("D&O Liability Insurance") with reputable insurance companies providing liability insurance for directors and officers of the Company in their capacities as such (and for any capacity in which any director or officer of the Company serves any other person or entity at the request of the Company), in respect of acts or omissions occurring while serving in such capacity, on terms with respect to coverage and amount (including with respect to the payment of expenses) no less favorable than those of such policy in effect on the date hereof except for any changes approved by the Board of Directors of the Company.

(b) Indemnitee shall be covered by the Company's D&O Liability Insurance policies as in effect from time to time in accordance with the applicable terms to the maximum extent of the coverage available for any other director or officer under such policies. The Company shall, promptly after receiving notice of a proceeding as to which Indemnitee is a party or a participant (as a witness or otherwise), give notice of such proceeding to the insurers under the Company's D&O Liability Insurance policies in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable actions to cause such insurers to pay, on behalf of Indemnitee, all amounts payable as a result of such proceeding in accordance with the terms of such policies. The failure or refusal of any such insurer to pay any such amount shall not affect or impair the obligations of the Company under this Agreement.

(c) Upon request by Indemnitee, the Company shall provide to Indemnitee copies of the D&O Liability Insurance policies as in effect from time to time. The Company shall promptly notify Indemnitee of any material changes in such insurance coverage.

8. Presumptions and Burdens of Proof; Effect of Certain Proceedings.

(a) In making any determination as to Indemnitee's entitlement to indemnification hereunder, Indemnitee shall be entitled to a presumption that he or she is entitled to indemnification under this Agreement if Indemnitee has submitted a request for indemnification in accordance with Section 3(c), and the Company shall have the burdens of coming forward with evidence and of persuasion to overcome that presumption.

(b) The termination of any proceeding or of any claim, issue or matter therein by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not of itself create a presumption (i) that Indemnitee did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the Company, (ii) that with respect to any criminal proceeding, Indemnitee either did not have reasonable cause to believe that Indemnitee's conduct was lawful or had reasonable cause to believe that his or her conduct was unlawful or (iii) that Indemnitee did not otherwise satisfy the applicable standard of conduct to be indemnified pursuant to this Agreement.

(c) For purposes of any determination of good faith, Indemnitee shall be deemed to have acted in good faith if Indemnitee's action is based on the records or books of account of the Company or other person or entity, as applicable, including financial statements, or on information supplied to Indemnitee by the officers of such person or entity in the course of their duties, or on the advice of legal counsel for such entity or on information or records given or reports made to such entity by an independent certified public accountant, appraiser or other expert selected with reasonable care by such entity. The provisions of this Section 8(c) shall not be deemed to be exclusive or to limit in any way other circumstances in which Indemnitee may be deemed or found to have met the applicable standard of conduct to be indemnified pursuant to this Agreement.

(d) The knowledge or actions or failure to act of any other director, officer, employee or agent of the Company or other person or entity, as applicable, shall not be imputed to Indemnitee for purposes of determining Indemnitee's right to indemnification under this Agreement.

9. Severability. Nothing in this Agreement is intended to require or shall be construed as requiring the Company to do or fail to do any act in violation of applicable law. The Company's inability, pursuant to court order, to perform its obligations under this Agreement shall not constitute a breach of this Agreement. The provisions of this Agreement shall be severable as provided in this Section 9. If this Agreement or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Company shall nevertheless indemnify Indemnitee to the fullest extent permitted by any applicable portion of this Agreement that shall not have been invalidated, and the balance of this Agreement not so invalidated shall be enforceable in accordance with its terms.

10. Exceptions. Any other provision herein to the contrary notwithstanding, the Company shall not be obligated pursuant to the terms of this Agreement:

(a) Claims Initiated by Indemnitee. To indemnify or advance expenses to Indemnitee with respect to proceedings or claims initiated or brought voluntarily by Indemnitee and not by way of defense, except with respect to proceedings brought to establish or enforce a right to indemnification under this Agreement or any other statute or law or otherwise as required under the IBCL, but such indemnification or advancement of expenses may be provided by the Company in specific cases if its Board of Directors has approved the initiation or bringing of such suit; or

(b) Lack of Good Faith. To indemnify Indemnitee for any expenses incurred by Indemnitee with respect to any proceeding instituted by Indemnitee to enforce or interpret this Agreement, if a court of competent jurisdiction determines that each of the material assertions made by Indemnitee in such proceeding was not made in good faith or was frivolous; or

(c) Insured Claims. To indemnify Indemnitee for expenses or liabilities of any type whatsoever (including, but not limited to, judgments, fines, ERISA excise taxes or penalties, and amounts paid in settlement) which have been paid directly to Indemnitee by an insurance carrier under a policy of directors and officers liability insurance maintained by the Company;

(d) Claims under Section 16(b). To indemnify Indemnitee for expenses and the payment of profits arising from the purchase and sale by Indemnitee of securities in violation of Section 16(b) of the Securities Exchange Act of 1934, as amended, or any similar successor statute; or

(e) Non-compete and Non-disclosure. To indemnify Indemnitee for expenses or liabilities with respect to proceedings or claims involving the enforcement of non-compete and/or non-disclosure agreements or the non-compete and/or non-disclosure provisions of employment, consulting or similar agreements the Indemnitee may be a party to with the Company.

11. Construction of Certain Terms and Phrases.

(a) For purposes of this Agreement, references to the "Company" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger with the Company, which constituent corporation, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees or agents, so that if Indemnitee is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, Indemnitee shall stand in the same position under the provisions of this Agreement with respect to the resulting or surviving corporation as Indemnitee would have with respect to such constituent corporation if its separate existence had continued.

(b) For purposes of this Agreement, references to "other enterprises" shall include employee benefit plans; and references to "serving at the request of the Company" shall include any service as a director, officer, employee or agent of the Company which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan or its participants or beneficiaries; and if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan, Indemnitee shall be deemed to have acted in a manner "not opposed to the best interests of the Company" as referred to in this Agreement.

12. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall constitute an original.

13. Successors and Assigns. This Agreement shall be binding upon the Company and its successors and assigns and shall inure to the benefit of Indemnitee and Indemnitee's estate, heirs, legal representatives and assigns. The Company shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation or otherwise) to all, substantially all or a substantial part of the business and/or assets of the Company, by written agreement in form and substance satisfactory to Indemnitee, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.

14. Attorneys' Fees. In the event that any action is instituted by Indemnitee under this Agreement to enforce or interpret any of the terms hereof, Indemnitee shall be entitled to be paid all court costs and expenses, including reasonable attorneys' fees, incurred by Indemnitee with respect to such action, unless as a part of such action, the court of competent jurisdiction determines that each of the material assertions made by Indemnitee as a basis for such action was not made in good faith or was frivolous. In the event of an action instituted by or in the name of the Company under this Agreement or to enforce or interpret any of the terms of this Agreement, Indemnitee shall be entitled to be paid all court costs and expenses, including reasonable attorneys' fees, incurred by Indemnitee in defense of such action (including with respect to Indemnitee's counterclaims and cross-claims made in such action), unless as a part of such action the court determines that each of Indemnitee's material defenses to such action was made not in good faith or was frivolous.

15. Non-Disclosure of Payments. Except as expressly required by the Federal securities laws, neither the Indemnitee nor the Company shall disclose any payments under this Agreement unless prior approval of the other party is obtained.

16. Notice. Except as provided in Section 3(b), all notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed duly given (i) if delivered by hand and receipted for by the party addressee, on the date of such receipt, or (ii) if mailed by domestic certified or registered mail with postage prepaid, on the third business day after the date postmarked. Addresses for notice to either party are as shown on the signature page of this Agreement, or as subsequently modified by written notice.

17. Consent to Jurisdiction. The Company and Indemnitee each hereby irrevocably consent to the jurisdiction of the courts of the State of Indiana for all purposes in connection with

any action or proceeding which arises out of or relates to this Agreement and agree that any action instituted under this Agreement shall be brought only in the state courts of the State of Indiana.

18. Choice of Law. This Agreement shall be governed by and its provisions construed in accordance with the laws of the State of Indiana, as applied to contracts between Indiana residents entered into and to be performed entirely within Indiana without regard to the conflict of law principles thereof.

19. Period of Limitations. No legal action shall be brought and no cause of action shall be asserted by or in the right of the Company against Indemnitee, Indemnitee's estate, spouse, heirs, executors or personal or legal representatives after the expiration of two years from the date of accrual of such cause of action, and any claim or cause of action of the Company shall be extinguished and deemed released unless asserted by the timely filing of a legal action within such two-year period; provided, however, that if any shorter period of limitations is otherwise applicable to any such cause of action, such shorter period shall govern.

20. Subrogation. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all documents required and shall do all acts that may be necessary to secure such rights and to enable the Company effectively to bring suit to enforce such rights.

21. Retroactivity. This Agreement shall be deemed to have been in effect during all periods that Indemnitee was a director, officer or employee of the Company, regardless of the date of this Agreement.

22. Amendment and Termination. No amendment, modification, termination or cancellation of this Agreement shall be effective unless it is in a writing signed by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar), nor shall such waiver constitute a continuing waiver.

23. Integration and Entire Agreement. Subject to the provisions of Section 4, this Agreement sets forth the entire understanding between the parties hereto and supersedes and merges all previous written and oral negotiations, commitments, understandings and agreements relating to the subject matter hereof between the parties hereto.

[*signature page follows*]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

VERA BRADLEY, INC.,
an Indiana corporation

By: _____
Name: _____
Title: _____

Address for notice:

2208 Production Road
Fort Wayne, Indiana 46808

AGREED TO AND ACCEPTED:

INDEMNITEE:

By: _____
Name:
Title:

Address for notice:

_____
_____
_____
_____

Exhibit 10.6

EXECUTION VERSION

$125,000,000

AMENDED AND RESTATED CREDIT AGREEMENT

dated as of

October 4, 2010

among

VERA BRADLEY DESIGNS, INC.,
as Borrower

The Lenders Party Hereto,

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION,
as Administrative Agent

WELLS FARGO BANK, N.A.
and
KEYBANK NATIONAL ASSOCIATION,
as Co-Syndication Agents

and

PNC BANK, N.A.
as Documentation Agent

J.P. MORGAN SECURITIES LLC,
as Sole Bookrunner and Sole Lead Arranger

AMENDED AND RESTATED CREDIT AGREEMENT dated as of October 4, 2010, among VERA BRADLEY DESIGNS, INC., the LENDERS party hereto and JPMORGAN CHASE BANK, NATIONAL ASSOCIATION, as Administrative Agent.

R E C I T A L S:

A. The Borrower, the Administrative Agent, the financial institutions designated as existing lenders on Schedule 2.01 (the "Continuing Lenders") and the financial institutions listed on Schedule I hereto (the "Exiting Lenders") are party to that certain Credit Agreement, dated as of November 26, 2008 (as amended up to but not including the date hereof, the "Existing Credit Agreement").

B. The Borrower, the Administrative Agent and the Continuing Lenders wish to amend and restate the Existing Credit Agreement on the terms and conditions set forth below to, among other things, extend the Revolving Maturity Date, reallocate the Commitments and make the other changes to the Existing Credit Agreement evidenced hereby.

C. The financial institutions identified on Schedule 2.01 which are not Continuing Lenders wish to become "Lenders" hereunder and accept and assume the obligations of "Lenders" hereunder with the Commitments specified on the Commitment Schedule.

NOW, THEREFORE, in consideration of the premises and of the mutual agreements made herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree that the Existing Credit Agreement is amended and restated in its entirety as follows:

ARTICLE I

Definitions

SECTION 1.01. Defined Terms. As used in this Agreement, the following terms have the meanings specified below:

"ABR", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Alternate Base Rate.

"Acquired Entity or Business" means either (a) the assets constituting a business, division, facility, product line or line of business of any Person not already a Subsidiary or (b) 100% of the capital stock of any such Person, which Person shall, as a result of such acquisition or merger, become a Wholly-Owned Subsidiary of the Borrower (or shall be merged with and into the Borrower with the Borrower being the surviving Person or with a Subsidiary Guarantor with the Subsidiary Guarantor being the surviving Person or such other surviving Person becoming a Subsidiary Guarantor).

"Act" has the meaning assigned to such term in Section 9.14.

"Adjusted LIBO Rate" means, with respect to any Eurodollar Borrowing for any Interest Period (or, as applicable, for the purpose of determining the Alternate Base Rate for any day by reference to a one month Interest Period), an interest rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to (a) the LIBO Rate for such Interest Period multiplied by (b) the Statutory Reserve Rate.

"Administrative Agent" means JPMorgan, in its capacity as administrative agent for the Lenders hereunder, and its successors and assigns in such capacity.

"Administrative Questionnaire" means an Administrative Questionnaire in a form supplied by the Administrative Agent.

"Affiliate" means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

"Agreement" means this Amended and Restated Credit Agreement, as it may be amended, restated, modified or supplemented from time to time.

"Alternate Base Rate" means, for any day, a rate per annum equal to the greatest of (a) the Prime Rate in effect on such day (b) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1% and (c) the Adjusted LIBO Rate for deposits in dollars for a one month Interest Period on such day (or if such day is not a Business Day, the immediately preceding Business Day) plus 1%; provided that, for the avoidance of doubt, the Adjusted LIBO Rate for any day shall be based on the rate appearing on the Reuters Screen LIBOR01 Page (or on any successor or substitute page of such page) at approximately 11:00 a.m. London time on such day (or if such day is not a Business Day, the immediately preceding Business Day). Any change in the Alternate Base Rate due to a change in the Prime Rate, the Federal Funds Effective Rate or the Adjusted LIBO Rate shall be effective from and including the effective date of such change in the Prime Rate, the Federal Funds Effective Rate or the Adjusted LIBO Rate, respectively.

"Applicable Percentage" means, with respect to any Lender, the percentage of the total Commitments represented by such Lender's Commitment; provided that in the case of Section 2.20 when a Defaulting Lender shall exist, "Applicable Percentage" shall mean the percentage of the total Commitments (disregarding any Defaulting Lender's Commitment) represented by such Lender's Commitment. If the Commitments have terminated or expired, the Applicable Percentages shall be determined based upon the Commitments most recently in effect, giving effect to any assignments and to any Lender's status as a Defaulting Lender at the time of determination.

"Applicable Rate" means, for any day, with respect to any Eurodollar Loan or ABR Loan or with respect to the Letter of Credit fees or the facility fees payable hereunder, the applicable rate per annum set forth on Schedule 1.01(a) under the caption "Eurodollar Spread", "ABR Spread", "Letter of Credit Fee" or "Facility Fee", as the case may be, based upon the Leverage Ratio.

"Approved Fund" has the meaning assigned to such term in Section 9.04.

"Asset Disposition" means any sale, transfer or other disposition of any asset of the Borrower or any Subsidiary in a single transaction or in a series of related transactions (other than (a) the sale of inventory in the ordinary course or the sale of obsolete or worn out property in the ordinary course and (b) the sale of Permitted Investments in the ordinary course of business).

"Assignment and Assumption" means an assignment and assumption entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 9.04), and accepted by the Administrative Agent, in the form of Exhibit A or any other form approved by the Administrative Agent.

"Availability Period" means the period from and including the Effective Date to but excluding the earlier of the Revolving Maturity Date and the date of termination of the Commitments.

"Bankruptcy Event" means, with respect to any Person, such Person becomes the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee, administrator, custodian, assignee for the benefit of creditors or similar Person charged with the reorganization or liquidation of its business appointed for it, or, in the good faith determination of the Administrative Agent, has taken any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any such proceeding or appointment, provided that a Bankruptcy Event shall not result solely by virtue of any ownership interest, or the acquisition of any ownership interest, in such Person by a Governmental Authority or instrumentality thereof, provided, further, that such ownership interest does not result in or provide such Person with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Person (or such Governmental Authority or instrumentality) to reject, repudiate, disavow or disaffirm any contracts or agreements made by such Person.

"Board" means the Board of Governors of the Federal Reserve System of the United States of America.

"Borrower" means Vera Bradley Designs, Inc., an Indiana corporation.

"Borrowing" means (a) Revolving Loans of the same Type, made, converted or continued on the same date and, in the case of Eurodollar Loans, as to which a single Interest Period is in effect or (b) a Swingline Loan.

"Borrowing Request" means a request by the Borrower for a Revolving Borrowing in accordance with Section 2.03.

"Business Day" means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed; provided that, when used in connection with a Eurodollar Loan, the term "Business Day" shall also exclude any day on which banks are not open for dealings in dollar deposits in the London interbank market.

"Capital Expenditures" means, without duplication, any expenditures for any purchase or other acquisition of any asset which would be classified as a fixed or capital asset on a consolidated balance sheet of the Borrower and its Subsidiaries prepared in accordance with GAAP excluding (a) the cost of assets acquired with Capitalized Lease Obligations, (b) expenditures of insurance proceeds to rebuild or replace any asset after a casualty loss and (c) leasehold improvement expenditures for which the Borrower or a Subsidiary is reimbursed promptly by the lessor.

"Capital Lease Obligations" of any Person means the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

"Change in Control" means (a) the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person or group (within the meaning of the Securities Exchange Act of 1934 and the rules of the Securities and Exchange Commission thereunder as in effect on the date hereof), other than 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, of Equity Interests representing more than 25% of the aggregate ordinary voting power represented by the issued and outstanding Equity Interests of Holdings; (b) occupation of a majority of the seats (other than vacant seats) on the board of directors of the Borrower or Holdings by Persons who were neither (i) nominated by the board of directors of the Borrower or Holdings, as applicable, nor (ii) appointed by directors so nominated; (c) the acquisition of Control of the Borrower by any Person or group other than Holdings; or (d) Holdings shall cease to own directly 100% of the Equity Interests of the Borrower.

"Change in Law" means (a) the adoption of any law, rule or regulation after the date of this Agreement, (b) any change in any law, rule or regulation or in the interpretation or application thereof by any Governmental Authority after the date of this Agreement or (c) compliance by any Lender or the Issuing Bank (or, for purposes of Section 2.15(b), by any lending office of such Lender or by such Lender's or the Issuing Bank's holding company, if any) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement; provided however, that for purposes of this Agreement, the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives in connection therewith are deemed to have gone into effect and adopted thirty (30) days after the date of this Agreement.

"Charges" has the meaning assigned to such term in Section 9.13.

"Class", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are Revolving Loans or Swingline Loans.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Collateral" means all property with respect to which any security interests have been granted (or purported to be granted) pursuant to any Security Document, including, without limitation, all "Collateral" referred to in the Security Agreement and all cash delivered as collateral pursuant to Section 2.06(j).

"Collateral Access Agreement" means any landlord waiver, bailee letter or other agreement, in form and substance satisfactory to the Administrative Agent, between the Administrative Agent and any third party (including any bailee, consignee, customs broker, or other similar Person) in possession of any Collateral or any landlord of the Borrower for any real property where any Collateral is located, as such landlord waiver, bailee letter or other agreement may be amended, restated, or otherwise modified from time to time.

"Collateral Agent" means JPMorgan, in its capacity as collateral agent for the benefit of the Secured Creditors under the Security Documents, and its successors and assigns in such capacity.

"Commitment" means, with respect to each Lender, the commitment of such Lender to make Revolving Loans and to acquire participations in Letters of Credit and Swingline Loans hereunder, expressed as an amount representing the maximum aggregate amount of such Lender's Revolving Credit Exposure hereunder, as such commitment may be (a) reduced or increased from time to time pursuant to Section 2.09 and (b) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 9.04. The initial amount of each Lender's Commitment is set forth on Schedule 2.01, or in the Assignment and Assumption pursuant to which such Lender shall have assumed its Commitment, as applicable. The initial aggregate amount of the Lenders' Commitments is $125,000,000.

"Consolidated Net Worth" means at any time the consolidated stockholders' equity of the Borrower and its Subsidiaries calculated on a consolidated basis as of such time.

"Continuing Lenders" has the meaning assigned to such term in the Recitals hereto.

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "Controlling" and "Controlled" have meanings correlative thereto.

"Credit Documents" means this Agreement and, after the execution and delivery thereof pursuant to the terms of this Agreement, each promissory note, if any, delivered pursuant to Section 2.10(e), the Parent Guaranty, the Subsidiary Guaranty, each Security Document, the Subordination Agreements and each other document or instrument contemplated hereby and executed by the Borrower, Holdings, and/or any Subsidiary Guarantor in favor of the Administrative Agent, the Collateral Agent or any Lender.

"Credit Parties" means Holdings, the Borrower and each Subsidiary Guarantor.

"Default" means any event or condition which constitutes an Event of Default or which upon notice, lapse of time or both would, unless cured or waived, become an Event of Default.

"Defaulting Lender" means any Lender that (a) has failed, within two Business Days of the date required to be funded or paid, to (i) fund any portion of its Loans, (ii) fund any portion of its participations in Letters of Credit or Swingline Loans or (iii) pay over to any Credit Party any other amount required to be paid by it hereunder, unless, in the case of clause (i) above, such Lender notifies the Administrative Agent in writing that such failure is the result of such Lender's good faith determination that a condition precedent to funding (specifically identified and including the particular default, if any) has not been satisfied, (b) has notified the Borrower or any Credit Party in writing, or has made a public statement to the effect, that it does not intend or expect to comply with any of its funding obligations under this Agreement (unless such writing or public statement indicates that such position is based on such Lender's good faith determination that a condition precedent (specifically identified and including the particular default, if any) to funding a loan under this Agreement cannot be satisfied) or generally under other agreements in which it commits to extend credit, (c) has failed, within three Business Days after request by a Credit Party, acting in good faith, to provide a certification in writing from an authorized officer of such Lender that it will comply with its obligations (and is financially able to meet such obligations) to fund prospective Loans and participations in then outstanding Letters of Credit and Swingline Loans under this Agreement, provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon such Credit Party's receipt of such certification in form and substance satisfactory to it and the Administrative Agent, or (d) has become the subject of a Bankruptcy Event.

"dollars" or "$" refers to lawful money of the United States of America.

"Domestic Subsidiary" means each Subsidiary that is incorporated under the laws of the United States, any State thereof or the District of Columbia.

"EBITDA" means, for any applicable computation period, the Borrower's and Subsidiaries' Net Income on a consolidated basis from continuing operations, plus, to the extent included in the determination of Net Income, (a) income and franchise taxes paid or accrued during such period, (b) Total Interest Expense for such period, (c) amortization and depreciation deducted in determining Net Income for such period and (d) goodwill or other intangible asset impairments or charges required or permitted by FAS 142 for such period.

"Effective Date" means the date on which the conditions specified in Section 4.01 are satisfied (or waived in accordance with Section 9.02).

"Environmental Laws" means all laws, rules, regulations, codes, ordinances, orders, decrees, judgments, injunctions, notices or binding agreements issued, promulgated or entered into by any Governmental Authority, relating in any way to the environment, preservation or reclamation of natural resources, the management, release or threatened release of any Hazardous Material or to health and safety matters.

"Environmental Liability" means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Borrower or any Subsidiary directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

"Equity Interests" means shares of capital stock, partnership interests, membership interests in a limited liability company, beneficial interests in a trust or other equity ownership interests in a Person, and any warrants, options or other rights entitling the holder thereof to purchase or acquire any such equity interest.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"ERISA Affiliate" means any trade or business (whether or not incorporated) that, together with the Borrower, is treated as a single employer under Section 414(b) or (c) of the Code or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

"ERISA Event" means (a) any "reportable event", as defined in Section 4043 of ERISA or the regulations issued thereunder with respect to a Plan (other than an event for which the 30 day notice period is waived); (b) the existence with respect to any Plan of an "accumulated funding deficiency" (as defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived; (c) the filing pursuant to Section 412(d) of the Code or Section 303(d) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (d) the incurrence by the Borrower or any of its ERISA Affiliates of any liability under Title IV of ERISA with respect to the termination of any Plan; (e) the receipt by the Borrower or any ERISA Affiliate from the PBGC or a plan administrator of any notice relating to an intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan; (f) the incurrence by the Borrower or any of its ERISA Affiliates of any liability with respect to the withdrawal or partial withdrawal from any Plan or Multiemployer Plan; or (g) the receipt by the Borrower or any ERISA Affiliate of any notice, or the receipt by any Multiemployer Plan from the Borrower or any ERISA Affiliate of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA.

"Eurodollar", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Adjusted LIBO Rate.

"Event of Default" has the meaning assigned to such term in Article VII.

"Excluded Taxes" means, with respect to the Administrative Agent, any Lender, the Issuing Bank or any other recipient of any payment to be made by or on account of any obligation of the Borrower hereunder, (a) income or franchise taxes imposed on (or measured

by) its net income by the United States of America, or by the jurisdiction under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located, (b) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction in which the Borrower is organized or in which its principal office is located, (c) in the case of a Foreign Lender (other than an assignee pursuant to a request by the Borrower under Section 2.19(b)), any withholding tax that is imposed on amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party to this Agreement (or designates a new lending office) or is attributable to such Foreign Lender's failure to comply with Section 2.17(e), except to the extent that such Foreign Lender (or its assignor, if any) was entitled, at the time of designation of a new lending office (or assignment), to receive additional amounts from the Borrower with respect to such withholding tax pursuant to Section 2.17(a) and (d) taxes imposed under FATCA.

"Existing Credit Agreement" has the meaning assigned to such term in the Recitals hereto.

"Existing Letters of Credit" means the letters of credit issued and outstanding under the Existing Credit Agreement and set forth on Schedule 1.01(b) hereto.

"Exiting Lenders" has the meaning assigned to such term in the Recitals hereto.

"FATCA" means Sections 1471 through 1474 of the Code and any regulations or official interpretations thereof (including any Revenue Ruling, Revenue Procedure, Notice or similar guidance issued by the U.S. Internal Revenue Service thereunder as a precondition to relief or exemption from taxes under such provisions).

"Facility Guarantees" means, collectively, the Parent Guaranty and the Subsidiary Guaranty.

"Federal Funds Effective Rate" means, for any day, the weighted average (rounded upwards, if necessary, to the next $^1/_{100}$ of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next $^1/_{100}$ of 1%) of the quotations for such day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

"Financial Officer" means the chief executive officer, director of finance, vice president of finance, chief financial officer, principal accounting officer, treasurer or controller of the Borrower.

"First Tier Material Foreign Subsidiary" has the meaning assigned to such term in Section 5.10(a).

"Fixed Charges" means, with reference to any period, without duplication, Total Interest Expense, *plus* scheduled principal payments on Indebtedness, *plus* expense for taxes paid in cash, *plus* Capital Lease Obligation payments, *plus* cash contributions to any Plan, *plus* Rentals, all calculated for such period for the Borrower and its Subsidiaries on a consolidated basis.

"Fixed Charge Coverage Ratio" means, the ratio, determined as of the last day of each fiscal quarter of the Borrower for the most-recently ended four fiscal quarters, of (a) EBITDA *plus* Rentals, *minus* Unfinanced Capital Expenditures (net of any cash leasehold allowances actually received in respect of such Unfinanced Capital Expenditures during such period) made during such period, to (b) Fixed Charges, all calculated for the Borrower and its Subsidiaries on a consolidated basis in accordance with GAAP.

"Foreign Lender" means any Lender that is organized under the laws of a jurisdiction other than that in which the Borrower is organized. For purposes of this definition, the United States of America, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

"Foreign Subsidiary" means any Subsidiary that is incorporated or organized under the laws of any jurisdiction other than the United States of America, any State thereof or the District of Columbia.

"GAAP" means generally accepted accounting principles in the United States of America.

"Governmental Authority" means the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"Guarantee" of or by any Person (the "guarantor") means any obligation, contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation of any other Person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness or other obligation of the payment thereof, (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation or (d) as an account party in respect of any letter of credit or letter of guaranty issued to support such Indebtedness or obligation; provided that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business. The amount of any Guarantee made by any guarantor shall be deemed to be the lower of (a) an amount equal to the stated or determinable amount of the primary obligation in respect of which such Guarantee is made and (b) the maximum amount for which such guarantor may be liable pursuant to the terms of the instrument embodying such Guarantee, unless (in the case of a primary obligation that is not Indebtedness) such primary obligation and the maximum amount for which such guarantor may be liable are not stated or determinable, in which case the amount of such Guarantee shall be such guarantor's maximum reasonably anticipated liability in respect thereof as determined by the Borrower in good faith.

"Hazardous Materials" means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

"Holdings" means Vera Bradley, Inc., an Indiana corporation.

"Holdings Joinders" means, collectively, (a) the Joinder to Security Agreement dated as of the date hereof whereby Holdings joins in the execution of the Security Agreement and (b) the Joinder to Pledge Agreement dated as of the date hereof whereby Holdings joins in the execution of the Pledge Agreement.

"Indebtedness" of any Person means, without duplication, (a) all obligations of such Person for borrowed money or with respect to deposits or advances of any kind, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person upon which interest charges are customarily paid, (d) all obligations of such Person under conditional sale or other title retention agreements relating to property acquired by such Person, (e) all obligations of such Person in respect of the deferred purchase price of property or services (excluding current accounts payable incurred in the ordinary course of business), (f) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person, whether or not the Indebtedness secured thereby has been assumed, (g) all Guarantees by such Person of Indebtedness of others, (h) all Capital Lease Obligations of such Person, (i) all obligations, contingent or otherwise, of such Person as an account party in respect of letters of credit and letters of guaranty, (j) all obligations, contingent or otherwise, of such Person in respect of bankers' acceptances and (k) all Off-Balance Sheet Liabilities. The Indebtedness of any Person shall include the Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness provide that such Person is not liable therefor.

"Indemnified Taxes" means Taxes other than Excluded Taxes.

"Indemnitee" has the meaning assigned to such term in Section 9.03(b).

"Information Memorandum" means the Confidential Information Memorandum dated September 13, 2010 (as revised on September 16, 2010) relating to the Borrower and the Transactions.

"Interest Election Request" means a request by the Borrower to convert or continue a Revolving Borrowing in accordance with Section 2.08.

"Interest Payment Date" means (a) with respect to any ABR Loan (other than a Swingline Loan), the last day of each March, June, September and December, (b) with respect to any Eurodollar Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Eurodollar Borrowing with an Interest Period of more than three months' duration, each day prior to the last day of such Interest Period that occurs at intervals of three months' duration after the first day of such Interest Period and (c) with respect to any Swingline Loan, the day that such Loan is required to be repaid.

"Interest Period" means with respect to any Eurodollar Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one, two, three or six months thereafter, as the Borrower may elect; provided that (i) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day and (ii) any Interest Period pertaining to a Eurodollar Borrowing that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and, in the case of a Revolving Borrowing, thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

"Issuing Bank" means JPMorgan, in its capacity as the issuer of Letters of Credit hereunder, and its successors in such capacity as provided in Section 2.06(i). The Issuing Bank may, in its discretion, arrange for one or more Letters of Credit to be issued by Affiliates of the Issuing Bank, in which case the term "Issuing Bank" shall include any such Affiliate with respect to Letters of Credit issued by such Affiliate.

"JPMorgan" means JPMorgan Chase Bank, National Association, a national banking association, and its successors.

"LC Disbursement" means a payment made by the Issuing Bank pursuant to a Letter of Credit.

"LC Exposure" means, at any time, the sum of (a) the aggregate undrawn amount of all outstanding Letters of Credit at such time plus (b) the aggregate amount of all LC Disbursements that have not yet been reimbursed by or on behalf of the Borrower at such time. The LC Exposure of any Lender at any time shall be its Applicable Percentage of the total LC Exposure at such time.

"Lenders" means the Persons listed on Schedule 2.01 and any other Person that shall have become a party hereto pursuant to an Assignment and Assumption or pursuant to Section 2.09(d), other than any such Person that ceases to be a party hereto pursuant to an Assignment and Assumption. Unless the context otherwise requires, the term "Lenders" includes the Swingline Lender.

"Letter of Credit" means any letter of credit issued pursuant to this Agreement.

"Leverage Ratio" means at any time, the ratio of Total Debt at such time to EBITDA for the most recently completed four fiscal quarters of the Borrower, computed on a consolidated basis for the Borrower and its Subsidiaries.

"LIBO Rate" means, with respect to any Eurodollar Borrowing for any Interest Period, the rate appearing on the Reuters Screen LIBOR01 Page 1 (or on any successor or substitute page of such Service, or any successor to or substitute for such Service, providing rate quotations comparable to those currently provided on such page of such Service, as determined by the Administrative Agent from time to time for purposes of providing quotations of interest rates applicable to dollar deposits in the London interbank market) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, as the rate for dollar deposits with a maturity comparable to such Interest Period. In the event that such rate is not available at such time for any reason, then the "LIBO Rate" with respect to such Eurodollar Borrowing for such Interest Period shall be the rate at which dollar deposits of $5,000,000 and for a maturity comparable to such Interest Period are offered by the principal London office of the Administrative Agent in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period.

"Lien" means, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

"Loans" means the loans made by the Lenders to the Borrower pursuant to this Agreement.

"Material Adverse Effect" means a material adverse effect on (a) the business, assets, operations or condition, financial or otherwise, of the Borrower and the Subsidiaries taken as a whole, (b) the ability of the Borrower to perform any of its obligations under the Credit Documents or (c) the rights of or benefits available to the Administrative Agent, the Collateral Agent or the Lenders under the Credit Documents.

"Material Indebtedness" means Indebtedness (other than the Loans and Letters of Credit), or obligations in respect of one or more Swap Agreements, of any one or more of the Borrower and its Subsidiaries in an aggregate principal amount exceeding $10,000,000. For purposes of determining Material Indebtedness, the "principal amount" of the obligations of the Borrower or any Subsidiary in respect of any Swap Agreement at any time shall be the maximum aggregate amount (giving effect to any netting agreements) that the Borrower or such Subsidiary would be required to pay if such Swap Agreement were terminated at such time.

"Material Subsidiary" means a Subsidiary held directly by the Borrower or any Subsidiary Guarantor that is a Domestic Subsidiary which (a) as of the date hereof, has assets having a book value in excess of $1,000,000 or which generated in excess of $1,000,000 of net income over the four fiscal quarter period most recently ended prior to the date hereof, or (b)

thereafter, has or acquires assets having a book value in excess of $1,000,000 or which generated in excess of $1,000,000 of net income over the four fiscal quarter period most recently ended prior to the time of computation.

"Maximum Rate" has the meaning assigned to such term in Section 9.13.

"Moody's" means Moody's Investors Service, Inc.

"Multiemployer Plan" means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"Net Income" means, for any computation period, with respect to the Borrower on a consolidated basis with its Subsidiaries (other than any Subsidiary which is restricted from declaring or paying dividends or otherwise advancing funds to its parent whether by contract or otherwise), cumulative net income earned during such period (determined before the deduction of minority interests) as determined in accordance with GAAP.

"OFAC" has the meaning assigned to such term in Section 5.11.

"Off-Balance Sheet Liability" of a Person means (a) any repurchase obligation or liability of such Person with respect to accounts or notes receivable sold by such Person, (b) any liability under any Sale and Leaseback Transaction other than Capital Lease Obligations, (c) any liability under any so-called "synthetic lease" arrangement or transaction entered into by such Person, or (d) any obligation arising with respect to any other transaction which is the functional equivalent of or takes the place of borrowing but which does not constitute a liability on the balance sheets of such Person.

"Other Taxes" means any and all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement.

"Parent" means, with respect to any Lender, any Person as to which such Lender is, directly or indirectly, a subsidiary.

"Parent Guaranty" means that certain Parent Guaranty dated as of the date hereof by Holdings in favor of the Administrative Agent for the benefit of the Secured Creditors, as from time to time amended, restated or supplemented.

"Participant" has the meaning assigned to such term in Section 9.04.

"PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

"Permitted Acquisition" means the acquisition by the Borrower or a Wholly-Owned Subsidiary thereof of an Acquired Entity or Business (including by way of merger of such Acquired Entity or Business with and into the Borrower (so long as the Borrower is the surviving corporation) or a Wholly-Owned Subsidiary thereof (so long as the Wholly-Owned

Subsidiary is the surviving corporation or the surviving corporation becomes a Subsidiary Guarantor); provided that, in each case, (a) the consideration paid or to be paid by the Borrower or such Wholly-Owned Subsidiary consists solely of cash (including proceeds of Revolving Loans or Swingline Loans), the issuance of common stock of the Borrower to the extent no Default or Event of Default exists pursuant to clause (m) of Article VII or would result therefrom and the assumption/acquisition of any Indebtedness (calculated at face value) which is permitted to remain outstanding in accordance with the requirements of Section 6.01; (b) in the case of the acquisition of 100% of the capital stock of any Person (including by way of merger), such Person shall own no capital stock of any other Person (excluding de minimis amounts) unless either (i) such Person owns 100% of the capital stock of such other Person or (ii) such Person and its Wholly-Owned Subsidiaries own at least 80% of the consolidated assets of such other Person and its Subsidiaries; (c) the Acquired Entity or Business acquired pursuant to the respective Permitted Acquisition is in a business permitted by Section 6.03(c); (d) in the case of a stock acquisition, such acquisition shall have been approved by the board of directors of the Acquired Entity or Business; and (e) all applicable requirements of Sections 6.03 and 6.04(f) applicable to Permitted Acquisitions are satisfied.

"Permitted Encumbrances" means:

(a) Liens imposed by law for Taxes that are not yet due or are being contested in compliance with Section 5.04;

(b) carriers', warehousemen's, mechanics', materialmen's, repairmen's and other like Liens imposed by law, arising in the ordinary course of business and securing obligations that are not overdue by more than 30 days or are being contested in compliance with Section 5.04;

(c) pledges and deposits made in the ordinary course of business in compliance with workers' compensation, unemployment insurance and other social security laws or regulations;

(d) deposits to secure the performance of bids, trade contracts, leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, in each case in the ordinary course of business;

(e) judgment liens in respect of judgments that do not constitute an Event of Default under clause (k) of Article VII; and

(f) easements, zoning restrictions, rights-of-way and similar encumbrances on real property imposed by law or arising in the ordinary course of business that do not secure any monetary obligations and do not materially detract from the value of the affected property or interfere with the ordinary conduct of business of the Borrower or any Subsidiary;

provided that the term "Permitted Encumbrances" shall not include any Lien securing Indebtedness.

"Permitted Investments" means:

(a) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America (or by any agency thereof to the extent such obligations are backed by the full faith and credit of the United States of America), in each case maturing within one year from the date of acquisition thereof;

(b) investments in commercial paper maturing within 270 days from the date of acquisition thereof and having, at such date of acquisition, the highest credit rating obtainable from S&P or from Moody's;

(c) investments in certificates of deposit, banker's acceptances and time deposits maturing within 180 days from the date of acquisition thereof issued or guaranteed by or placed with, and money market deposit accounts issued or offered by, any domestic office of any commercial bank organized under the laws of the United States of America or any State thereof which has a combined capital and surplus and undivided profits of not less than $500,000,000;

(d) fully collateralized repurchase agreements with a term of not more than 30 days for securities described in clause (a) above and entered into with a financial institution satisfying the criteria described in clause (c) above; and

(e) money market funds that (i) comply with the criteria set forth in Securities and Exchange Commission Rule 2a-7 under the Investment Company Act of 1940, (ii) are rated AAA by S&P and Aaa by Moody's and (iii) have portfolio assets of at least $5,000,000,000.

"Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"Plan" means any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect of which the Borrower or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Pledge Agreement" means that certain Pledge Agreement dated as of November 26, 2008 (as reaffirmed by the Reaffirmation) made by the Borrower and each Subsidiary Guarantor in favor of the Collateral Agent, for the ratable benefit of the Secured Creditors, as from time to time amended, restated or supplemented (by joinder or otherwise), together with the applicable Holdings Joinder and any other pledge agreement entered into by Holdings, the Borrower or a Subsidiary in favor of the Collateral Agent.

"Prime Rate" means the rate of interest per annum publicly announced from time to time by JPMorgan as its prime rate in effect at its office located at 270 Park Avenue, New York, New York; each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective.

"Reaffirmation" means that certain Reaffirmation of Guaranty and Security Documents dated as of the date hereof made by the Borrower, Vera Bradley Retail Stores, LLC

and Vera Bradley International, LLC for the benefit of the Administrative Agent, the Collateral Agent and the other Secured Creditors, as the same may be amended, restated, modified or supplemented from time to time.

"Register" has the meaning assigned to such term in Section 9.04.

"Related Parties" means, with respect to any specified Person, such Person's Affiliates and the respective directors, officers, employees, agents and advisors of such Person and such Person's Affiliates.

"Rentals" of a Person means, with respect to any period, the aggregate amount of rental expense deducted in computing Net Income of such Person.

"Required Lenders" means, at any time, Lenders having Revolving Credit Exposures, unused Commitments and LC Exposure, representing more than 51% of the sum of the total Revolving Credit Exposures, unused Commitments and LC Exposure at such time; provided that if there are three or fewer Lenders then Required Lenders shall mean at least two Lenders.

"Restricted Payment" means (a) any dividend or other distribution (whether in cash, securities or other property) with respect to any Equity Interests in the Borrower or any Subsidiary or (b) any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such Equity Interests in the Borrower or any Subsidiary or any option, warrant or other right to acquire any such Equity Interests in the Borrower or any Subsidiary.

"Revolving Borrowing" means a Borrowing comprised of Revolving Loans.

"Revolving Credit Exposure" means, with respect to any Lender at any time, the sum of the outstanding principal amount of such Lender's Revolving Loans, its LC Exposure and Swingline Exposure at such time.

"Revolving Loan" means a Loan made pursuant to Section 2.01.

"Revolving Maturity Date" means October 3, 2015.

"S&P" means Standard & Poor's.

"Sale and Leaseback Transaction" means any sale or other transfer of property by any Person with the intent to lease such property as lessee.

"Secured Creditors" has the meaning ascribed to such term by the Security Agreement.

"Secured Obligations" has the meaning ascribed to such term by the Security Agreement.

"Security Agreement" means that certain Security Agreement dated as of November 26, 2008 (as reaffirmed by the Reaffirmation) made by the Borrower and each Subsidiary Guarantor in favor of the Collateral Agent, for the ratable benefit of the Secured Creditors, as from time to time amended, restated or supplemented (by joinder or otherwise), together with the applicable Holdings Joinder.

"Security Documents" means, collectively, the Security Agreement, the Pledge Agreement, the Reaffirmation, the Holdings Joinders and each other document or instrument pursuant to which security is granted to the Collateral Agent, for the ratable benefit of the Secured Creditors.

"Specified Party" means the Administrative Agent, the Issuing Bank, the Swingline Lender or any other Lender.

"Statutory Reserve Rate" means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Board to which the Administrative Agent is subject, with respect to the Adjusted LIBO Rate, for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Board). Such reserve percentages shall include those imposed pursuant to such Regulation D. Eurodollar Loans shall be deemed to constitute eurocurrency funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under such Regulation D or any comparable regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"Subordinated Debt" means the obligations of the Borrower under the Subordinated Debt Documents.

"Subordinated Debt Documents" means, collectively, the subordinated promissory notes dated as of October 2, 2010 and issued by the Borrower in favor of its shareholders of record as of July 29, 2010, in each case, including any other instruments, agreements and documents related thereto (including, any agreement in connection with a refinancing thereof which is permitted by the Subordination Agreements).

"Subordination Agreements" means, collectively, the Subordination Agreement dated as of October 2, 2010, by and among the Borrower's shareholders of record as of July 29, 2010, the Borrower and the Administrative Agent, including any subordination agreement entered into in connection with a refinancing thereof and which is permitted by such Subordination Agreement.

"subsidiary" means, with respect to any Person (the "parent") at any date, any corporation, limited liability company, partnership, association or other entity the accounts of which would be consolidated with those of the parent in the parent's consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any other corporation, limited liability company, partnership, association or other

entity (a) of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned, controlled or held, or (b) that is, as of such date, otherwise Controlled, by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent.

"Subsidiary" means any subsidiary of the Borrower.

"Subsidiary Guarantor" means each Subsidiary of the Borrower which is a party to the Subsidiary Guaranty.

"Subsidiary Guaranty" means, collectively, the Subsidiary Guaranty dated as of November 26, 2008 (as reaffirmed by the Reaffirmation) made by each Subsidiary Guarantor party thereto in favor of the Administrative Agent for the ratable benefit of the Secured Creditors, as from time to time amended, restated or supplemented (by joinder or otherwise), together with each other guaranty, joinder or guaranty supplement delivered pursuant to Section 5.10. The Subsidiary Guarantors initially party to the Subsidiary Guaranty are so designated on Schedule 3.12 hereto.

"Substantial Portion" means, with respect to the property of the Borrower and its Subsidiaries, property which (a) represents more than 5% of the consolidated net book value of assets of the Borrower and its Subsidiaries as would be shown in the consolidated financial statements of the Borrower and its Subsidiaries as at the beginning of the twelve month period ending with the last day of the month preceding the month in which such determination is made, or (b) is responsible for more than 5% of the consolidated net sales or of the consolidated net income of the Borrower and its Subsidiaries as reflected in the financial statements referred to in clause (a) above for such twelve month period.

"Swap Agreement" means any agreement with respect to any swap, forward, future or derivative transaction or option or similar agreement involving, or settled by reference to, one or more rates, currencies, commodities, equity or debt instruments or securities, or economic, financial or pricing indices or measures of economic, financial or pricing risk or value or any similar transaction or any combination of these transactions; provided that no phantom stock or similar plan providing for payments only on account of services provided by current or former directors, officers, employees or consultants of the Borrower or the Subsidiaries shall be a Swap Agreement.

"Swingline Exposure" means, at any time, the aggregate principal amount of all Swingline Loans outstanding at such time. The Swingline Exposure of any Lender at any time shall be its Applicable Percentage of the total Swingline Exposure at such time.

"Swingline Lender" means JPMorgan, in its capacity as lender of Swingline Loans hereunder, and its successors and assigns in such capacity.

"Swingline Loan" means a Loan made pursuant to Section 2.05.

"Taxes" means any and all present or future taxes, levies, imposts, duties, deductions, charges or withholdings imposed by any Governmental Authority.

"Total Debt" means (a) all Indebtedness of the Borrower and its Subsidiaries, on a consolidated basis, calculated in accordance with GAAP plus, without duplication (b) the face amount of all outstanding letters of credit in respect of which the Borrower or any Subsidiary has any actual or contingent reimbursement obligation and (c) the principal amount of all Guarantees of Indebtedness by the Borrower and its Subsidiaries.

"Total Interest Expense" means, for any period, total cash interest expense deducted in the computation of Net Income for such period (including that attributable to Capital Lease Obligations) of the Borrower and its Subsidiaries for such period with respect to all outstanding Indebtedness of the Borrower and its Subsidiaries (including all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing and net costs of rate hedging in respect of interest rates to the extent such net costs are allocable to such period in accordance with GAAP).

"Transactions" means the execution, delivery and performance by the Borrower of the Credit Documents, the borrowing of Loans, the use of the proceeds thereof and the issuance of Letters of Credit hereunder.

"Type", when used in reference to any Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to the Adjusted LIBO Rate or the Alternate Base Rate.

"UCC" means the Uniform Commercial Code as from time to time in effect in the relevant jurisdiction.

"Unfinanced Capital Expenditures" means Capital Expenditures which are not financed with proceeds of non-revolving term loans.

"Wholly-Owned Subsidiary" of a Person means (a) any subsidiary all of the outstanding voting securities of which shall at the time be owned or controlled, directly or indirectly, by such Person or one or more Wholly-Owned Subsidiaries of such Person, or by such Person and one or more Wholly-Owned Subsidiaries of such Person, or (b) any partnership, limited liability company, association, joint venture or similar business organization 100% of the ownership interests having ordinary voting power of which shall at the time be so owned or controlled (other than in the case of Foreign Subsidiaries, director's qualifying shares and/or other nominal amounts of shares required to be held by Persons other than the Borrower and its Subsidiaries under applicable law).

"Withdrawal Liability" means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

SECTION 1.02. Classification of Loans and Borrowings. For purposes of this Agreement, Loans may be classified and referred to by Class (e.g., a "Revolving Loan") or by Type (e.g., a "Eurodollar Loan") or by Class and Type (e.g., a "Eurodollar Revolving Loan"). Borrowings also may be classified and referred to by Class (e.g., a "Revolving Borrowing") or by Type (e.g., a "Eurodollar Borrowing") or by Class and Type (e.g., a "Eurodollar Revolving Borrowing").

SECTION 1.03. Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (e) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

SECTION 1.04. Accounting Terms; GAAP. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; provided that, if the Borrower notifies the Administrative Agent that the Borrower requests an amendment to any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or in the application thereof on the operation of such provision (or if the Administrative Agent notifies the Borrower that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith.

ARTICLE II

The Credits

SECTION 2.01. Commitments. Subject to the terms and conditions set forth herein, each Lender agrees to make Revolving Loans to the Borrower from time to time during the Availability Period in an aggregate principal amount that will not result in (a) such Lender's Revolving Credit Exposure exceeding such Lender's Commitment or (b) the sum of the total Revolving Credit Exposures exceeding the total Commitments. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Revolving Loans.

SECTION 2.02. Loans and Borrowings. Each Revolving Loan shall be made as part of a Borrowing consisting of Revolving Loans made by the Lenders ratably in accordance with their respective Commitments. The failure of any Lender to make any Loan required to be made by it shall not relieve any other Lender of its obligations hereunder; provided that the Commitments of the Lenders are several and no Lender shall be responsible for any other Lender's failure to make Loans as required.

(a) Subject to Section 2.14, each Revolving Borrowing shall be comprised entirely of ABR Loans or Eurodollar Loans as the Borrower may request in accordance herewith. Each Swingline Loan shall be an ABR Loan. Each Lender at its option may make any Eurodollar Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; provided that any exercise of such option shall not affect the obligation of the Borrower to repay such Loan in accordance with the terms of this Agreement.

(b) At the commencement of each Interest Period for any Eurodollar Borrowing, such Borrowing shall be in an aggregate amount that is an integral multiple of $500,000 and not less than $2,500,000. At the time that each ABR Borrowing is made, such Borrowing shall be in an aggregate amount that is an integral multiple of $500,000 and not less than $500,000; provided that an ABR Revolving Borrowing may be in an aggregate amount that is equal to the entire unused balance of the total Commitments or that is required to finance the reimbursement of an LC Disbursement as contemplated by Section 2.06(e). Each Swingline Loan shall be in an amount that is an integral multiple of $50,000 and not less than $100,000. Borrowings of more than one Type and Class may be outstanding at the same time; provided that there shall not at any time be more than a total of six Eurodollar Revolving Borrowings outstanding.

(c) Notwithstanding any other provision of this Agreement, the Borrower shall not be entitled to request, or to elect to convert or continue, any Borrowing if the Interest Period requested with respect thereto would end after the Revolving Maturity Date.

SECTION 2.03. Requests for Revolving Borrowings. To request a Revolving Borrowing (other than a Swingline Loan), the Borrower shall notify the Administrative Agent of such request by telephone (a) in the case of a Eurodollar Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date of the proposed Borrowing or (b) in the case of an ABR Borrowing, not later than 11:00 a.m., New York City time, one Business Day before the date of the proposed Borrowing; provided that any such notice of an ABR Revolving Borrowing to finance the reimbursement of an LC Disbursement as contemplated by Section 2.06(e) may be given not later than 10:00 a.m., New York City time, on the date of the proposed Borrowing. Each such telephonic Borrowing Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Borrowing Request in the form of Exhibit B or any other form approved by the Administrative Agent and signed by the Borrower. Each such telephonic and written Borrowing Request shall specify the following information in compliance with Section 2.02:

(i) the aggregate amount of the requested Borrowing;

(ii) the date of such Borrowing, which shall be a Business Day;

(iii) whether such Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing;

(iv) in the case of a Eurodollar Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term “Interest Period”; and

(v) the location and number of the Borrower's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.07.

If no election as to the Type of Revolving Borrowing is specified, then the requested Revolving Borrowing shall be an ABR Borrowing. If no Interest Period is specified with respect to any requested Eurodollar Revolving Borrowing, then the Borrower shall be deemed to have selected an Interest Period of one month's duration. Promptly following receipt of a Borrowing Request in accordance with this Section, the Administrative Agent shall advise each applicable Lender of the details thereof and of the amount of such Lender's Loan to be made as part of the requested Borrowing.

SECTION 2.04. [Intentionally Omitted]

SECTION 2.05. Swingline Loans. (a) Subject to the terms and conditions set forth herein, the Swingline Lender agrees to make Swingline Loans to the Borrower from time to time during the Availability Period, in an aggregate principal amount at any time outstanding that will not result in (i) the aggregate principal amount of outstanding Swingline Loans exceeding $15,000,000 or (ii) the sum of the total Revolving Credit Exposures exceeding the total Commitments; provided that the Swingline Lender shall not be required to make a Swingline Loan to refinance an outstanding Swingline Loan. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Swingline Loans.

(b) To request a Swingline Loan, the Borrower shall notify the Administrative Agent of such request by telephone (confirmed by telecopy), not later than 12:00 noon, New York City time, on the day of a proposed Swingline Loan. Each such notice shall be irrevocable and shall specify the requested date (which shall be a Business Day) and amount of the requested Swingline Loan. The Administrative Agent will promptly advise the Swingline Lender of any such notice received from the Borrower. The Swingline Lender shall make each Swingline Loan available to the Borrower by means of a credit to the general deposit account of the Borrower with the Swingline Lender (or, in the case of a Swingline Loan made to finance the reimbursement of an LC Disbursement as provided in Section 2.06(e), by remittance to the Issuing Bank) by 3:00 p.m., New York City time, on the requested date of such Swingline Loan.

(c) The Swingline Lender may by written notice given to the Administrative Agent not later than 10:00 a.m., New York City time, on any Business Day require the Lenders to acquire participations on such Business Day in all or a portion of the Swingline Loans outstanding. Such notice shall specify the aggregate amount of Swingline Loans in which Lenders will participate. Promptly upon receipt of such notice, the Administrative Agent will give notice thereof to each Lender, specifying in such notice such Lender's Applicable Percentage of such Swingline Loan or Loans. Each Lender hereby absolutely and unconditionally agrees, upon receipt of notice as provided above, to pay to the Administrative Agent, for the account of the Swingline Lender, such Lender's Applicable Percentage of such Swingline Loan or Loans. Each Lender acknowledges and agrees that its obligation to acquire

participations in Swingline Loans pursuant to this paragraph is absolute and unconditional and shall not be affected by any circumstance whatsoever, including the occurrence and continuance of a Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever. Each Lender shall comply with its obligation under this paragraph by wire transfer of immediately available funds, in the same manner as provided in Section 2.07 with respect to Loans made by such Lender (and Section 2.07 shall apply, mutatis mutandis, to the payment obligations of the Lenders), and the Administrative Agent shall promptly pay to the Swingline Lender the amounts so received by it from the Lenders. The Administrative Agent shall notify the Borrower of any participations in any Swingline Loan acquired pursuant to this paragraph, and thereafter payments in respect of such Swingline Loan shall be made to the Administrative Agent and not to the Swingline Lender. Any amounts received by the Swingline Lender from the Borrower (or other party on behalf of the Borrower) in respect of a Swingline Loan after receipt by the Swingline Lender of the proceeds of a sale of participations therein shall be promptly remitted to the Administrative Agent; any such amounts received by the Administrative Agent shall be promptly remitted by the Administrative Agent to the Lenders that shall have made their payments pursuant to this paragraph and to the Swingline Lender, as their interests may appear; provided that any such payment so remitted shall be repaid to the Swingline Lender or to the Administrative Agent, as applicable, if and to the extent such payment is required to be refunded to the Borrower for any reason. The purchase of participations in a Swingline Loan pursuant to this paragraph shall not relieve the Borrower of any default in the payment thereof.

SECTION 2.06. Letters of Credit. (a) General. Subject to the terms and conditions set forth herein, the Borrower may request the issuance of Letters of Credit for its own account, in a form reasonably acceptable to the Administrative Agent and the Issuing Bank, at any time and from time to time during the Availability Period. In the event of any inconsistency between the terms and conditions of this Agreement and the terms and conditions of any form of letter of credit application or other agreement submitted by the Borrower to, or entered into by the Borrower with, the Issuing Bank relating to any Letter of Credit, the terms and conditions of this Agreement shall control. Upon the effectiveness of this Agreement, each Existing Letter of Credit shall, without any further action by any party, be deemed to have been issued as a Letter of Credit hereunder on the date of such effectiveness and shall for all purposes hereof be treated as a Letter of Credit under this Agreement.

(b) Notice of Issuance, Amendment, Renewal, Extension; Certain Conditions. To request the issuance of a Letter of Credit (or the amendment, renewal or extension of an outstanding Letter of Credit), the Borrower shall hand deliver or telecopy (or transmit by electronic communication, if arrangements for doing so have been approved by the Issuing Bank) to the Issuing Bank and the Administrative Agent (reasonably in advance of the requested date of issuance, amendment, renewal or extension) a notice requesting the issuance of a Letter of Credit, or identifying the Letter of Credit to be amended, renewed or extended, and specifying the date of issuance, amendment, renewal or extension (which shall be a Business Day), the date on which such Letter of Credit is to expire (which shall comply with paragraph (c) of this Section), the amount of such Letter of Credit, the name and address of the beneficiary thereof and such other information as shall be necessary to prepare, amend, renew or extend such Letter of Credit. If requested by the Issuing Bank, the Borrower also shall submit a letter of credit application on the Issuing Bank's standard form in connection with any request for a Letter of

Credit. A Letter of Credit shall be issued, amended, renewed or extended only if (and upon issuance, amendment, renewal or extension of each Letter of Credit the Borrower shall be deemed to represent and warrant that), after giving effect to such issuance, amendment, renewal or extension (i) the LC Exposure shall not exceed $10,000,000 and (ii) the sum of the total Revolving Credit Exposures shall not exceed the total Commitments

(c) Expiration Date. Each Letter of Credit shall expire at or prior to the close of business on the earlier of (i) the date one year after the date of the issuance of such Letter of Credit (or, in the case of any renewal or extension thereof, one year after such renewal or extension) and (ii) the date that is five Business Days prior to the Revolving Maturity Date.

(d) Participations. By the issuance of a Letter of Credit (or an amendment to a Letter of Credit increasing the amount thereof) and without any further action on the part of the Issuing Bank or the Lenders, the Issuing Bank hereby grants to each Lender, and each Lender hereby acquires from the Issuing Bank, a participation in such Letter of Credit equal to such Lender's Applicable Percentage of the aggregate amount available to be drawn under such Letter of Credit. In consideration and in furtherance of the foregoing, each Lender hereby absolutely and unconditionally agrees to pay to the Administrative Agent, for the account of the Issuing Bank, such Lender's Applicable Percentage of each LC Disbursement made by the Issuing Bank and not reimbursed by the Borrower on the date due as provided in paragraph (e) of this Section, or of any reimbursement payment required to be refunded to the Borrower for any reason. Each Lender acknowledges and agrees that its obligation to acquire participations pursuant to this paragraph in respect of Letters of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including any amendment, renewal or extension of any Letter of Credit or the occurrence and continuance of a Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever.

(e) Reimbursement. If the Issuing Bank shall make any LC Disbursement in respect of a Letter of Credit, the Borrower shall reimburse such LC Disbursement by paying to the Administrative Agent an amount equal to such LC Disbursement not later than 12:00 noon, New York City time, on the date that such LC Disbursement is made, if the Borrower shall have received notice of such LC Disbursement prior to 10:00 a.m., New York City time, on such date, or, if such notice has not been received by the Borrower prior to such time on such date, then not later than 12:00 noon, New York City time on the Business Day immediately following the day that the Borrower receives such notice; provided that the Borrower may, subject to the conditions to borrowing set forth herein, request in accordance with Sections 2.03 or 2.05 that such payment be financed with an ABR Revolving Borrowing or a Swingline Loan in an equivalent amount and, to the extent so financed, the Borrower's obligation to make such payment shall be discharged and replaced by the resulting ABR Revolving Borrowing or Swingline Loan. If the Borrower fails to make such payment when due, the Administrative Agent shall notify each Lender of the applicable LC Disbursement, the payment then due from the Borrower in respect thereof and such Lender's Applicable Percentage thereof. Promptly following receipt of such notice, each Lender shall pay to the Administrative Agent its Applicable Percentage of the payment then due from the Borrower, in the same manner as provided in Section 2.07 with respect to Loans made by such Lender (and Section 2.07 shall apply, mutatis mutandis, to the payment obligations of the Lenders), and the Administrative Agent shall promptly pay to the

Issuing Bank the amounts so received by it from the Lenders. Promptly following receipt by the Administrative Agent of any payment from the Borrower pursuant to this paragraph, the Administrative Agent shall distribute such payment to the Issuing Bank or, to the extent that Lenders have made payments pursuant to this paragraph to reimburse the Issuing Bank, then to such Lenders and the Issuing Bank as their interests may appear. Any payment made by a Lender pursuant to this paragraph to reimburse the Issuing Bank for any LC Disbursement (other than the funding of ABR Revolving Loans or a Swingline Loan as contemplated above) shall not constitute a Loan and shall not relieve the Borrower of its obligation to reimburse such LC Disbursement.

(f) Obligations Absolute. The Borrower's obligation to reimburse LC Disbursements as provided in paragraph (e) of this Section shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement under any and all circumstances whatsoever and irrespective of (i) any lack of validity or enforceability of any Letter of Credit or this Agreement, or any term or provision therein, (ii) any draft or other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect, (iii) payment by the Issuing Bank under a Letter of Credit against presentation of a draft or other document that does not comply with the terms of such Letter of Credit, or (iv) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section, constitute a legal or equitable discharge of, or provide a right of setoff against, the Borrower's obligations hereunder. Neither the Administrative Agent, the Lenders nor the Issuing Bank, nor any of their Related Parties, shall have any liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit or any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to in the preceding sentence), or any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Letter of Credit (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond the control of the Issuing Bank; provided that the foregoing shall not be construed to excuse the Issuing Bank from liability to the Borrower to the extent of any direct damages (as opposed to consequential damages, claims in respect of which are hereby waived by the Borrower to the extent permitted by applicable law) suffered by the Borrower that are caused by the Issuing Bank's failure to exercise care when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof. The parties hereto expressly agree that, in the absence of gross negligence or willful misconduct on the part of the Issuing Bank (as finally determined by a court of competent jurisdiction), the Issuing Bank shall be deemed to have exercised care in each such determination. In furtherance of the foregoing and without limiting the generality thereof, the parties agree that, with respect to documents presented which appear on their face to be in substantial compliance with the terms of a Letter of Credit, the Issuing Bank may, in its sole discretion, either accept and make payment upon such documents without responsibility for further investigation, regardless of any notice or information to the contrary, or refuse to accept and make payment upon such documents if such documents are not in strict compliance with the terms of such Letter of Credit.

(g) Disbursement Procedures. The Issuing Bank shall, promptly following its receipt thereof, examine all documents purporting to represent a demand for payment under a

Letter of Credit. The Issuing Bank shall promptly notify the Administrative Agent and the Borrower by telephone (confirmed by telecopy) of such demand for payment and whether the Issuing Bank has made or will make an LC Disbursement thereunder; provided that any failure to give or delay in giving such notice shall not relieve the Borrower of its obligation to reimburse the Issuing Bank and the Lenders with respect to any such LC Disbursement.

(h) Interim Interest. If the Issuing Bank shall make any LC Disbursement, then, unless the Borrower shall reimburse such LC Disbursement in full on the date such LC Disbursement is made, the unpaid amount thereof shall bear interest, for each day from and including the date such LC Disbursement is made to but excluding the date that the Borrower reimburses such LC Disbursement, at the rate per annum then applicable to ABR Revolving Loans; provided that, if the Borrower fails to reimburse such LC Disbursement when due pursuant to paragraph (e) of this Section, then Section 2.13(c) shall apply. Interest accrued pursuant to this paragraph shall be for the account of the Issuing Bank, except that interest accrued on and after the date of payment by any Lender pursuant to paragraph (e) of this Section to reimburse the Issuing Bank shall be for the account of such Lender to the extent of such payment.

(i) Replacement of the Issuing Bank. The Issuing Bank may be replaced at any time by written agreement among the Borrower, the Administrative Agent, the replaced Issuing Bank and the successor Issuing Bank. The Administrative Agent shall notify the Lenders of any such replacement of the Issuing Bank. At the time any such replacement shall become effective, the Borrower shall pay all unpaid fees accrued for the account of the replaced Issuing Bank pursuant to Section 2.12(b). From and after the effective date of any such replacement, (i) the successor Issuing Bank shall have all the rights and obligations of the Issuing Bank under this Agreement with respect to Letters of Credit to be issued thereafter and (ii) references herein to the term "Issuing Bank" shall be deemed to refer to such successor or to any previous Issuing Bank, or to such successor and all previous Issuing Banks, as the context shall require. After the replacement of an Issuing Bank hereunder, the replaced Issuing Bank shall remain a party hereto and shall continue to have all the rights and obligations of an Issuing Bank under this Agreement with respect to Letters of Credit issued by it prior to such replacement, but shall not be required to issue additional Letters of Credit.

(j) Cash Collateralization. If any Event of Default shall occur and be continuing, on the Business Day that the Borrower receives notice from the Administrative Agent or the Required Lenders (or, if the maturity of the Loans has been accelerated, Lenders with LC Exposure representing a majority of the total LC Exposure) demanding the deposit of cash collateral pursuant to this paragraph, the Borrower shall deposit in an account with the Administrative Agent, in the name of the Administrative Agent and for the benefit of the Lenders, an amount in cash equal to the LC Exposure as of such date plus any accrued and unpaid interest thereon; provided that the obligation to deposit such cash collateral shall become effective immediately, and such deposit shall become immediately due and payable, without demand or other notice of any kind, upon the occurrence of any Event of Default with respect to the Borrower described in clause (h) or (i) of Article VII. Such deposit shall be held by the Administrative Agent as collateral for the payment and performance of the obligations of the Borrower under this Agreement. The Administrative Agent shall have exclusive dominion and control, including the exclusive right of withdrawal, over such account. Other than any interest

earned on the investment of such deposits, which investments shall be made at the option and sole discretion of the Administrative Agent and at the Borrower's risk and expense, such deposits shall not bear interest. Interest or profits, if any, on such investments shall accumulate in such account. Moneys in such account shall be applied by the Administrative Agent to reimburse the Issuing Bank for LC Disbursements for which it has not been reimbursed and, to the extent not so applied, shall be held for the satisfaction of the reimbursement obligations of the Borrower for the LC Exposure at such time or, if the maturity of the Loans has been accelerated (but subject to the consent of Lenders with LC Exposure representing a majority of the total LC Exposure), be applied to satisfy other obligations of the Borrower under this Agreement. If the Borrower is required to provide an amount of cash collateral hereunder as a result of the occurrence of an Event of Default, such amount (to the extent not applied as aforesaid) shall be returned to the Borrower within three Business Days after all Events of Default have been cured or waived or upon the satisfaction of all obligations of the Borrower under this Agreement and the other Loan Documents.

SECTION 2.07. Funding of Borrowings. (a) Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds by 12:00 noon, New York City time, to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders; provided that Swingline Loans shall be made as provided in Section 2.05. The Administrative Agent will make such Loans available to the Borrower by promptly crediting the amounts so received, in like funds, to an account of the Borrower maintained with the Administrative Agent in Chicago, Illinois and designated by the Borrower in the applicable Borrowing Request; provided that ABR Loans made to finance the reimbursement of an LC Disbursement as provided in Section 2.06(e) shall be remitted by the Administrative Agent to the Issuing Bank.

(b) Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with paragraph (a) of this Section and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at (i) in the case of such Lender, the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation or (ii) in the case of the Borrower, the interest rate applicable to ABR Loans. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Loan included in such Borrowing.

SECTION 2.08. Interest Elections. (a) Each Revolving Borrowing initially shall be of the Type specified in the applicable Borrowing Request and, in the case of a Eurodollar Revolving Borrowing, shall have an initial Interest Period as specified in such Borrowing Request. Thereafter, the Borrower may elect to convert such Borrowing to a different Type or to continue such Borrowing and, in the case of a Eurodollar Borrowing, may elect

Interest Periods therefor, all as provided in this Section. The Borrower may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding the Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing. This Section shall not apply to Swingline Borrowings, which may not be converted or continued.

(b) To make an election pursuant to this Section, the Borrower shall notify the Administrative Agent of such election by telephone by the time that a Borrowing Request would be required under Section 2.03 if the Borrower were requesting a Revolving Borrowing of the Type resulting from such election to be made on the effective date of such election. Each such telephonic Interest Election Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Interest Election Request in a form approved by the Administrative Agent and signed by the Borrower.

(c) Each telephonic and written Interest Election Request shall specify the following information in compliance with Section 2.02:

(i) the Borrowing to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) below shall be specified for each resulting Borrowing);

(ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;

(iii) whether the resulting Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing; and

(iv) if the resulting Borrowing is a Eurodollar Borrowing, the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of the term "Interest Period".

If any such Interest Election Request requests a Eurodollar Borrowing but does not specify an Interest Period, then the Borrower shall be deemed to have selected an Interest Period of one month's duration.

(d) Promptly following receipt of an Interest Election Request, the Administrative Agent shall advise each applicable Lender of the details thereof and of such Lender's portion of each resulting Borrowing.

(e) If the Borrower fails to deliver a timely Interest Election Request with respect to a Eurodollar Revolving Borrowing prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period such Borrowing shall be converted to an ABR Borrowing. Notwithstanding any contrary provision hereof, if an Event of Default has occurred and is continuing and the Administrative Agent, at the request of the Required Lenders, so notifies the Borrower, then, so long as an Event

of Default is continuing (i) no outstanding Revolving Borrowing may be converted to or continued as a Eurodollar Borrowing and (ii) unless repaid, each Eurodollar Revolving Borrowing shall be converted to an ABR Borrowing at the end of the Interest Period applicable thereto.

SECTION 2.09. Termination, Reduction and Increase of Commitments. (a)Unless previously terminated, the Commitments shall terminate on the Revolving Maturity Date.

(b) The Borrower may at any time terminate, or from time to time reduce, the Commitments; provided that (i) each reduction of the Commitments shall be in an amount that is an integral multiple of $500,000 and not less than $2,500,000, (ii) the Borrower shall not terminate or reduce the Commitments if, after giving effect to any concurrent prepayment of the Revolving Loans in accordance with Section 2.11, the sum of the Revolving Credit Exposures would exceed the total Commitments.

(c) The Borrower shall notify the Administrative Agent of any election to terminate or reduce the Commitments under paragraph (b) of this Section at least three Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Promptly following receipt of any notice, the Administrative Agent shall advise the Lenders of the contents thereof. Each notice delivered by the Borrower pursuant to this Section shall be irrevocable; provided that a notice of termination of the Commitments delivered by the Borrower may state that such notice is conditioned upon the effectiveness of other credit facilities, in which case such notice may be revoked by the Borrower (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied. Any termination or reduction of the Commitments shall be permanent. Each reduction of the Commitments shall be made ratably among the Lenders in accordance with their respective Commitments.

(d) The Borrower may, at its option, on up to four occasions following the Effective Date, seek to increase the aggregate Commitments by up to an aggregate amount of $75,000,000 (resulting in a maximum aggregate Commitment of $200,000,000) upon at least three (3) Business Days' prior written notice to the Administrative Agent, which notice shall be in the form of Exhibit C or any other form approved by the Administrative Agent and signed by the Borrower and shall be delivered at a time when no Default has occurred and is continuing. The Borrower may, after giving such notice, offer the increase (which may be declined by any Lender in its sole discretion) in the aggregate Commitment on either a ratable basis to the Lenders or on a non pro-rata basis to one or more Lenders and/or to other Lenders or entities reasonably acceptable to the Administrative Agent. No increase in the aggregate Commitment shall become effective until the existing or new Lenders extending such incremental Commitment amount and the Borrower shall have delivered to the Administrative Agent a document in form reasonably satisfactory to the Administrative Agent pursuant to which any such existing Lender states the amount of its Commitment increase, any such new Lender states its Commitment amount and agrees to assume and accept the obligations and rights of a Lender hereunder and the Borrower accepts such incremental Commitments. Upon the effectiveness of any increase in the total Commitments pursuant hereto, (i) each Lender (new or existing) shall be deemed to have accepted an assignment from the existing Lenders, and the existing Lenders shall be deemed to have made an assignment to each new or existing Lender accepting a new or

increased Commitment, of an interest in each then outstanding Revolving Loan (in each case, on the terms and conditions set forth in the Assignment and Assumption) and (ii) the Swingline Exposure and LC Exposure of the existing and new Lenders shall be automatically adjusted such that, after giving effect to such assignments and adjustments, all Revolving Credit Exposure hereunder is held ratably by the Lenders in proportion to their respective Commitments. Assignments pursuant to the preceding sentence shall be made in exchange for, and substantially contemporaneously with the payment to the assigning Lenders of, the principal amount assigned plus accrued and unpaid interest and facility and Letter of Credit fees. Payments received by assigning Lenders pursuant to this Section in respect of the principal amount of any Eurocurrency Loan shall, for purposes of Section 2.16, be deemed prepayments of such Loan. Any increase of the total Commitments pursuant to this Section shall be subject to receipt by the Administrative Agent from the Borrower of such supplemental opinions, resolutions, certificates and other documents as the Administrative Agent may reasonably request.

SECTION 2.10. Repayment of Loans; Evidence of Debt. (a) The Borrower hereby unconditionally promises to pay (i) to the Administrative Agent for the account of each applicable Lender the then unpaid principal amount of each Revolving Loan on the Revolving Maturity Date and (ii) to the Swingline Lender the then unpaid principal amount of each Swingline Loan on the earlier of the Revolving Maturity Date and the first date after such Swingline Loan is made that is the 15th or last day of a calendar month and is at least two Business Days after such Swingline Loan is made; provided that on each date that a Revolving Borrowing is made, the Borrower shall repay all Swingline Loans then outstanding.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(c) The Administrative Agent shall maintain accounts in which it shall record (i) the amount of each Loan made hereunder, the Class and Type thereof and the Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof.

(d) The entries made in the accounts maintained pursuant to paragraph (b) or (c) of this Section shall be prima facie evidence of the existence and amounts of the obligations recorded therein; provided that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Loans in accordance with the terms of this Agreement.

(e) Any Lender may request that Loans made by it be evidenced by a promissory note. In such event, the Borrower shall prepare, execute and deliver to such Lender a promissory note payable to the order of such Lender (or, if requested by such Lender, to such Lender and its registered assigns) and in a form approved by the Administrative Agent. Thereafter, the Loans evidenced by such promissory note and interest thereon shall at all times (including after assignment pursuant to Section 9.04) be represented by one or more promissory notes in such form payable to the order of the payee named therein (or, if such promissory note is a registered note, to such payee and its registered assigns).

(f) If at any time the aggregate Revolving Credit Exposure of the Lenders exceeds the aggregate Commitments of the Lenders, the Borrower shall immediately prepay the Revolving Loans in the amount of such excess. To the extent that, after the prepayment of all Revolving Loans an excess of the Revolving Credit Exposure over the aggregate Commitments still exists, the Borrower shall promptly cash collateralize the Letters of Credit in the manner described in Section 2.06(j) in an amount sufficient to eliminate such excess.

SECTION 2.11. Prepayment of Loans. (a) The Borrower shall have the right at any time and from time to time to prepay any Borrowing in whole or in part, subject to Section 2.16 and prior notice in accordance with paragraph (b) of this Section.

(b) The Borrower shall notify the Administrative Agent (and, in the case of prepayment of a Swingline Loan, the Swingline Lender) by telephone (confirmed by telecopy) of any prepayment hereunder (i) in the case of prepayment of a Eurodollar Revolving Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date of prepayment, (ii) in the case of prepayment of an ABR Revolving Borrowing, not later than 11:00 a.m., New York City time, one Business Day before the date of prepayment or (iii) in the case of prepayment of a Swingline Loan, not later than 12:00 noon, New York City time, on the date of prepayment. Each such notice shall be irrevocable and shall specify the prepayment date and the principal amount of each Borrowing or portion thereof to be prepaid; provided that, if a notice of prepayment is given in connection with a conditional notice of termination of the Commitments as contemplated by Section 2.09(c), then such notice of prepayment may be revoked if such notice of termination is revoked in accordance with Section 2.09(c). Promptly following receipt of any such notice relating to a Borrowing, the Administrative Agent shall advise the applicable Lenders of the contents thereof. Each partial prepayment of any Borrowing shall be in an amount that would be permitted in the case of an advance of a Borrowing of the same Type as provided in Section 2.02. Each prepayment of a Borrowing shall be applied ratably to the Loans included in the prepaid Borrowing. Prepayments shall be accompanied by accrued interest to the extent required by Section 2.13.

SECTION 2.12. Fees. (a) The Borrower agrees to pay to the Administrative Agent for the account of each Lender a facility fee, which shall accrue at the Applicable Rate on the daily amount of the difference between the Commitment of such Lender and the Revolving Credit Exposure of such Lender during the period from and including the date hereof to but excluding the date on which such Commitment terminates. Accrued facility fees shall be payable in arrears on the last day of March, June, September and December of each year and on the date on which the Commitments terminate, commencing on the first such date to occur after the date hereof. All facility fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(b) The Borrower agrees to pay (i) to the Administrative Agent for the account of each Lender a participation fee with respect to its participations in Letters of Credit, which shall accrue at the same Applicable Rate used to determine the interest rate applicable to

Eurodollar Revolving Loans on the average daily amount of such Lender's LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the Effective Date to but excluding the later of the date on which such Lender's Commitment terminates and the date on which such Lender ceases to have any LC Exposure, and (ii) to the Issuing Bank a fronting fee, which shall accrue at the rate or rates per annum separately agreed upon between the Borrower and the Issuing Bank on the average daily amount of the LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the Effective Date to but excluding the later of the date of termination of the Commitments and the date on which there ceases to be any LC Exposure, as well as the Issuing Bank's standard fees with respect to the issuance, amendment, renewal or extension of any Letter of Credit or processing of drawings thereunder. Participation fees and fronting fees accrued through and including the last day of March, June, September and December of each year shall be payable on the third Business Day following such last day, commencing on the first such date to occur after the Effective Date; provided that all such fees shall be payable on the date on which the Commitments terminate and any such fees accruing after the date on which the Commitments terminate shall be payable on demand. Any other fees payable to the Issuing Bank pursuant to this paragraph shall be payable within 10 days after demand. All participation fees and fronting fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(c) The Borrower agrees to pay to the Administrative Agent, for its own account, fees payable in the amounts and at the times separately agreed upon between the Borrower and the Administrative Agent.

(d) All fees payable hereunder shall be paid on the dates due, in immediately available funds, to the Administrative Agent (or to the Issuing Bank, in the case of fees payable to it) for distribution, in the case of facility fees and participation fees, to the Lenders. Fees paid shall not be refundable under any circumstances.

SECTION 2.13. Interest. (a) The Loans comprising each ABR Borrowing (including each Swingline Loan) shall bear interest at the Alternate Base Rate plus the Applicable Rate.

(b) The Loans comprising each Eurodollar Borrowing shall bear interest at the Adjusted LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Rate.

(c) Notwithstanding the foregoing, if any principal of or interest on any Loan or any fee or other amount payable by the Borrower hereunder is not paid when due, whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate per annum equal to (i) in the case of overdue principal of any Loan, 2% plus the rate otherwise applicable to such Loan as provided in the preceding paragraphs of this Section or (ii) in the case of any other amount, 2% plus the rate applicable to ABR Loans as provided in paragraph (a) of this Section.

(d) Accrued interest on each Loan shall be payable in arrears on each Interest Payment Date for such Loan and, in the case of Revolving Loans, upon termination of the Commitments; provided that (i) interest accrued pursuant to paragraph (c) of this Section shall be payable on demand, (ii) in the event of any repayment or prepayment of any Loan (other than a prepayment of an ABR Loan prior to the end of the Availability Period), accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment and (iii) in the event of any conversion of any Eurodollar Loan prior to the end of the current Interest Period therefor, accrued interest on such Loan shall be payable on the effective date of such conversion.

(e) All interest hereunder shall be computed on the basis of a year of 360 days, except that interest computed by reference to the Alternate Base Rate at times when the Alternate Base Rate is based on the Prime Rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year), and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable Alternate Base Rate or Adjusted LIBO Rate shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error.

SECTION 2.14. Alternate Rate of Interest. If prior to the commencement of any Interest Period for a Eurodollar Borrowing:

(a) the Administrative Agent determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the Adjusted LIBO Rate for such Interest Period; or

(b) the Administrative Agent is advised by the Required Lenders that the Adjusted LIBO Rate for such Interest Period will not adequately and fairly reflect the cost to such Lenders (or Lender) of making or maintaining their Loans (or its Loan) included in such Borrowing for such Interest Period;

then the Administrative Agent shall give notice thereof to the Borrower and the Lenders by telephone or telecopy as promptly as practicable thereafter and, until the Administrative Agent notifies the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, (i) any Interest Election Request that requests the conversion of any Revolving Borrowing to, or continuation of any Revolving Borrowing as, a Eurodollar Borrowing shall be ineffective and (ii) if any Borrowing Request requests a Eurodollar Revolving Borrowing, such Borrowing shall be made as an ABR Borrowing; provided that if the circumstances giving rise to such notice affect only one Type of Borrowings, then the other Type of Borrowings shall be permitted.

SECTION 2.15. Increased Costs. (a) If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender (except any such reserve requirement reflected in the Adjusted LIBO Rate) or the Issuing Bank; or

(ii) impose on any Lender or the Issuing Bank or the London interbank market any other condition affecting this Agreement or Eurodollar Loans made by such Lender or any Letter of Credit or participation therein;

and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurodollar Loan (or of maintaining its obligation to make any such Loan) or to increase the cost to such Lender or the Issuing Bank of participating in, issuing or maintaining any Letter of Credit or to reduce the amount of any sum received or receivable by such Lender or the Issuing Bank hereunder (whether of principal, interest or otherwise), then the Borrower will pay to such Lender or the Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender or the Issuing Bank, as the case may be, for such additional costs incurred or reduction suffered.

(b) If any Lender or the Issuing Bank determines that any Change in Law regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's or the Issuing Bank's capital or on the capital of such Lender's or the Issuing Bank's holding company, if any, as a consequence of this Agreement or the Loans made by, or participations in Letters of Credit held by, such Lender, or the Letters of Credit issued by the Issuing Bank, to a level below that which such Lender or the Issuing Bank or such Lender's or the Issuing Bank's holding company could have achieved but for such Change in Law (taking into consideration such Lender's or the Issuing Bank's policies and the policies of such Lender's or the Issuing Bank's holding company with respect to capital adequacy), then from time to time the Borrower will pay to such Lender or the Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender or the Issuing Bank or such Lender's or the Issuing Bank's holding company for any such reduction suffered.

(c) A certificate of a Lender or the Issuing Bank setting forth the amount or amounts necessary to compensate such Lender or the Issuing Bank or its holding company, as the case may be, as specified in paragraph (a) or (b) of this Section shall be delivered to the Borrower, showing such Lender's calculation of such amount in reasonable detail, and shall be conclusive absent manifest error. The Borrower shall pay such Lender or the Issuing Bank, as the case may be, the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) Failure or delay on the part of any Lender or the Issuing Bank to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's or the Issuing Bank's right to demand such compensation; provided that the Borrower shall not be required to compensate a Lender or the Issuing Bank pursuant to this Section for any increased costs or reductions incurred more than 270 days prior to the date that such Lender or the Issuing Bank, as the case may be, notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender's or the Issuing Bank's intention to claim compensation therefor; provided, further that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the 270-day period referred to above shall be extended to include the period of retroactive effect thereof.

SECTION 2.16. Break Funding Payments. In the event of (a) the payment of any principal of any Eurodollar Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto, (c) the failure

to borrow, convert, continue or prepay any Eurodollar Loan on the date specified in any notice delivered pursuant hereto (regardless of whether such notice may be revoked under Section 2.11(b) and is revoked in accordance therewith) or (d) the assignment of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto as a result of a request by the Borrower pursuant to Section 2.19, then, in any such event, the Borrower shall compensate each Lender for the loss, cost and expense attributable to such event. In the case of a Eurodollar Loan, such loss, cost or expense to any Lender shall be deemed to include an amount determined by such Lender to be the excess, if any, of (i) the amount of interest which would have accrued on the principal amount of such Loan had such event not occurred, at the Adjusted LIBO Rate that would have been applicable to such Loan, for the period from the date of such event to the last day of the then current Interest Period therefor (or, in the case of a failure to borrow, convert or continue, for the period that would have been the Interest Period for such Loan), over (ii) the amount of interest which would accrue on such principal amount for such period at the interest rate which such Lender would bid were it to bid, at the commencement of such period, for dollar deposits of a comparable amount and period from other banks in the eurodollar market. A certificate of any Lender setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

SECTION 2.17. Taxes. (a) Any and all payments by or on account of any obligation of the Borrower hereunder shall be made free and clear of and without deduction for any Indemnified Taxes or Other Taxes; provided that if the Borrower shall be required to deduct any Indemnified Taxes or Other Taxes from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Administrative Agent, Lender or Issuing Bank (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) In addition, the Borrower shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) The Borrower shall indemnify the Administrative Agent, each Lender and the Issuing Bank, within 10 days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes paid by the Administrative Agent, such Lender or the Issuing Bank, as the case may be, on or with respect to any payment by or on account of any obligation of the Borrower hereunder (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender or the Issuing Bank, or by the Administrative Agent on its own behalf or on behalf of a Lender or the Issuing Bank, shall be conclusive absent manifest error.

(d) As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Borrower to a Governmental Authority, the Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) Any Foreign Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which the Borrower is located, or any treaty to which such jurisdiction is a party, with respect to payments under this Agreement shall deliver to the Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable law, such properly completed and executed documentation prescribed by applicable law or reasonably requested by the Borrower as will permit such payments to be made without withholding or at a reduced rate.

(f) Additionally, each Lender that is organized under the laws of a jurisdiction other than the United States shall comply with any certification, documentation, information or other reporting necessary to establish an exemption from withholding under FATCA and shall provide any other documentation reasonably requested by the Borrower or the Administrative Agent sufficient for the Administrative Agent and the Borrower to comply with their obligations under FATCA and to determine that such Lender has complied with such applicable reporting requirements.

(g) If the Administrative Agent or a Lender determines, in its sole discretion, that it has received a refund of any Taxes or Other Taxes as to which it has been indemnified by the Borrower or with respect to which the Borrower has paid additional amounts pursuant to this Section 2.17, it shall pay over such refund to the Borrower (but only to the extent of indemnity payments made, or additional amounts paid, by the Borrower under this Section 2.17 with respect to the Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses of the Administrative Agent or such Lender and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund); provided that the Borrower, upon the request of the Administrative Agent or such Lender, agrees to repay the amount paid over to the Borrower (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Administrative Agent or such Lender in the event the Administrative Agent or such Lender is required to repay such refund to such Governmental Authority. This Section shall not be construed to require the Administrative Agent or any Lender to make available its tax returns (or any other information relating to its taxes which it deems confidential) to the Borrower or any other Person.

(h) Each Lender shall indemnify the Administrative Agent, within 10 days after demand therefor, for the full amount of any Excluded Taxes attributable to such Lender that are payable or paid by the Administrative Agent, and reasonable expenses arising therefrom or with respect thereto, whether or not such Excluded Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Lender under any Credit Document against any amount due to the Administrative Agent under this clause (h). The agreements in this clause (h) shall survive the resignation and/or replacement of the Administrative Agent.

(i) The Borrower shall also indemnify the Administrative Agent, within 10 days after demand therefor, for any amount which a Lender for any reason fails to pay indefeasibly to the Administrative Agent as required by clause (h) above; provided, that such Lender shall indemnify the Borrower to the extent of any payment the Borrower makes to the Administrative Agent pursuant to this sentence.

SECTION 2.18. Payments Generally; Pro Rata Treatment; Sharing of Set-offs. (a) The Borrower shall make each payment required to be made by it hereunder (whether of principal, interest, fees or reimbursement of LC Disbursements, or of amounts payable under Section 2.15, 2.16 or 2.17, or otherwise) prior to 12:00 noon, New York City time, on the date when due, in immediately available funds, without set off or counterclaim. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent at its offices at 10 S. Dearborn Street, Floor 07, Chicago, Illinois 60603, except payments to be made directly to the Issuing Bank or Swingline Lender as expressly provided herein and except that payments pursuant to Sections 2.15, 2.16, 2.17 and 9.03 shall be made directly to the Persons entitled thereto. The Administrative Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments hereunder shall be made in dollars.

(b) If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, unreimbursed LC Disbursements, interest and fees then due hereunder, such funds shall be applied (i) first, towards payment of interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, towards payment of principal and unreimbursed LC Disbursements then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal and unreimbursed LC Disbursements then due to such parties.

(c) If any Lender shall, by exercising any right of set off or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Revolving Loans or participations in LC Disbursements or its Swingline Loans resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Revolving Loans and participations in LC Disbursements and Swingline Loans and accrued interest thereon than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Revolving Loans and participations in LC Disbursements and Swingline Loans of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Revolving Loans and participations in LC Disbursements and Swingline Loans; provided that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this paragraph shall not be construed to

apply to any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans or participations in LC Disbursements to any assignee or participant, other than to the Borrower or any Subsidiary or Affiliate thereof (as to which the provisions of this paragraph shall apply). The Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrower rights of set-off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrower in the amount of such participation.

(d) Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders or the Issuing Bank hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders or the Issuing Bank, as the case may be, the amount due. In such event, if the Borrower has not in fact made such payment, then each of the Lenders or the Issuing Bank, as the case may be, severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender or Issuing Bank with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

(e) If any Lender shall fail to make any payment required to be made by it pursuant to Section 2.05(c), 2.06(d) or (e), 2.07(b), 2.18(d) or 9.03(c), then the Administrative Agent may, in its discretion and notwithstanding any contrary provision hereof, (i) apply any amounts thereafter received by the Administrative Agent for the account of such Lender and for the benefit of the Administrative Agent, the Swingline Lender or the Issuing Bank to satisfy such Lender's obligations under such Sections until all such unsatisfied obligations are fully paid, and/or (ii) hold any such amounts in a segregated account as cash collateral for, and application to, any future funding obligations of such Lender under such Sections, in the case of each of clause (i) and (ii) above, in any order as determined by the Administrative Agent in its discretion.

SECTION 2.19. Mitigation Obligations; Replacement of Lenders. (a) If any Lender requests compensation under Section 2.15, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.17, then such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 2.15 or 2.17, as the case may be, in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) If any Lender requests compensation under Section 2.15, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.17, or if any Lender becomes a Defaulting Lender, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in Section 9.04), all its interests, rights and obligations under this Agreement to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that (i) the Borrower shall have received the prior written consent of the Administrative Agent (and if a Commitment is being assigned, the Issuing Bank), which consent shall not unreasonably be withheld, (ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans and participations in LC Disbursements and Swingline Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts) and (iii) in the case of any such assignment resulting from a claim for compensation under Section 2.15 or payments required to be made pursuant to Section 2.17, such assignment will result in a reduction in such compensation or payments. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

SECTION 2.20. Defaulting Lenders. Notwithstanding any provision of this Agreement to the contrary, if any Lender becomes a Defaulting Lender, then the following provisions shall apply for so long as such Lender is a Defaulting Lender:

(a) fees shall cease to accrue on the Commitment of such Defaulting Lender pursuant to Section 2.12(a);

(b) the Commitments, LC Exposure and Revolving Credit Exposure of such Defaulting Lender shall not be included in determining whether the Required Lenders have taken or may take any action hereunder (including any consent to any amendment or waiver pursuant to Section 9.02), provided that this clause (b) shall not apply to the vote of a Defaulting Lender in the case of an amendment, waiver or other modification requiring the consent of such Lender or each Lender affected thereby (except (i) such Defaulting Lender's Commitment may not be increased or extended without its consent and (ii) the principal amount of, or interest or fees payable on, Loans or LC Disbursements may not be reduced or excused or the scheduled date of payment may not be postponed as to such Defaulting Lender without such Defaulting Lender's consent);

(c) if any Swingline Exposure or LC Exposure exists at the time a Lender becomes a Defaulting Lender then:

(i) all or any part of such Swingline Exposure and LC Exposure shall be reallocated among the non-Defaulting Lenders in accordance with their respective Applicable Percentages but only to the extent the sum of all non-Defaulting Lenders' Revolving Credit Exposures plus such Defaulting Lender's Swingline Exposure and LC Exposure does not exceed the total of all non-Defaulting Lenders' Commitments;

(ii) if the reallocation described in clause (i) above cannot, or can only partially, be effected, the Borrower shall within one Business Day following notice by the Administrative Agent (x) first, prepay such Swingline Exposure and (y) second, cash collateralize for the benefit of the Issuing Bank only the Borrower's obligations corresponding to such Defaulting Lender's LC Exposure (after giving effect to any partial reallocation pursuant to clause (i) above) in accordance with the procedures set forth in Section 2.06(j) for so long as such LC Exposure is outstanding;

(iii) if the Borrower cash collateralizes any portion of such Defaulting Lender's LC Exposure pursuant to clause (ii) above, the Borrower shall not be required to pay any fees to such Defaulting Lender pursuant to Section 2.12(b) with respect to such Defaulting Lender's LC Exposure during the period such Defaulting Lender's LC Exposure is cash collateralized;

(iv) if the LC Exposure of the non-Defaulting Lenders is reallocated pursuant to clause (i) above, then the fees payable to the Lenders pursuant to Section 2.12(b) shall be adjusted in accordance with such non-Defaulting Lenders' Applicable Percentages; or

(v) if all or any portion of such Defaulting Lender's LC Exposure is neither cash collateralized nor reallocated pursuant to clause (i) or (ii) above, then, without prejudice to any rights or remedies of the Issuing Bank or any other Lender hereunder, all facility fees that otherwise would have been payable to such Defaulting Lender (solely with respect to the portion of such Defaulting Lender's Commitment that was utilized by such LC Exposure) and letter of credit fees payable under Section 2.12(b) with respect to such Defaulting Lender's LC Exposure shall be payable to the Issuing Bank until such LC Exposure is cash collateralized and/or reallocated; and

(d) so long as such Lender is a Defaulting Lender, the Swingline Lender shall not be required to fund any Swingline Loan and the Issuing Bank shall not be required to issue, amend or increase any Letter of Credit, unless it is satisfied that the related exposure and the Defaulting Lender's then outstanding LC Exposure will be 100% covered by the Commitments of the non-Defaulting Lenders and/or cash collateral will be provided by the Borrower in accordance with Section 2.20(c), and participating interests in any such newly issued or increased Letter of Credit or newly made Swingline Loan shall be allocated among non-Defaulting Lenders in a manner consistent with Section 2.20(c)(i) (and such Defaulting Lender shall not participate therein).

If (i) a Bankruptcy Event with respect to a Parent of any Lender shall occur following the date hereof and for so long as such event shall continue or (ii) the Swingline Lender or the Issuing Bank has a good faith belief that any Lender has defaulted in fulfilling its obligations under one or more other agreements in which such Lender commits to extend credit, the Swingline Lender shall not be required to fund any Swingline Loan and the Issuing Bank shall not be required to issue, amend or increase any Letter of Credit, unless the Swingline Lender or the Issuing Bank, as the case may be, shall have entered into arrangements with the Borrower or such Lender, satisfactory to the Swingline Lender or the Issuing Bank, as the case may be, to defease any risk to it in respect of such Lender hereunder.

In the event that the Administrative Agent, the Borrower, the Swingline Lender and the Issuing Bank each agrees that a Defaulting Lender has adequately remedied all matters that caused such Lender to be a Defaulting Lender, then the Swingline Exposure and LC Exposure of the Lenders shall be readjusted to reflect the inclusion of such Lender's Commitment and on such date such Lender shall purchase at par such of the Loans of the other Lenders (other than Swingline Loans) as the Administrative Agent shall determine may be necessary in order for such Lender to hold such Loans in accordance with its Applicable Percentage.

ARTICLE III

Representations and Warranties

The Borrower represents and warrants to the Administrative Agent and the Lenders that:

SECTION 3.01. Organization; Powers. Each of the Credit Parties and their Subsidiaries is duly organized, validly existing and in good standing (if applicable) under the laws of the jurisdiction of its organization, has all requisite power and authority to carry on its business as now conducted and, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, is qualified to do business in, and is in good standing (if applicable) in, every jurisdiction where such qualification is required.

SECTION 3.02. Authorization; Enforceability. Each of the Credit Parties and their Subsidiaries has full right, power and authority to enter into the Credit Documents to which it is a party, to make the borrowings hereunder (if applicable to it), to execute and deliver the Credit Documents to which it is a party as provided herein and to perform all of its duties and obligations under this Agreement and the other Credit Documents. All necessary and appropriate action has been taken on the part of each of the Credit Parties and their Subsidiaries to authorize the execution and delivery of this Agreement and the Credit Documents to which it is a party. This Agreement and the other Credit Documents have been duly executed and delivered by the each of the Credit Parties and their Subsidiaries party thereto and constitute the legal, valid and binding obligation of each of the Credit Parties and their Subsidiaries, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

SECTION 3.03. Governmental Approvals; No Conflicts. The execution, delivery and performance of the Credit Documents and any other documents or instruments to be executed and delivered by each of the Credit Parties and their Subsidiaries in connection with the Transactions, and the borrowings by the Borrower hereunder, do not and will not (a) require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except such as have been obtained or made and are in full force and effect, (b) violate any applicable law or regulation or the charter, by-laws or other organizational documents of the Credit Parties or any of their Subsidiaries or any order of any Governmental Authority, (c) violate or result in a default under any indenture, agreement or other instrument binding upon

any Credit Party or their assets, or give rise to a right thereunder to require any payment to be made by any Credit Party or any of their Subsidiaries, and (d) result in the creation or imposition of any Lien on any asset of any Credit Party or any of their Subsidiaries except Liens created under the Credit Documents.

SECTION 3.04. Financial Condition; No Material Adverse Change. (a) The Borrower has heretofore furnished to the Lenders its consolidated balance sheet and statements of income, stockholders equity and cash flows (i) as of and for the fiscal year ended January 31, 2009 and January 31, 2010, reported on by PricewaterhouseCoopers LLP, independent public accountants, and (ii) as of and for the fiscal quarter and the portion of the fiscal year ended July 31, 2010, certified by its Chief Financial Officer. Such financial statements present fairly, in all material respects, the financial position and results of operations and cash flows of the Borrower and its consolidated Subsidiaries as of such dates and for such periods in accordance with GAAP, subject to year end audit adjustments and the absence of footnotes in the case of the statements referred to in clause (ii) above.

(b) Since January 31, 2010, there has been no material adverse change in the business, assets, operations or condition, financial or otherwise, of Holdings and its Subsidiaries, taken as a whole.

SECTION 3.05. Properties. (a) Each of the Credit Parties and their Subsidiaries has good title to, or valid leasehold interests in, all its real and personal property material to its business, except for minor defects in title that do not interfere with its ability to conduct its business as currently conducted or to utilize such properties for their intended purposes.

(b) Each of the Credit Parties and their Subsidiaries owns, or is licensed to use, all trademarks, tradenames, copyrights, patents and other intellectual property material to its business, and the use thereof by the Credit Parties and their Subsidiaries does not infringe upon the rights of any other Person, except for any such infringements that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

SECTION 3.06. Litigation and Environmental Matters. (a) There are no actions, suits or proceedings by or before any arbitrator or Governmental Authority pending against or, to the knowledge of the Borrower, threatened against or affecting the Borrower or any of its Subsidiaries (i) as to which there is a reasonable possibility of an adverse determination and that, if adversely determined, could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect or (ii) that involve this Agreement or the Transactions.

(b) Except with respect to any matters that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, neither the Borrower nor any of its Subsidiaries (i) has failed to comply with any Environmental Law or to obtain, maintain or comply with any permit, license or other approval required under any Environmental Law, (ii) has become subject to any Environmental Liability, (iii) has received notice of any claim with respect to any Environmental Liability or (iv) knows of any basis for any Environmental Liability.

SECTION 3.07. Compliance with Laws and Agreements. Each of the Credit Parties and their Subsidiaries is in compliance with all laws, regulations and orders of any Governmental Authority applicable to it or its property and all indentures, agreements and other instruments binding upon it or its property, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. No Default has occurred and is continuing.

SECTION 3.08. Investment Company Status. No Credit Party nor any of their Subsidiaries is an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940.

SECTION 3.09. Taxes. Each of the Credit Parties and their Subsidiaries has timely filed or caused to be filed all Tax returns and reports required to have been filed and has paid or caused to be paid all Taxes required to have been paid by it, except (a) Taxes that are being contested in good faith by appropriate proceedings and for which such Credit Party or such Subsidiary, as applicable, has set aside on its books adequate reserves or (b) to the extent that the failure to do so could not reasonably be expected to result in a Material Adverse Effect.

SECTION 3.10. ERISA. No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events for which liability is reasonably expected to occur, could reasonably be expected to result in a Material Adverse Effect. The present value of all accumulated benefit obligations under each Plan (based on the assumptions used for purposes of Statement of Financial Accounting Standards No. 87) did not, as of the date of the most recent financial statements reflecting such amounts, exceed by more than $5,000,000 the fair market value of the assets of such Plan, and the present value of all accumulated benefit obligations of all underfunded Plans (based on the assumptions used for purposes of Statement of Financial Accounting Standards No. 87) did not, as of the date of the most recent financial statements reflecting such amounts, exceed by more than $5,000,000 the fair market value of the assets of all such underfunded Plans.

SECTION 3.11. Disclosure. The Borrower has disclosed to the Lenders all agreements, instruments and corporate or other restrictions to which it or any of its Subsidiaries is subject, and all other matters known to it, that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect. Neither the Information Memorandum nor any of the other reports, financial statements, certificates or other information furnished by or on behalf of the Borrower to the Administrative Agent or any Lender in connection with the negotiation of this Agreement or delivered hereunder (as modified or supplemented by other information so furnished) contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that, with respect to projected financial information, the Borrower represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

SECTION 3.12. Subsidiaries. As of the Effective Date, the Borrower has no Subsidiaries other than those Subsidiaries listed on Schedule 3.12. Schedule 3.12 correctly sets forth, as of the Effective Date, (i) the percentage ownership (direct or indirect) of the Borrower in the Equity Interests of its Subsidiaries and also identifies the direct owner thereof, and (ii) the jurisdiction of organization of each such Subsidiary. Schedule 3.12 correctly identifies those Foreign Subsidiaries which are limited recourse Guarantors as of the Effective Date.

SECTION 3.13. Security Documents. The Security Documents create a valid security interest in favor of the Administrative Agent, for the ratable benefit of the Secured Creditors in the Collateral. Such security interest shall constitute a valid, perfected, first-priority (subject only to Liens permitted by Section 6.02) security interest in the Collateral upon perfection by filing a UCC-1 financing statement in the appropriate jurisdictions or by possession or control of such Collateral by the Administrative Agent or delivery of such Collateral to the Administrative Agent.

SECTION 3.14. Regulation U. Margin stock (as defined in Regulation U of the Board) constitutes less than 25% of the value of those assets of the Borrower and its Subsidiaries which are subject to any limitation on sale, pledge, or other restriction hereunder. The making of any Loan or issuance of any Letters of Credit hereunder, or the use of the proceeds thereof, will not violate or be inconsistent with the provisions of Regulation T, Regulation U or Regulation X of the Board.

SECTION 3.15. Labor Relations. No Credit Party nor any of their Subsidiaries is engaged in any unfair labor practice that could reasonable be expected to have a Material Adverse Effect. There is (a) no significant unfair labor practice complaint pending against the Borrower or any of its Subsidiaries or, to the best knowledge of the Borrower, threatened against any of them before the National Labor Relations Board or any similar Governmental Authority in any jurisdiction, and no significant grievance or significant arbitration proceeding arising out of or under any collective bargaining agreement is so pending against the Borrower or any of its Subsidiaries or, to the best knowledge of the Borrower, threatened against any of them, (b) no significant strike, labor dispute, slowdown or stoppage is pending against the Borrower or any of its Subsidiaries or, to the best knowledge of the Borrower, threatened against the Borrower or any of its Subsidiaries and (c) to the best knowledge of the Borrower, no question concerning union representation exists with respect to the employees of the Borrower or any of its subsidiaries, except (with respect to any matter specified in clause (a), (b) or (c) above, either individually or in the aggregate) such as could not reasonably be expected to have a Material Adverse Effect.

SECTION 3.16. Subordinated Debt. The Borrower has furnished Administrative Agent a true and correct copy of the Subordinated Debt Documents pursuant hereto. Each of the Borrower and, to the Borrower's knowledge, each other party to the Subordinated Debt Documents, has duly taken all necessary action to authorize the execution, delivery and performance of the Subordinated Debt Documents and the consummation of transactions contemplated thereby. The subordination provisions of the Subordination Agreements are enforceable by the Administrative Agent and the Lenders against the holders of the Subordinated Debt. All the obligations under the Credit Documents constitute "Senior Liabilities" entitled to the benefits of the subordination provisions contained in the Subordination Agreements. The Borrower acknowledges that the Administrative Agent and each Lender are entering into this Agreement and are extending the Commitments and making the Loans in reliance upon the subordination provisions of the Subordination Agreements and this Section 3.16.

ARTICLE IV

Conditions

SECTION 4.01. Effectiveness and Initial Advance. This Agreement shall not become effective and the Lenders shall not be required to make the initial extensions of credit hereunder unless (i) the Borrower has satisfied the conditions precedent set forth in Section 4.02, (ii) the Borrower has furnished to the Administrative Agent each of the following documents and (iii) each of the following events shall have occurred, as applicable (such date being the "Effective Date"):

(a) The Administrative Agent (or its counsel) shall have received from each Credit Party either (i) a counterpart of each Credit Document to which it is a party signed on behalf of such Credit Party or (ii) written evidence satisfactory to the Administrative Agent (which may include telecopy transmission of a signed signature page of this Agreement) that such party has signed a counterpart of each Credit Document to which it is a party.

(b) The Administrative Agent shall have received favorable written opinions (addressed to the Administrative Agent and the Lenders and dated the Effective Date) of Morgan Lewis & Bockius LLP, counsel for the Credit Parties and certain of their Subsidiaries and Ice Miller LLP, special Indiana counsel for the Credit Parties and certain of their Subsidiaries, each in form and substance satisfactory to the Administrative Agent, and covering such other matters relating to such Credit Parties, this Agreement, the other Credit Documents or the Transactions as the Administrative Agent shall reasonably request. The Credit Parties hereby request such counsels to deliver such opinions.

(c) The Administrative Agent shall have received such documents and certificates as the Administrative Agent or its counsel may reasonably request relating to the organization, existence and good standing (if applicable) of the Credit Parties, the authorization of the Transactions and any other legal matters relating to the Credit Parties, this Agreement, the other Credit Documents or the Transactions, all in form and substance satisfactory to the Administrative Agent and its counsel.

(d) The Administrative Agent shall have received a certificate, dated the Effective Date and signed by the President, a Vice President or a Financial Officer of the Borrower, confirming compliance with the conditions set forth in paragraphs (a) and (b) of Section 4.02.

(e) The Administrative Agent shall have received all fees and other amounts due and payable on or prior to the Effective Date, including, to the extent invoiced, reimbursement or payment of all reasonable out-of-pocket expenses required to be reimbursed or paid by the Borrower hereunder.

(f) The Administrative Agent shall have received copies of searches of financing statements filed under the UCC, together with tax lien and judgment searches with respect to the assets of Holdings and its Subsidiaries in such jurisdictions as the Administrative Agent may request.

(g) The Administrative Agent shall have received such duly completed UCC-1 financing statements as the Administrative Agent shall have requested to perfect its security interest in the Collateral and such other evidence of the completion (or the making of arrangements satisfactory to the Administrative Agent) of all other actions, recordings and filings of or with respect to the Security Documents and the Collateral that the Administrative Agent may deem necessary or desirable in order to perfect the Liens created thereby.

(h) The Administrative Agent shall have received all stock (or unit) certificates evidencing all certificated Equity Interests to be pledged pursuant to the Security Documents, accompanied by stock (or unit) powers executed in blank, and all notes to be pledged pursuant to the Pledge Agreement (including notes evidencing indebtedness required to be so evidenced pursuant to Section 6.01), accompanied by note powers executed in blank.

(i) The Administrative Agent shall have received such duly executed (if applicable) UCC-3 termination statements, mortgage releases and all other releases and similar documents as the Administrative Agent may request with respect to any mortgages or security interests in the Collateral securing Indebtedness, if any, being repaid in full on the Effective Date.

(j) The Administrative Agent shall have received (a) the audited consolidated balance sheet and statements of income, stockholders' equity and cash flows of the Borrower and its Subsidiaries as of and for the fiscal years ended January 31, 2009 and January 31, 2010 and (b) satisfactory unaudited interim consolidated financial statements of the Borrower and its Subsidiaries for each of the quarterly periods ended April 30, 2010 and July 31, 2010.

(k) The Administrative Agent shall have received financial projections (including, the balance sheets and statements of income and cash flows) of the Borrower and its Subsidiaries for the five fiscal years following the Effective Date, together with such information as the Administrative Agent may reasonably request to confirm the tax, legal, and business assumptions made therein, all in form and substance reasonably satisfactory to the Administrative Agent.

(l) The Administrative Agent shall have received copies of all Governmental Authority and third party approvals necessary or, in the discretion of the Administrative Agent, advisable in connection with the Transactions and all other documents reasonably requested by the Administrative Agent.

(m) The Administrative Agent shall have received evidence that all principal, interest, fees and other amounts owing under the Existing Credit Agreement shall have been (or shall substantially contemporaneously be) repaid in full (it being understood that such amounts may be repaid out of the proceeds of Loans hereunder).

(n) The Administrative Agent shall have received insurance certificates or binders for all insurance as the Administrative Agent shall request naming the Administrative Agent, on behalf of the Lenders, as loss payee for any casualty policies and additional insured for any liability policies, in form and substance satisfactory to the Administrative Agent.

(o) The Administrative Agent shall have received a Collateral Access Agreement with respect to each material parcel of real property located in the United States and leased by Holdings, the Borrower or any of the Subsidiary Guarantors as the Administrative Agent shall request (or the Borrower shall have undertaken such efforts to obtain same as shall be satisfactory to the Administrative Agent).

(p) The Administrative Agent shall have received a Collateral Access Agreement with respect to Collateral held by third parties as the Administrative Agent shall request (or the Borrower shall have undertaken such efforts to obtain same as shall be satisfactory to the Administrative Agent); provided that the Borrower shall not be required to deliver Collateral Access Agreements with respect to the Borrower's inventory located at retail locations or any locations outside the United States.

(q) The Administrative Agent shall have received a consent hereto from each Exiting Lender in form and substance satisfactory to the Administrative Agent.

(r) The Administrative Agent shall have received complete copies of the Subordinated Debt Documents.

(s) The Administrative Agent shall have received satisfactory evidence that the shareholders of the Borrower have entered into a series of transactions pursuant to which (i) such shareholders have exchanged their Equity Interests in the Borrower for 100% of the Equity Interests of Holdings and (ii) the Borrower has become a Wholly-Owned Subsidiary of Holdings.

The Administrative Agent shall notify the Borrower and the Lenders of the Effective Date, and such notice shall be conclusive and binding. Notwithstanding the foregoing, the obligations of the Lenders to make Loans and of the Issuing Bank to issue Letters of Credit hereunder shall not become effective unless each of the foregoing conditions is satisfied (or waived pursuant to Section 9.02) at or prior to 3:00 p.m., New York City time, on October 31, 2010 (and, in the event such conditions are not so satisfied or waived, the Commitments shall terminate at such time).

SECTION 4.02. Each Credit Event. The obligation of each Lender to make a Loan on the occasion of any Borrowing, and of the Issuing Bank to issue, amend, renew or extend any Letter of Credit, is subject to the satisfaction of the following conditions:

(a) The representations and warranties of the Credit Parties set forth in this Agreement and the other Credit Documents shall be true and correct on and as of the date of such Borrowing or the date of issuance, amendment, renewal or extension of such Letter of Credit, as applicable (except to the extent that such representation or warranty expressly refers to an earlier date, in which case it shall be true and correct as of such earlier date).

(b) At the time of and immediately after giving effect to such Borrowing or the issuance, amendment, renewal or extension of such Letter of Credit, as applicable, no Default shall have occurred and be continuing.

Each Borrowing and each issuance, amendment, renewal or extension of a Letter of Credit shall be deemed to constitute a representation and warranty by the Borrower on the date thereof as to the matters specified in paragraphs (a) and (b) of this Section.

ARTICLE V

Affirmative Covenants

Until the Commitments have expired or been terminated and the principal of and interest on each Loan and all fees payable hereunder shall have been paid in full and all Letters of Credit shall have expired or terminated and all LC Disbursements shall have been reimbursed, the Borrower covenants and agrees with the Lenders that:

SECTION 5.01. Financial Statements; Ratings Change and Other Information. The Borrower will furnish to the Administrative Agent and each Lender:

(a) within 120 days after the end of each fiscal year of Holdings, its audited consolidated balance sheet and related statements of operations, stockholders' equity and cash flows as of the end of and for such year, setting forth in each case in comparative form the figures for the previous fiscal year, all reported on by PricewaterhouseCoopers LLP or other independent public accountants of recognized national standing (without a "going concern" or like qualification or exception and without any qualification or exception as to the scope of such audit) to the effect that such consolidated financial statements present fairly in all material respects the financial condition and results of operations of Holdings and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied;

(b) within 45 days after the end of each of the first three fiscal quarters of each fiscal year of Holdings, its consolidated balance sheet and related statements of operations, stockholders' equity and cash flows as of the end of and for such fiscal quarter and the then elapsed portion of the fiscal year, setting forth in each case in comparative form the figures for the corresponding period or periods of (or, in the case of the balance sheet, as of the end of) the previous fiscal year, all certified by one of its Financial Officers as presenting fairly in all material respects the financial condition and results of operations of Holdings and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, subject to normal year-end audit adjustments and the absence of footnotes;

(c) concurrently with any delivery of financial statements under clause (a) or (b) above, a compliance certificate in the form of Exhibit D and signed by a Financial Officer of the Borrower (i) certifying as to whether a Default has occurred and, if a Default has occurred, specifying the details thereof and any action taken or proposed to be taken with respect thereto, (ii) setting forth reasonably detailed calculations

demonstrating compliance with Sections 6.09 and 6.10, (iii) stating whether any change in GAAP or in the application thereof has occurred since the date of the audited financial statements referred to in Section 3.04 and, if any such change has occurred, specifying the effect of such change on the financial statements accompanying such certificate and (iv) identifying by date, amount and payee thereof, all voluntary prepayments of Subordinated Debt made during the most recent fiscal quarter to which such financial statements relate;

(d) concurrently with any delivery of financial statements under clause (a) above, (i) a certificate of the accounting firm that reported on such financial statements stating whether they obtained knowledge during the course of their examination of such financial statements of any Default (which certificate may be limited to the extent required by accounting rules or guidelines) and (ii) a budget (including, the balance sheet and statement of income and cash flow) of Holdings and its Subsidiaries for the then-current fiscal year in which such budget is delivered;

(e) promptly after the same become publicly available, copies of all periodic and other reports, proxy statements and other materials filed by Holdings, the Borrower or any Subsidiary with the Securities and Exchange Commission, or any Governmental Authority succeeding to any or all of the functions of said Commission, or with any national securities exchange; and

(f) promptly following any request therefor, such other information regarding the operations, business affairs and financial condition of Holdings, the Borrower or any Subsidiary, or compliance with the terms of this Agreement, as the Administrative Agent or any Lender may reasonably request.

SECTION 5.02. Notices of Material Events. The Borrower will furnish to the Administrative Agent and each Lender prompt written notice of the following:

(a) the occurrence of any Default;

(b) the filing or commencement of any action, suit or proceeding by or before any arbitrator or Governmental Authority against or affecting the Borrower or any Affiliate thereof that, if adversely determined, could reasonably be expected to result in a Material Adverse Effect;

(c) the occurrence of any ERISA Event that, alone or together with any other ERISA Events that have occurred, could reasonably be expected to result in liability of the Borrower and its Subsidiaries in an aggregate amount exceeding $5,000,000; and

(d) any other development that results in, or could reasonably be expected to result in, a Material Adverse Effect.

Each notice delivered under this Section shall be accompanied by a statement of a Financial Officer or other executive officer of the Borrower setting forth the details of the event or development requiring such notice and any action taken or proposed to be taken with respect thereto.

SECTION 5.03. Existence; Conduct of Business. The Borrower will, and will cause each of its Subsidiaries to, do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence and the rights, licenses, permits, privileges and franchises material to the conduct of its business; provided that the foregoing shall not prohibit any merger, consolidation, liquidation or dissolution permitted under Section 6.03.

SECTION 5.04. Payment of Obligations. The Borrower will, and will cause each of its Subsidiaries to, pay its obligations, including Tax liabilities, that, if not paid, could result in a Material Adverse Effect before the same shall become delinquent or in default, except where (a) the validity or amount thereof is being contested in good faith by appropriate proceedings, (b) the Borrower or such Subsidiary has set aside on its books adequate reserves with respect thereto in accordance with GAAP and (c) the failure to make payment pending such contest could not reasonably be expected to result in a Material Adverse Effect.

SECTION 5.05. Maintenance of Properties; Insurance. The Borrower will, and will cause each of its Subsidiaries to, (a) keep and maintain all property material to the conduct of its business in good working order and condition, ordinary wear and tear excepted, and (b) maintain, with financially sound and reputable insurance companies, insurance in such amounts and against such risks as are customarily maintained by companies engaged in the same or similar businesses operating in the same or similar locations.

SECTION 5.06. Books and Records; Inspection Rights. The Borrower will, and will cause each of its Subsidiaries to, keep proper books of record and account in which entries are made of all dealings and transactions in relation to its business and activities in accordance with GAAP. The Borrower will, and will cause each of its Subsidiaries to, permit any representatives designated by the Administrative Agent or any Lender, upon reasonable prior notice, to visit and inspect its properties, to examine and make extracts from its books and records (and, at the request of the Required Lenders, to perform audits of such books and records and other data relating to any Collateral which shall not be more than once per calendar year; to discuss its affairs, finances and condition with its officers and independent accountants and, if an Event of Default has occurred and is continuing, to perform appraisals on the Collateral and other tangible assets of the Borrower and each of its Subsidiaries, in each case, at such reasonable times and as often as reasonably requested. All such visits, inspections or audits by the Administrative Agent or any Lender shall be at the Borrower's expense.

SECTION 5.07. Compliance with Laws. The Borrower will, and will cause each of its Subsidiaries to, comply with all laws, rules, regulations and orders of any Governmental Authority applicable to it or its property, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

SECTION 5.08. Use of Proceeds. The proceeds of the Loans will be used only for (a) general corporate purposes of the Borrower and its Subsidiaries in the ordinary course of business, including Permitted Acquisitions and (b) the refinancing of certain existing Indebtedness of the Borrower and its Subsidiaries. No part of the proceeds of any Loan will be used, whether directly or indirectly, for any purpose that entails a violation of any of the Regulations of the Board, including Regulations T, U and X.

SECTION 5.09. Further Assurances; etc. (a) The Borrower will, and will cause each of its Subsidiaries to, at the expense of the Borrower, make, execute, endorse, acknowledge, file and/or deliver to the Administrative Agent or the Collateral Agent, as applicable, from time to time such schedules, confirmatory assignments, conveyances, financing statements, transfer endorsements, powers of attorney, certificates, reports, and other assurances or instruments (including, without limitation, Collateral Access Agreements) and take such further steps relating to the Collateral covered by any of the Security Documents as the Administrative Agent or the Collateral Agent, as applicable, may reasonably require to assure the creation, continuation and priority of perfected security interests in the Collateral and as are generally consistent with the terms of this Agreement and the Security Documents. Furthermore, the Borrower will, and will cause its Subsidiaries to, deliver to the Administrative Agent or the Collateral Agent, as applicable, such opinions of counsel and other related documents as may be reasonably requested by the Administrative Agent or the Collateral Agent, as applicable, to assure compliance with this Section 5.09.

(b) The Borrower agrees that each action required by clause (a) of this Section 5.09 shall be completed as soon as reasonably practical, but in no event later than thirty (30) days (or such greater number of days as the Administrative Agent may agree) after such action is requested to be taken by the Administrative Agent or the Required Lenders.

SECTION 5.10. Additional Subsidiary Guarantors and Collateral.

(a) Effective upon (i) any Domestic Subsidiary which is not a Material Subsidiary on the date hereof (either because it is not a Subsidiary on the date hereof or because it does not on the date hereof meet the other criteria of a Material Subsidiary) becoming a Material Subsidiary (including, pursuant to a Permitted Acquisition), the Borrower shall within ten (10) Business Days (or such longer period as the Administrative Agent may agree) (A) cause such Domestic Subsidiary to (x) execute and deliver to the Administrative Agent for the benefit of the Secured Creditors a joinder to the Subsidiary Guaranty and (y) grant to the Collateral Agent for the benefit of the Secured Creditors a first priority security interest in all personal property owned by such Domestic Subsidiary pursuant to a joinder to the Security Agreement and (B) pledge to the Collateral Agent for the benefit of the Secured Creditors 100% of the total Equity Interests of such Domestic Subsidiary pursuant to an addendum to the Pledge Agreement, or (ii) any Foreign Subsidiary (A) the Equity Interests of which are held directly by the Borrower or a Domestic Subsidiary and (B) which is not, as of the date hereof, a Material Subsidiary (either because it is not a Subsidiary on the date hereof or because it does not on the date hereof meet the criteria for a Material Subsidiary) becoming a Material Subsidiary (a "First Tier Material Foreign Subsidiary"), the Borrower shall pledge or cause to be pledged to the Collateral Agent for the benefit of the Secured Creditors a first priority security interest in the Equity Interests of such Foreign Subsidiary (up to 65% of the total Equity Interests of such First Tier Material Foreign Subsidiary in the aggregate) pursuant to the Pledge Agreement (or a joinder to the Pledge Agreement or, if the Administrative Agent shall request, pursuant to a foreign law pledge agreement) and other documentation (including related certificates, opinions and financing statements) reasonably acceptable to the Administrative Agent. The Borrower shall promptly notify the Administrative Agent at any time any such Foreign Subsidiary becomes a First Tier Material Foreign Subsidiary.

(b) If, following a change in the relevant sections of the Code or the regulations, rules, rulings, notices or other official pronouncements issued or promulgated thereunder, the Borrower does not within 30 days after a request from the Administrative Agent or the Required Lenders deliver evidence, in form and substance reasonably satisfactory to the Administrative Agent (which evidence may be in the form of an opinion of counsel), with respect to any Foreign Subsidiary of the Borrower which has not already had all of its stock pledged pursuant to the Pledge Agreement that (i) a pledge of 65% or more of the total Equity Interests of such Foreign Subsidiary entitled to vote and (ii) the entering into by such Foreign Subsidiary of a guaranty in substantially the form of the Subsidiary Guaranty, in any such case could reasonably be expected to cause (A) any undistributed earnings of such Foreign Subsidiary or its parent as determined for Federal income tax purposes to be treated as a deemed dividend to such Foreign Subsidiary's direct or indirect United States parent for Federal income tax purposes or (B) other Federal income tax consequences to the Credit Parties having an adverse financial consequence to any Credit Party in any material respect, then in the case of a failure to deliver the evidence described in clause (i) above, that portion of such Foreign Subsidiary's outstanding capital stock not theretofore pledged pursuant to the Pledge Agreement shall be promptly pledged to the Collateral Agent, for the ratable benefit of the Secured Creditors pursuant to the Pledge Agreement (or another pledge or security agreement in substantially similar form, if needed), and in the case of a failure to deliver the evidence described in clause (ii) above such Foreign Subsidiary shall promptly execute and deliver a joinder to the Subsidiary Guaranty (or another guaranty in substantially similar form, if needed), guaranteeing the obligations of the Borrower under the Credit Documents and under any Swap Agreement entered into with a Lender, in each case to the extent that the entering into the Pledge Agreement or Subsidiary Guaranty is permitted by the laws of the respective foreign jurisdiction and with all documents delivered pursuant to this Section 5.10 to be in form and substance reasonably satisfactory to the Administrative Agent.

SECTION 5.11. OFAC. The Borrower shall (a) ensure, and cause each Subsidiary to ensure, that no person who owns a controlling interest in or otherwise controls the Borrower or any Subsidiary is or shall be listed on the Specially Designated Nationals and Blocked Person List or other similar lists maintained by the Office of Foreign Assets Control ("OFAC"), the Department of the Treasury or included in any Executive Orders, (b) not use or permit the use of the proceeds of the Loans to violate any of the foreign asset control regulations of OFAC or any enabling statute or Executive Order relating thereto and (c) comply, and cause each Subsidiary to comply, with all applicable Bank Secrecy Act regulations, as amended.

ARTICLE VI

Negative Covenants

Until the Commitments have expired or terminated and the principal of and interest on each Loan and all fees payable hereunder have been paid in full and all Letters of Credit have expired or terminated and all LC Disbursements have been reimbursed, the Borrower covenants and agrees with the Lenders that:

SECTION 6.01. Indebtedness. The Borrower will not, and will not permit any Subsidiary to, create, incur, assume or permit to exist any Indebtedness, except:

(a) Indebtedness under any Credit Document;

(b) Indebtedness existing on the date hereof and set forth in Schedule 6.01 and extensions, renewals and replacements of any such Indebtedness that do not increase the outstanding principal amount thereof;

(c) Indebtedness of the Borrower to any Subsidiary and of any Subsidiary Guarantor to the Borrower or any other Subsidiary Guarantor;

(d) Guarantees by the Borrower of Indebtedness of any Subsidiary Guarantor and by any Subsidiary of Indebtedness of the Borrower or any other Subsidiary Guarantor;

(e) Indebtedness between or among Subsidiaries which are not Subsidiary Guarantors;

(f) Indebtedness of the Borrower or any Subsidiary incurred to finance the acquisition, construction or improvement of any fixed or capital assets, including Capital Lease Obligations and any Indebtedness assumed in connection with the acquisition of any such assets or secured by a Lien on any such assets prior to the acquisition thereof, and extensions, renewals and replacements of any such Indebtedness that do not increase the outstanding principal amount thereof; provided that (i) such Indebtedness is incurred prior to or within 90 days after such acquisition or the completion of such construction or improvement and (ii) the aggregate principal amount of Indebtedness permitted by this clause (f) shall not exceed $8,000,000 less the amount of Indebtedness outstanding pursuant to (A) Section 6.01(b) to the extent relating to Indebtedness of the type described in this clause (f) and (B) Section 6.01(h), at any time outstanding;

(g) Indebtedness of the Borrower or any Subsidiary as an account party in respect of trade letters of credit;

(h) other unsecured Indebtedness in an aggregate principal amount not exceeding $2,000,000 at any time outstanding; and

(i) Indebtedness of the Borrower to Persons who are shareholders of the Borrower or Holdings on the date hereof in an aggregate original principal amount for all such Indebtedness whether now existing or hereafter incurred not to exceed $120,000,000, which Indebtedness is evidenced by promissory notes and subordinated to the Secured Obligations, in each case on terms and pursuant to documentation reasonably satisfactory to the Administrative Agent.

SECTION 6.02. Liens. The Borrower will not, and will not permit any Subsidiary to, create, incur, assume or permit to exist any Lien on any property or asset now owned or hereafter acquired by it, or assign or sell any income or revenues (including accounts receivable) or rights in respect of any thereof, except:

(a) Permitted Encumbrances;

(b) any Lien on any property or asset of the Borrower or any Subsidiary existing on the date hereof and set forth in Schedule 6.02; provided that (i) such Lien shall not apply to any other property or asset of the Borrower or any Subsidiary and (ii) such Lien shall secure only those obligations which it secures on the date hereof and extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof;

(c) any Lien existing on any property or asset prior to the acquisition thereof by the Borrower or any Subsidiary or existing on any property or asset of any Person that becomes a Subsidiary after the date hereof prior to the time such Person becomes a Subsidiary; provided that (i) such Lien is not created in contemplation of or in connection with such acquisition or such Person becoming a Subsidiary, as the case may be, (ii) such Lien shall not apply to any other property or assets of the Borrower or any Subsidiary and (iii) such Lien shall secure only those obligations which it secures on the date of such acquisition or the date such Person becomes a Subsidiary, as the case may be and extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof;

(d) Liens on fixed or capital assets acquired, constructed or improved by the Borrower or any Subsidiary; provided that (i) such security interests secure Indebtedness permitted by clause (f) of Section 6.01, (ii) such security interests and the Indebtedness secured thereby are incurred prior to or within 90 days after such acquisition or the completion of such construction or improvement, (iii) the Indebtedness secured thereby does not exceed 100% of the cost of acquiring, constructing or improving such fixed or capital assets and (iv) such security interests shall not apply to any other property or assets of the Borrower or any Subsidiary;

(e) Liens created pursuant to the Credit Documents; and

(f) Liens of landlords on property of the Borrower or its Subsidiaries present on leased locations of the Borrower or its Subsidiaries, which Liens are subordinated to the Liens arising pursuant to the Security Documents on terms and pursuant to documentation reasonably satisfactory to the Administrative Agent (which documentation the Administrative Agent and the Collateral Agent are hereby authorized to enter into by the Lenders).

SECTION 6.03. Fundamental Changes; Asset Sales. (a) The Borrower will not, and will not permit any Subsidiary to, merge into or consolidate with any other Person, or permit any other Person to merge into or consolidate with it, or liquidate or dissolve, except that, if at the time thereof and immediately after giving effect thereto no Default shall have occurred and be continuing (i) any Subsidiary may merge into the Borrower in a transaction in which the Borrower is the surviving corporation, (ii) any Person may merge into any Subsidiary in a transaction in which the surviving entity is a Subsidiary (and, if either such Subsidiary is a

Guarantor, then the surviving entity shall also be a Guarantor) and (iii) any Subsidiary may liquidate or dissolve if the Borrower determines in good faith that such liquidation or dissolution is in the best interests of the Borrower and is not materially disadvantageous to the Lenders; provided that any such merger involving a Person that is not a Wholly-Owned Subsidiary immediately prior to such merger shall not be permitted unless also permitted by Section 6.04.

(b) The Borrower will not, and will not permit any Subsidiary to, make any Asset Disposition except for (i) Asset Dispositions among the Credit Parties, (ii) Asset Dispositions by Foreign Subsidiaries that are not Subsidiary Guarantors to the Borrower or any Subsidiary Guarantor, (iii) Asset Dispositions expressly permitted by Sections 6.04, 6.06 or 6.07 and (iv) other Asset Dispositions of property that, together with all other property of the Borrower and its Subsidiaries previously leased, sold or disposed of in Asset Dispositions made pursuant to Section 6.03(b)(iv) during the twelve-month period ending with the month in which any such lease, sale or other disposition occurs, do not constitute a Substantial Portion of the property of the Borrower and its Subsidiaries; provided that any Collateral that is subject to an Asset Disposition permitted by this Section 6.03(b) shall be released from the Liens of the Security Documents as set forth in the penultimate paragraph in Article VIII.

(c) The Borrower will not, and will not permit any of its Subsidiaries to, engage to any material extent in any business other than businesses of the type conducted by the Borrower and its Subsidiaries on the date of execution of this Agreement and businesses reasonably related thereto.

SECTION 6.04. Investments, Loans, Advances, Guarantees and Acquisitions. The Borrower will not, and will not permit any of its Subsidiaries to, purchase, hold or acquire (including pursuant to any merger with any Person that was not a Wholly-Owned Subsidiary prior to such merger) any Equity Interests, evidences of indebtedness or other securities (including any option, warrant or other right to acquire any of the foregoing) of, make or permit to exist any loans or advances to, Guarantee any obligations of, or make or permit to exist any investment or any other interest in, any other Person, or purchase or otherwise acquire (in one transaction or a series of transactions) any assets of any other Person constituting a business unit, except:

(a) Permitted Investments;

(b) investments by the Borrower existing on the date hereof in the capital stock of its Subsidiaries;

(c) loans, advances or investments made among the Credit Parties;

(d) Guarantees constituting Indebtedness permitted by Section 6.01;

(e) loans and advances made to employees and shareholders of the Borrower in an aggregate amount not to exceed $500,000 at any time outstanding; and

(f) subject to the provisions of this Section 6.04(f) and the requirements contained in the definition of Permitted Acquisition, the Borrower and its Wholly-Owned Subsidiaries may from time to time effect Permitted Acquisitions, so long as: (i) no Default shall

have occurred and be continuing at the time of the consummation of the proposed Permitted Acquisition or immediately after giving effect thereto; (ii) the consideration to be paid by the Borrower and its Wholly-Owned Subsidiaries when aggregated with all other Permitted Acquisitions since the Effective Date is less than $10,000,000; (iii) the Borrower shall have given to the Administrative Agent written notice of such proposed Permitted Acquisition on the earlier of (x) the date on which the Permitted Acquisition is publicly announced and (y) ten (10) Business Days prior to consummation of such Permitted Acquisition (or such shorter period of time as may be reasonably acceptable to the Administrative Agent), which notice shall be executed by its chief financial officer or treasurer and (A) shall describe in reasonable detail the principal terms and conditions of such Permitted Acquisition and (B) include computations in reasonable detail reflecting that after giving effect to such proposed Permitted Acquisition and any Indebtedness to be incurred in connection therewith, the Borrower is in compliance with Sections 6.09 and 6.10 hereof; and (iv) at the time of any such Permitted Acquisition involving the creation or acquisition of a Subsidiary, or the acquisition of capital stock or other Equity Interest of any Person, the Borrower and its Subsidiaries shall have complied with Section 5.10 and the Security Documents.

SECTION 6.05. Swap Agreements. The Borrower will not, and will not permit any of its Subsidiaries to, enter into any Swap Agreement, except (a) Swap Agreements entered into to hedge or mitigate risks to which the Borrower or any Subsidiary has actual exposure (other than those in respect of Equity Interests of the Borrower or any of its Subsidiaries) and (b) Swap Agreements entered into in order to effectively cap, collar or exchange interest rates (from fixed to floating rates, from one floating rate to another floating rate or otherwise) with respect to any interest-bearing liability or investment of the Borrower or any Subsidiary.

SECTION 6.06. Restricted Payments. The Borrower will not, and will not permit any of its Subsidiaries to, declare, pay or make, or agree to declare, pay or make, directly or indirectly, any Restricted Payment, except (a) the Borrower may declare and pay dividends with respect to its Equity Interests payable solely in additional shares of its common stock, (b) Subsidiaries may declare and pay dividends ratably with respect to their Equity Interests and (c) so long as no Default exists or would result therefrom, the Borrower may declare and pay such dividends and distributions with respect to its Equity Interests so long as both before and after giving effect to such dividends and distributions, the Borrower's Consolidated Net Worth plus the principal amount of the Subordinated Debt is at least $30,000,000.

SECTION 6.07. Transactions with Affiliates. The Borrower will not, and will not permit any of its Subsidiaries to, sell, lease or otherwise transfer any property or assets to, or purchase, lease or otherwise acquire any property or assets from, or otherwise engage in any other transactions with, any of its Affiliates, except (a) in the ordinary course of business at prices and on terms and conditions not less favorable to the Borrower or such Subsidiary than could be obtained on an arm's-length basis from unrelated third parties, (b) transactions between or among the Credit Parties not involving any other Affiliate and (c) any Restricted Payment permitted by Section 6.06.

SECTION 6.08. Restrictive Agreements. The Borrower will not, and will not permit any of its Subsidiaries to, directly or indirectly, enter into, incur or permit to exist any

agreement or other arrangement that prohibits, restricts or imposes any condition upon (a) the ability of the Borrower or any Subsidiary to create, incur or permit to exist any Lien upon any of its property or assets, or (b) the ability of any Subsidiary to pay dividends or other distributions with respect to any shares of its capital stock or to make or repay loans or advances to the Borrower or any other Subsidiary or to Guarantee Indebtedness of the Borrower or any other Subsidiary; provided that (i) the foregoing shall not apply to restrictions and conditions imposed by law or by this Agreement, (ii) the foregoing shall not apply to restrictions and conditions existing on the date hereof identified on Schedule 6.08 (but shall apply to any extension or renewal of, or any amendment or modification expanding the scope of, any such restriction or condition), (iii) the foregoing shall not apply to customary restrictions and conditions contained in agreements relating to the sale of a Subsidiary pending such sale, provided that such restrictions and conditions apply only to the Subsidiary that is to be sold and such sale is permitted hereunder, (iv) clause (a) of the foregoing shall not apply to restrictions or conditions imposed by any agreement relating to secured Indebtedness permitted by this Agreement if such restrictions or conditions apply only to the property or assets securing such Indebtedness and (v) clause (a) of the foregoing shall not apply to customary provisions in leases restricting the assignment thereof.

SECTION 6.09. Minimum Fixed Charge Coverage Ratio. The Borrower will not permit the Fixed Charge Coverage Ratio determined as of the last day of any fiscal quarter to be less than 1.20 to 1.00.

SECTION 6.10. Maximum Leverage Ratio. The Borrower will cause the Leverage Ratio to be less than 3.50 to 1.00 at all times.

SECTION 6.11. Fiscal Year. The Borrower shall not, nor shall it permit any Subsidiary to, change its fiscal year to end on any date other than on or around January 31 of each year.

SECTION 6.12. Subordinated Indebtedness; Other Indebtedness and Payments. The Borrower will not, and will not permit any Subsidiary to, make any amendment or modification to the indenture, note or other agreement evidencing or governing any Subordinated Debt or other subordinated Indebtedness or directly or indirectly voluntarily prepay, defease or in substance defease, purchase, redeem, retire or otherwise acquire, any Subordinated Debt or other subordinated Indebtedness (except as expressly permitted by the terms of the applicable subordination agreement). The Borrower will not, and will not permit any Subsidiary to, directly or indirectly voluntarily prepay, defease or in substance defease, purchase, redeem, retire or otherwise acquire, any single Indebtedness that constitutes a Material Indebtedness or collective Indebtedness that constitutes Material Indebtedness or any subordinated Indebtedness prior to the date when due (other than its obligations hereunder) while a Default has occurred and is continuing or in violation of any relevant term of subordination.

ARTICLE VII

Events of Default

If any of the following events ("Events of Default") shall occur:

(a) the Borrower shall fail to pay any principal of any Loan or any reimbursement obligation in respect of any LC Disbursement or any cash collateral amount due pursuant to Section 2.06(j) when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise;

(b) the Borrower shall fail to pay any interest on any Loan or any fee or any other amount (other than an amount referred to in clause (a) of this Article) payable under this Agreement, when and as the same shall become due and payable, and such failure shall continue unremedied for a period of five days;

(c) any representation or warranty made or deemed made by or on behalf of the Borrower or any Subsidiary in or in connection with this Agreement or any other Credit Document or any amendment or modification hereof or waiver hereunder or thereunder, or in any report, certificate, financial statement or other document furnished pursuant to or in connection with this Agreement or any other Credit Document or any amendment or modification hereof or waiver hereunder or thereunder, shall prove to have been incorrect in any material respect when made or deemed made;

(d) the Borrower shall fail to observe or perform any covenant, condition or agreement contained in Section 5.02, 5.03 (with respect to the Borrower's existence), 5.08 or 9.17 or in Article VI;

(e) the Borrower shall fail to observe or perform any covenant, condition or agreement contained in this Agreement (other than those specified in clause (a), (b) or (d) of this Article), and such failure shall continue unremedied for a period of 30 days after notice thereof from the Administrative Agent to the Borrower (which notice will be given at the request of any Lender);

(f) the Borrower or any Subsidiary shall fail to make any payment (whether of principal or interest and regardless of amount) in respect of any Material Indebtedness, when and as the same shall become due and payable;

(g) any event or condition occurs that results in any Material Indebtedness becoming due prior to its scheduled maturity or that enables or permits (with or without the giving of notice, the lapse of time or both) the holder or holders of any Material Indebtedness or any trustee or agent on its or their behalf to cause any Material Indebtedness to become due, or to require the prepayment, repurchase, redemption or defeasance thereof, prior to its scheduled maturity; provided that this clause (g) shall not apply to secured Indebtedness that becomes due as a result of the voluntary sale or transfer of the property or assets securing such Indebtedness;

(h) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of any Credit Party or any Subsidiary or its debts, or of a substantial part of its assets, under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator,

conservator or similar official for any Credit Party or any Subsidiary or for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall be entered;

(i) any Credit Party or any Subsidiary shall (i) voluntarily commence any proceeding or file any petition seeking liquidation, reorganization or other relief under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in clause (h) of this Article, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for any Credit Party or any Subsidiary or for a substantial part of its assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors or (vi) take any action for the purpose of effecting any of the foregoing;

(j) any Credit Party or any Subsidiary shall become unable, admit in writing its inability or fail generally to pay its debts as they become due;

(k) one or more judgments for the payment of money in an aggregate amount in excess of $10,000,000 shall be rendered against any Credit Party, any Subsidiary or any combination thereof and the same shall remain undischarged for a period of 30 consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to attach or levy upon any assets of any Credit Party or any Subsidiary to enforce any such judgment;

(l) an ERISA Event shall have occurred that, in the opinion of the Required Lenders, when taken together with all other ERISA Events that have occurred, could reasonably be expected to result in liability of the Borrower and its Subsidiaries in an aggregate amount exceeding (i) $10,000,000 in any year or (ii) $10,000,000 for all periods;

(m) a Change in Control shall occur;

(n) except as otherwise provided in Sections 6.03(a) and 6.03(b), the Facility Guarantees or any provisions thereof shall cease to be in full force or effect as to Holdings, the Borrower or any Subsidiary Guarantor, or Holdings, the Borrower, any Subsidiary Guarantor or any Person acting for or on behalf of Holdings, the Borrower or any Subsidiary Guarantor shall deny or disaffirm Holdings', the Borrower's or such Subsidiary Guarantor's obligations under the Facility Guarantees or any default shall occur thereunder;

(o) any Security Document shall cease to be in full force and effect, or shall cease to give the Administrative Agent or the Collateral Agent, as applicable, for the benefit of the Secured Creditors the Liens, rights, powers and privileges purported to be created thereby, or any Credit Party shall default in the due performance or observance of any term, covenant or agreement on its part to be performed or observed pursuant to any

such Security Document and such default shall continue beyond the period of grace, if any, specifically applicable thereto pursuant to the terms of such Security Document;

(p) Holdings shall engage in any activities other than those associated with acting as a holding company for the Borrower (it being understood that such permitted activities shall in no event include the incurrence of Indebtedness or the making or holding of any Equity Interests or other investments in any other Person); or

(q) Holdings shall take or fail to take any action which would constitute a breach of Article V or VI hereof if such provisions were applicable to Holdings mutatis mutandis (and, in the case of breaches of the kind described in Section VII(e), such circumstance shall continue unremedied for a period of 30 days after notice thereof from the Administrative Agent to the Borrower (which notice will be given at the request of any Lender));

then, and in every such event (other than an event with respect to the Borrower described in clause (h) or (i) of this Article), and at any time thereafter during the continuance of such event, the Administrative Agent may, and at the request of the Required Lenders shall, by notice to the Borrower, take either or both of the following actions, at the same or different times: (i) terminate the Commitments, and thereupon the Commitments shall terminate immediately, and (ii) declare the Loans then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and all fees and other obligations of the Borrower accrued hereunder, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower; and in case of any event with respect to the Borrower described in clause (h) or (i) of this Article, the Commitments shall automatically terminate and the principal of the Loans then outstanding, together with accrued interest thereon and all fees and other obligations of the Borrower accrued hereunder, shall automatically become due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower.

ARTICLE VIII

The Administrative Agent

Each of the Lenders and the Issuing Bank hereby irrevocably appoints the Administrative Agent as its agent and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof, together with such actions and powers as are reasonably incidental thereto.

The bank serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent, and such bank and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Borrower or any Subsidiary or other Affiliate thereof as if it were not the Administrative Agent hereunder.

The Administrative Agent shall not have any duties or obligations except those expressly set forth herein. Without limiting the generality of the foregoing, (a) the Administrative Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (b) the Administrative Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby that the Administrative Agent is required to exercise in writing as directed by the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.02), and (c) except as expressly set forth herein, the Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its Subsidiaries that is communicated to or obtained by the bank serving as Administrative Agent or any of its Affiliates in any capacity. The Administrative Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.02) or in the absence of its own gross negligence or willful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof is given to the Administrative Agent by the Borrower or a Lender, and the Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement, (ii) the contents of any certificate, report or other document delivered hereunder or in connection herewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in Article IV or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

The Administrative Agent may perform any and all its duties and exercise its rights and powers by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of the preceding paragraphs shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

Subject to the appointment and acceptance of a successor Administrative Agent as provided in this paragraph, the Administrative Agent may resign at any time by notifying the Lenders, the Issuing Bank and the Borrower. Upon any such resignation, the Required Lenders shall have the right, in consultation with the Borrower, to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Lenders and the Issuing Bank, appoint a successor Administrative Agent which shall be a bank with an office in New York, New York, or an Affiliate of any such bank. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the Administrative Agent's resignation hereunder, the provisions of this Article and Section 9.03 shall continue in effect for the benefit of such retiring Administrative Agent, its sub agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while it was acting as Administrative Agent.

Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any related agreement or any document furnished hereunder or thereunder.

Each of the Lenders and the Issuing Bank hereby irrevocably appoints the Collateral Agent as its agent and authorizes the Collateral Agent to take such actions on its behalf and to exercise such powers as are delegated to the Collateral Agent by the terms hereof or of the other Credit Documents, together with such actions and powers as are reasonably incidental thereto. All provisions of this Article VIII relating to the Administrative Agent (and all indemnities of the Administrative Agent by the Borrower pursuant hereto) shall be equally applicable to the Collateral Agent mutatis mutandis.

Without limiting the foregoing, if any Collateral is, or all of the Equity Interests of any Subsidiary are, sold in a transaction permitted hereunder (other than to the Borrower or to a Subsidiary thereof), (a) such Collateral shall be sold free and clear of the Liens created by the Security Documents and (b) in the case of the sale of all of the Equity Interests of a Subsidiary Guarantor, such Subsidiary Guarantor and its subsidiaries shall be released from the Subsidiary Guaranty and the Security Documents to which it is a party and, in each case, the Administrative Agent and the Collateral Agent shall be authorized and required (at the Borrower's expense) to take any actions deemed appropriate (or as reasonably requested by the Borrower) in order to effect the foregoing.

No Lender identified in this Agreement as a "Co-Syndication Agent" or a "Documentation Agent" shall have any right, power, obligation, liability, responsibility or duty

under this Agreement other than those applicable to all Lenders as such. Without limiting the foregoing, none of such Lenders shall have or be deemed to have a fiduciary relationship with any Lender. Each Lender hereby makes the same acknowledgments with respect to such Lenders as it makes with respect to the Administrative Agent in the preceding paragraph.

On the Effective Date, the Administrative Agent and the Collateral Agent shall deliver an executed release of, and are hereby authorized by the Lenders to release, the Mortgage, Assignments of Leases and Rents, Security Agreement and Fixture Filing made November 24, 2008 by the Borrower in favor of the Collateral Agent, for the benefit of the Secured Creditors under the Existing Credit Agreement.

ARTICLE IX

Miscellaneous

SECTION 9.01. Notices. (a) Except in the case of notices and other communications expressly permitted to be given by telephone (and subject to paragraph (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, as follows:

(i) if to the Borrower, to it at 5620 Industrial Road, Fort Wayne, Indiana 46825, Attention of David Traylor, Vice President – Finance (Telephone No. (260) 207-5113; Telecopy No. (260) 207-5113) with a copy to Michael J. Pedrick, Esq., Morgan, Lewis & Bockius, LLP, 1701 Market Street, Philadelphia, Pennsylvania 19103-2921 (Telephone No. (215) 963-4808; Telecopy No. (215) 963-5001);

(ii) if to the Administrative Agent or Swingline Lender, to JPMorgan Chase Bank, N.A., Middle Market Loan and Agency Services Group, 10 S. Dearborn Street, Floor 07, Chicago, Illinois 60603, Attention of Debra Williams (Telephone No. (312) 732-2590; Telecopy No. (312) 385-7098);

(iii) if to the Issuing Bank, to JPMorgan Chase Bank, N.A., LC Agency Group, 10 S. Dearborn Street, Floor 07, Chicago, Illinois 60603, Attention of Cassandra Groves (Telephone No. (312) 732-2006; Telecopy No. (312) 732-2729); and

(iv) if to any other Lender, to it at its address (or telecopy number) set forth in its Administrative Questionnaire.

(b) Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communications pursuant to procedures approved by the Administrative Agent; provided that the foregoing shall not apply to notices pursuant to Article II unless otherwise agreed by the Administrative Agent and the applicable Lender. The Administrative Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications.

(c) Any party hereto may change its address or telecopy number for notices and other communications hereunder by notice to the other parties hereto. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt.

SECTION 9.02. Waivers; Amendments. (a) No failure or delay by the Administrative Agent, the Issuing Bank or any Lender in exercising any right or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent, the Issuing Bank and the Lenders hereunder are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan or issuance of a Letter of Credit shall not be construed as a waiver of any Default, regardless of whether the Administrative Agent, any Lender or the Issuing Bank may have had notice or knowledge of such Default at the time.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Borrower and the Required Lenders or by the Borrower and the Administrative Agent with the consent of the Required Lenders; provided that no such agreement shall (i) increase the Commitment of any Lender without the written consent of such Lender, (ii) reduce the principal amount of any Loan or LC Disbursement or reduce the rate of interest thereon, or reduce any fees payable hereunder, without the written consent of each Lender affected thereby, (iii) postpone the scheduled date of payment of the principal amount of any Loan or LC Disbursement, or any interest thereon, or any fees payable hereunder, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration of any Commitment, without the written consent of each Lender affected thereby, (iv) change Section 2.18(b) or (c) in a manner that would alter the pro rata sharing of payments required thereby, without the written consent of each Lender, (v) change any of the provisions of this Section or the definition of "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender or (vi) release all or substantially all of the Collateral or, except in connection with a transaction permitted by Section 6.03, release any Subsidiary Guarantor from its obligations under the Subsidiary Guaranty, without the written consent of each Lender; provided, further, that no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent, the Issuing Bank or the Swingline Lender hereunder without the prior written consent of the Administrative Agent, the Issuing Bank or the Swingline Lender, as the case may be.

(c) Notwithstanding the foregoing, upon the execution and delivery of all documentation required by Section 2.09(d) to be delivered in connection with an increase to the aggregate Commitment, the Administrative Agent, the Borrower and the new or existing Lenders whose Commitments have been affected may and shall enter into an amendment hereof (which

shall be binding on all parties hereto and the new Lenders) solely for the purpose of reflecting any new Lenders and their new Commitments and any increase in the Commitment of any existing Lender.

SECTION 9.03. Expenses; Indemnity; Damage Waiver. (a) The Borrower shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates, including the reasonable fees, charges and disbursements of counsel for the Administrative Agent, in connection with the syndication of the credit facilities provided for herein, the preparation and administration of this Agreement or any amendments, modifications or waivers of the provisions hereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all reasonable out-of-pocket expenses incurred by the Issuing Bank in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder and (iii) all reasonable out-of-pocket expenses incurred by the Administrative Agent, the Issuing Bank or any Lender, including the fees, charges and disbursements of any counsel for the Administrative Agent, the Issuing Bank or any Lender, in connection with the enforcement or protection of its rights in connection with this Agreement, including its rights under this Section, or in connection with the Loans made or Letters of Credit issued hereunder, including all such reasonable out-of pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit.

(b) The Borrower shall indemnify the Administrative Agent, the Issuing Bank and each Lender, and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related reasonable out-of-pocket expenses, including the fees, charges and disbursements of any counsel for any Indemnitee, incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement or any agreement or instrument contemplated hereby, the performance by the parties hereto of their respective obligations hereunder or the consummation of the Transactions or any other transactions contemplated hereby, (ii) any Loan or Letter of Credit or the use of the proceeds therefrom (including any refusal by the Issuing Bank to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by the Borrower or any of its Subsidiaries, or any Environmental Liability related in any way to the Borrower or any of its Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory and regardless of whether any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of an Indemnitee.

(c) To the extent that the Borrower fails to pay any amount required to be paid by it to the Administrative Agent, the Issuing Bank or the Swingline Lender under paragraph (a) or (b) of this Section, each Lender severally agrees to pay to the Administrative Agent, the Issuing Bank or the Swingline Lender, as the case may be, such Lender's Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is

sought by reference to the aggregate Commitments (or, if such Commitments have terminated, aggregate Revolving Credit Exposure)) of such unpaid amount; provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent, the Issuing Bank or the Swingline Lender in its capacity as such.

(d) To the extent permitted by applicable law, the Borrower shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby, the Transactions, any Loan or Letter of Credit or the use of the proceeds thereof.

(e) All amounts due under this Section shall be payable promptly after written demand therefor.

SECTION 9.04. Successors and Assigns. (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby (including any Affiliate of the Issuing Bank that issues any Letter of Credit), except that (i) the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by the Borrower without such consent shall be null and void) and (ii) no Lender may assign or otherwise transfer its rights or obligations hereunder except in accordance with this Section. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby (including any Affiliate of the Issuing Bank that issues any Letter of Credit), Participants (to the extent provided in paragraph (c) of this Section) and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent, the Issuing Bank and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b)(i) Subject to the conditions set forth in paragraph (b)(ii) below, any Lender may assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitments and the Loans at the time owing to it) with the prior written consent (such consent not to be unreasonably withheld) of:

(A) the Borrower, provided that no consent of the Borrower shall be required for an assignment to a Lender, an Affiliate of a Lender, an Approved Fund or, if an Event of Default has occurred and is continuing, any other assignee;

(B) the Administrative Agent, provided that no consent of the Administrative Agent shall be required for an assignment of any Commitment to an assignee that is a Lender with a Commitment immediately prior to giving effect to such assignment; and

(C) the Issuing Bank.

(ii) Assignments shall be subject to the following additional conditions:

(A) except in the case of an assignment to a Lender or an Affiliate of a Lender or an assignment of the entire remaining amount of the assigning Lender's Commitment or Loans of any Class, the amount of the Commitment or Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent) shall not be less than $5,000,000 unless each of the Borrower and the Administrative Agent otherwise consent, provided that no such consent of the Borrower shall be required if an Event of Default has occurred and is continuing;

(B) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement, provided that this clause shall not be construed to prohibit the assignment of a proportionate part of all the assigning Lender's rights and obligations in respect of one Class of Commitments or Loans;

(C) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of $3,500; and

(D) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire in which the assignee designates one or more Credit Contacts to whom all syndicate-level information (which may contain material non-public information about the Borrower and its affiliates, the Credit Parties and their related parties or their respective securities) will be made available and who may receive such information in accordance with the assignee's compliance procedures and applicable laws, including Federal and state securities laws.

For the purposes of this Section 9.04(b), the term "Approved Fund" has the following meaning:

"Approved Fund" means any Person (other than a natural person) that is engaged in making, purchasing, holding or investing in bank loans and similar extensions of credit in the ordinary course of its business and that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

(iii) Subject to acceptance and recording thereof pursuant to paragraph (b)(iv) of this Section, from and after the effective date specified in each Assignment and Assumption the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.15, 2.16, 2.17 and 9.03). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this Section 9.04 shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (c) of this Section.

(iv) The Administrative Agent, acting for this purpose as an agent of the Borrower, shall maintain at one of its offices a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amount of the Loans and LC Disbursements owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Borrower, the Administrative Agent, the Issuing Bank and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower, the Issuing Bank and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(v) Upon its receipt of a duly completed Assignment and Assumption executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this Section and any written consent to such assignment required by paragraph (b) of this Section, the Administrative Agent shall accept such Assignment and Assumption and record the information contained therein in the Register; provided that if either the assigning Lender or the assignee shall have failed to make any payment required to be made by it pursuant to Section 2.05(c), 2.06(d) or (e), 2.07(b), 2.18(d) or 9.03(c), the Administrative Agent shall have no obligation to accept such Assignment and Assumption and record the information therein in the Register unless and until such payment shall have been made in full, together with all accrued interest thereon. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

(c)(i) Any Lender may, without the consent of the Borrower, the Administrative Agent, the Issuing Bank or the Swingline Lender, sell participations to one or more banks or other entities (a "Participant") in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of its Commitments and the Loans owing to it); provided that (A) such Lender's obligations under this Agreement shall remain unchanged, (B) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (C) the Borrower, the Administrative Agent, the Issuing Bank and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first proviso to Section 9.02(b) that affects such Participant. Subject to paragraph (c)(ii) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.15, 2.16 and 2.17 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this

Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 9.08 as though it were a Lender, provided such Participant agrees to be subject to Section 2.18(c) as though it were a Lender.

(ii) A Participant shall not be entitled to receive any greater payment under Section 2.15 or 2.17 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 2.17 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 2.17(e) as though it were a Lender.

(d) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including without limitation any pledge or assignment to secure obligations to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

SECTION 9.05. Survival. All covenants, agreements, representations and warranties made by the Borrower herein and in the certificates or other instruments delivered in connection with or pursuant to this Agreement shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of this Agreement and the making of any Loans and issuance of any Letters of Credit, regardless of any investigation made by any such other party or on its behalf and notwithstanding that the Administrative Agent, the Issuing Bank or any Lender may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under this Agreement is outstanding and unpaid or any Letter of Credit is outstanding and so long as the Commitments have not expired or terminated. The provisions of Sections 2.15, 2.16, 2.17 and 9.03 and Article VIII shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, the expiration or termination of the Letters of Credit and the Commitments or the termination of this Agreement or any provision hereof.

SECTION 9.06. Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and any separate letter agreements with respect to fees payable to the Administrative Agent constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4.01, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and

inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by telecopy or other electronic transmission shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 9.07. Severability. Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

SECTION 9.08. Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender and each of its Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other obligations at any time owing by such Lender or Affiliate to or for the credit or the account of the Borrower against any of and all the obligations of the Borrower now or hereafter existing under this Agreement held by such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement and although such obligations may be unmatured. The rights of each Lender under this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

SECTION 9.09. Governing Law; Jurisdiction; Consent to Service of Process. (a) This Agreement shall be construed in accordance with and governed by the law of the State of New York.

(b) The Borrower hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that the Administrative Agent, the Issuing Bank or any Lender may otherwise have to bring any action or proceeding relating to this Agreement against the Borrower or its properties in the courts of any jurisdiction.

(c) The Borrower hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 9.01. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 9.10. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 9.11. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

SECTION 9.12. Confidentiality. Each of the Administrative Agent, the Issuing Bank and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority, (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party to this Agreement, (e) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to the Borrower and its obligations, (g) with the consent of the Borrower or (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to the Administrative Agent, the Issuing Bank or any Lender on a non-confidential basis from a source other than the Borrower. For the purposes of this Section, "Information" means all information received from the Borrower relating to the Borrower or its business, other than any such information that is available to the Administrative Agent, the Issuing Bank or any Lender on a non-confidential basis prior to disclosure by the Borrower; provided that, in the case of information (other than financial statements and related certificates delivered pursuant to Sections 5.01 and 5.02) received from the Borrower after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

EACH LENDER ACKNOWLEDGES THAT INFORMATION AS DEFINED IN THIS SECTION 9.12 FURNISHED TO IT PURSUANT TO THIS AGREEMENT MAY INCLUDE MATERIAL NON-PUBLIC INFORMATION CONCERNING THE BORROWER AND ITS RELATED PARTIES OR THEIR RESPECTIVE SECURITIES, AND CONFIRMS THAT IT HAS DEVELOPED COMPLIANCE PROCEDURES REGARDING THE USE OF MATERIAL NON-PUBLIC INFORMATION AND THAT IT WILL HANDLE SUCH MATERIAL NON-PUBLIC INFORMATION IN ACCORDANCE WITH THOSE PROCEDURES AND APPLICABLE LAW, INCLUDING FEDERAL AND STATE SECURITIES LAWS.

ALL INFORMATION, INCLUDING REQUESTS FOR WAIVERS AND AMENDMENTS, FURNISHED BY THE BORROWER OR THE ADMINISTRATIVE AGENT PURSUANT TO, OR IN THE COURSE OF ADMINISTERING, THIS AGREEMENT WILL BE SYNDICATE-LEVEL INFORMATION, WHICH MAY CONTAIN MATERIAL NON-PUBLIC INFORMATION ABOUT THE BORROWER, ITS AFFILIATES, THE CREDIT PARTIES, THEIR RELATED PARTIES OR THEIR RESPECTIVE SECURITIES. ACCORDINGLY, EACH LENDER REPRESENTS TO THE BORROWER AND THE ADMINISTRATIVE AGENT THAT IT HAS IDENTIFIED IN ITS ADMINISTRATIVE QUESTIONNAIRE A CREDIT CONTACT WHO MAY RECEIVE INFORMATION THAT MAY CONTAIN MATERIAL NON-PUBLIC INFORMATION IN ACCORDANCE WITH ITS COMPLIANCE PROCEDURES AND APPLICABLE LAW.

SECTION 9.13. Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts which are treated as interest on such Loan under applicable law (collectively the "Charges"), shall exceed the maximum lawful rate (the "Maximum Rate") which may be contracted for, charged, taken, received or reserved by the Lender holding such Loan in accordance with applicable law, the rate of interest payable in respect of such Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section shall be cumulated and the interest and Charges payable to such Lender in respect of other Loans or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Effective Rate to the date of repayment, shall have been received by such Lender.

SECTION 9.14. USA PATRIOT Act. Each Lender that is subject to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act") hereby notifies the Borrower that pursuant to the requirements of the Act, it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender to identify the Borrower in accordance with the Act.

SECTION 9.15. Subordination Agreements. Each Lender hereby authorizes and directs the Administrative Agent to enter into the Subordination Agreements as attorney-in-fact on behalf of such Lender and agrees that in consideration of the benefits of the security being provided to such Lender in accordance with the Security Documents and the Subordination

Agreements and by acceptance of those benefits, each Lender (including any Lender which becomes such by assignment pursuant to Section 9.04 after the date hereof) shall be bound by the terms and provisions of the Subordination Agreements and shall comply (and cause any Affiliate thereof which is the holder of any "Senior Debt" (as defined therein) to comply) with such terms and provisions. The foregoing agreement shall inure to the benefit of all "Senior Lenders" under the Subordination Agreements.

SECTION 9.16. Application of Proceeds. After the exercise of remedies provided for in Article VII (or after the Loans have automatically become immediately due and payable), any proceeds of Collateral or from payment pursuant to the Subsidiary Guaranty received by the Administrative Agent in respect of the Secured Obligations pursuant to the Credit Documents shall be applied, in each case ratably within the applicable priority level, first, to pay any fees, indemnities, or expense reimbursements then due to the Administrative Agent or the Issuing Bank from the Borrower or any Subsidiary Guarantor, second, to pay any fees, indemnities or expense reimbursements (other than in respect of Swap Agreements or Banking Service Obligations (as defined in the Security Agreement)) then due to the Lenders from the Borrower or any Subsidiary Guarantor, third, to pay interest then due and payable on the Loans, fourth, to pay principal on the Loans and unreimbursed LC Disbursements and any due and owing obligations with respect to Swap Agreements or Banking Services Obligations (as defined in the Security Agreement), fifth, to the payment of any other Secured Obligation, and sixth, the balance, if any, after all of the obligations under all Credit Documents have been indefeasibly paid in full, to the Borrower or as otherwise required by law.

SECTION 9.17. Amendment and Restatement.

(a) On the Effective Date, the Existing Credit Agreement shall be amended, restated and superseded in its entirety by this Agreement. The parties hereto acknowledge and agree that (a) this Agreement, any Notes delivered pursuant to Section 2.10(e) and the other Credit Documents executed and delivered in connection herewith do not constitute a novation, payment and reborrowing, or termination of the "Secured Obligations" (as defined in the Existing Credit Agreement) under the Existing Credit Agreement as in immediately effect prior to the Effective Date and (b) such "Secured Obligations" are in all respects continuing with only the terms thereof being modified as provided in this Agreement.

(b) Notwithstanding the modifications effected by this Agreement of the representations, warranties and covenants of the Borrower contained in the Existing Credit Agreement, the Borrower acknowledges and agrees that any causes of action or other rights created in favor of the Administrative Agent, the Collateral Agent, any Lender or their respective successors arising out of the representations and warranties of the Borrower made (including representations and warranties or deemed made in connection with the making of Loans or other extensions of credit thereunder) in connection with the Existing Credit Agreement shall survive the execution and delivery of this Agreement; provided, however, that it is understood and agreed that the Borrower's monetary obligations under the Existing Credit Agreement in respect of the loans and letters of credit thereunder are evidenced by this Agreement as provided in Article II hereof.

(c) All indemnification obligations of the Borrower pursuant to the Existing Credit Agreement (including any arising from a breach of the representations thereunder) shall survive the amendment and restatement of the Existing Credit Agreement pursuant to this Agreement.

(d) The Existing Lenders constituting "Required Lenders" under the Existing Credit Agreement hereby waive (i) the requirement pursuant to Section 2.09(c) of the Existing Credit Agreement that the Borrower deliver prior notice of its election to terminate the "Commitments" under the Existing Credit Agreement and (ii) the requirement pursuant to Section 2.11(b) of the Existing Credit Agreement that the Borrower deliver prior notice of its election to prepay all outstanding "Loans" under the Existing Credit Agreement.

[signature pages follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

VERA BRADLEY DESIGNS, INC.

By: /s/ Michael C. Ray
Name: Michael C. Ray
Title: Chief Executive Officer

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION,
individually and as
Administrative Agent, Issuing Bank and Swingline Lender

By: /s/ Stephanie L. Yoder, V.P.
Name: Stephanie L. Yoder
Title: Vice President

WELLS FARGO BANK, N.A.

By: /s/ James M. Stehlik
Name: James M. Stehlik
Title: Vice President

KEYBANK NATIONAL ASSOCIATION

By: /s/ Marianne T. Meil
Name: Marianne T. Meil
Title: Senior Vice President

PNC BANK, N.A.

By: /s/ Gerald Witte
Name: Gerald Witte
Title: Senior Vice President

REGIONS BANK

By: /s/ Eric Harvey
Name: Eric Harvey
Title: Vice President

THE NORTHERN TRUST COMPANY

By: /s/ Phillip McCaulay
Name: Phillip McCaulay
Title: Vice President

Exhibit 10.7

PARENT GUARANTY

PARENT GUARANTY dated as of October 4, 2010 (this "Guaranty") made by Vera Bradley, Inc., an Indiana corporation (the "Guarantor") in favor of JPMorgan Chase Bank, N.A., in its capacity as administrative agent (the "Administrative Agent") under the Credit Agreement referred to below for the benefit of the Administrative Agent, the Collateral Agent, the Lenders and their Affiliates to the extent provided below.

WITNESSETH:

WHEREAS, Vera Bradley Designs, Inc., an Indiana corporation (the "Borrower"), the Administrative Agent and certain other financial institutions are contemporaneously herewith entering into the Amended and Restated Credit Agreement dated as of the date hereof (as the same may be amended, supplemented or otherwise modified and/or restated from time to time, the "Credit Agreement"), providing, subject to the terms and conditions thereof, for extensions of credit to be made by the Lenders (as defined therein) to the Borrower. Capitalized terms used but not otherwise defined herein shall have the meaning ascribed to them by the Credit Agreement;

WHEREAS, it is a condition precedent to the extension of credit by the Lenders under the Credit Agreement that the Guarantor executes and delivers this Guaranty whereby the Guarantor shall guarantee the payment when due of all Liabilities (as defined below); and

WHEREAS, in order to (a) induce the Lenders and the Administrative Agent to enter into the Credit Agreement and extend credit thereunder, (b) induce the Lenders and their Affiliates to enter into one or more Swap Agreements permitted by the Credit Agreement (such agreements, as from time to time amended, supplemented or otherwise modified, being the "Covered Swap Agreements") and (c) to induce the Lenders and their Affiliates to enter into one or more Banking Service Agreements (as defined in the Security Agreement), the Guarantor is willing to guarantee the obligations of the Borrower under the Credit Agreement, any Note issued thereunder, the other Credit Documents, the Covered Swap Agreements and the Banking Services Agreements (all of the foregoing agreements or arrangements being the "Facilities" and any writing evidencing, supporting or securing a Facility, including but not limited to this Guaranty, as such writing may be amended, supplemented or otherwise modified from time to time, being a "Facility Document").

NOW THEREFORE, in order to induce the Guaranteed Parties (as defined below) to enter into or extend or continue credit or give financial accommodation under the Facilities, the Guarantor agrees as follows:

Section 1. **Guaranty of Payment**. The Guarantor unconditionally and irrevocably guarantees to each of the Administrative Agent, the Collateral Agent, the Lenders and each of their Affiliates party to a Covered Swap Agreement or a Banking Services Agreement (individually, a "Guaranteed Party", and collectively, the "Guaranteed Parties") the

punctual payment of all sums now owing or which may in the future be owing by the Borrower under the Facility Documents, when the same are due and payable, whether on demand, at stated maturity, by acceleration or otherwise, and whether for principal, interest, fees, expenses, indemnification or otherwise (all of the foregoing sums being the "Liabilities"). The Liabilities include, without limitation, interest accruing after the commencement of a proceeding under bankruptcy, insolvency or similar laws of any jurisdiction at the rate or rates provided in the Facility Documents. Upon the failure by the Borrower to pay punctually any Liability, the Guarantor agrees that it shall forthwith upon demand pay to the Administrative Agent for the benefit of the applicable Guaranteed Parties (or in the case of amounts owing under a Covered Swap Agreement or a Banking Services Agreement, to the applicable Guaranteed Party) the amount not so paid at the place and in the manner specified in the relevant Facility Document. This Guaranty is a guarantee of payment and not of collection only. The Guaranteed Parties shall not be required to exhaust any right or remedy or take any action against the Borrower or any other person or entity or any collateral. The Guarantor agrees that, as between the Guarantor and the Guaranteed Parties, the Liabilities may be declared to be due and payable for the purposes of this Guaranty notwithstanding any stay, injunction or other prohibition which may prevent, delay or vitiate any declaration as regards the Borrower and that in the event of a declaration or attempted declaration, the Liabilities shall immediately become due and payable by the Guarantor for the purposes of this Guaranty.

Section 2. **Guaranty Absolute**. The Guarantor guarantees that the Liabilities shall be paid strictly in accordance with the terms of the Facility Documents. The liability of the Guarantor under this Guaranty is absolute and unconditional irrespective of: (a) any change in the time, manner or place of payment of, or in any other term of, all or any of the Facility Documents or Liabilities, or any other amendment or waiver of or any consent to departure from any of the terms of any Facility Document or Liability, including any increase or decrease in the rate of interest thereon; (b) any release or amendment or waiver of, or consent to departure from, any other guarantee or support document, or any exchange, release or non-perfection of any collateral, for all or any of the Facility Documents or Liabilities; (c) any present or future law, regulation or order of any jurisdiction (whether of right or in fact) or of any agency thereof purporting to reduce, amend, restructure or otherwise affect any term of any Facility Document or Liability; (d) without being limited by the foregoing, any lack of validity or enforceability of any Facility Document or Liability; and (e) any other setoff, defense or counterclaim whatsoever (in any case, whether based on contract, tort or any other theory) with respect to the Facility Documents or the transactions contemplated thereby which might constitute a legal or equitable defense available to, or discharge of, the Borrower or the Guarantor.

Section 3. **Guaranty Irrevocable**. This Guaranty is a continuing guarantee of the payment of all Liabilities now or hereafter existing under the Facility Documents and shall remain in full force and effect until payment in full of all Liabilities and other amounts payable under this Guaranty and until the Facility Documents are no longer in effect.

Section 4. **Reinstatement**. This Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Liabilities is rescinded or must otherwise be returned by any Guaranteed Party on the insolvency, bankruptcy or reorganization of the Borrower or otherwise, all as though the payment had not been made.

Section 5. **Subrogation**. The Guarantor shall not exercise any rights which it may acquire by way of subrogation, by any payment made under this Guaranty or otherwise, until all the Liabilities have been paid in full and the Facility Documents are no longer in effect. If any amount is paid to the Guarantor on account of subrogation rights under this Guaranty at any time when all the Liabilities have not been paid in full, the amount shall be held in trust by the Guarantor for the benefit of the Guaranteed Parties and shall be promptly paid to the Administrative Agent for the benefit of the Guaranteed Parties to be credited and applied to the Liabilities, whether matured or unmatured or absolute or contingent, in accordance with the terms hereof and of the Facility Documents. If the Guarantor makes payment to the Guaranteed Parties of all or any part of the Liabilities and all the Liabilities are paid in full and the Facility Documents are no longer in effect, the applicable Guaranteed Party shall, at the Guarantor's request, execute and deliver to the Guarantor appropriate documents, without recourse and without representation or warranty, necessary to evidence the transfer by subrogation to the Guarantor of an interest in the Liabilities resulting from such payment.

Section 6. **Subordination**. Without limiting the Guaranteed Parties' rights under any other agreement, any liabilities owed by the Borrower to the Guarantor in connection with any extension of credit or financial accommodation by the Guarantor to or for the account of the Borrower, including but not limited to interest accruing at the agreed contract rate after the commencement of a bankruptcy or similar proceeding, are hereby subordinated to the Liabilities, and such liabilities of the Borrower to the Guarantor, if the Administrative Agent so requests, shall be collected, enforced and received by the Guarantor as trustee for the Guaranteed Parties and shall be paid over to the Administrative Agent for the benefit of the Guaranteed Parties on account of the Liabilities but without reducing or affecting in any manner the liability of the Guarantor under the other provisions of this Guaranty.

Section 7. **Payments Generally**. All payments by the Guarantor hereunder shall be made in the manner, at the place and in the currency (the "Payment Currency") required by the applicable Facility Document; provided, however, that (if the Payment Currency is other than dollars) the Guarantor may, at its option (or, if for any reason whatsoever the Guarantor is unable to effect payments in the foregoing manner, the Guarantor shall be obligated to) pay to the applicable Guaranteed Party at its principal office the equivalent amount in dollars as reasonably determined by the applicable Guaranteed Party. In any case in which a Guarantor makes or is obligated to make payment in dollars, the Guarantor shall hold the applicable Guaranteed Party harmless from any loss incurred by it arising from any change in the value of dollars in relation to the Payment Currency between the date the Liability becomes due and the date the Guaranteed Party is actually able, following the conversion of the dollars paid by the Guarantor into the Payment Currency and remittance of such Payment Currency to the place where such Liability is payable, to apply such Payment Currency to such Liability.

Section 8. **Certain Taxes**. The Guarantor further agrees that all payments to be made hereunder shall be made without setoff or counterclaim and free and clear of, and without deduction for, any taxes, levies, imposts, duties, charges, fees, deductions, withholdings or restrictions or conditions of any nature whatsoever now or hereafter imposed, levied, collected, withheld or assessed by any country or by any political subdivision or taxing authority thereof or therein ("Taxes"). If any Taxes are required to be withheld from any amounts payable to a Guaranteed Party hereunder, the amounts so payable to such Guaranteed Party shall be

increased to the extent necessary to yield to such Guaranteed Party (after payment of all Taxes) the amounts payable hereunder in the full amounts so to be paid. Whenever any such Tax is withheld and paid by the Guarantor, as promptly as possible thereafter, the Guarantor shall send the Administrative Agent an official receipt showing payment thereof, together with such additional documentary evidence as may be reasonably required from time to time by the Administrative Agent or such Guaranteed Party.

Section 9. **Representations and Warranties**. The Guarantor represents and warrants that: (a) the execution, delivery and performance of this Guaranty by the Guarantor (i) are within the Guarantor's corporate or other organizational powers and have been duly authorized by all necessary corporate or limited liability company and, if required, stockholder or similar action on the part of the Guarantor, (ii) do not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except such as have been obtained or made and are in full force and effect, (iii) will not violate any applicable law or regulation or the charter, by-laws or other organizational documents of the Guarantor or any of its Subsidiaries or any order of any Governmental Authority and (iv) will not violate or result in a default under any indenture, agreement or other instrument binding upon the Guarantor or any of its Subsidiaries or its assets, or give rise to a right thereunder to require any payment to be made by the Guarantor or any of its Subsidiaries; (b) this Guaranty has been duly executed and delivered by the Guarantor and constitutes the legal, valid and binding obligation of the Guarantor enforceable against the Guarantor in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law; and (c) in executing and delivering this Guaranty, the Guarantor has (i) without reliance on any Guaranteed Party or any information received from any Guaranteed Party and based upon such documents and information it deems appropriate, made an independent investigation of the transactions contemplated hereby and the Borrower, the Borrower's business, assets, operations, prospects and condition, financial or otherwise, and any circumstances which may bear upon such transactions, the Borrower or the obligations and risks undertaken herein with respect to the Liabilities; (ii) adequate means to obtain from the Borrower on a continuing basis information concerning the Borrower; (iii) has full and complete access to the Facility Documents and any other documents executed in connection with the Facility Documents; and (iv) not relied and will not rely upon any representations or warranties of any Guaranteed Party not embodied herein or any acts heretofore or hereafter taken by any Guaranteed Party (including but not limited to any review by any Guaranteed Party of the affairs of the Borrower). The Guarantor agrees that the foregoing representations and warranties shall be deemed to have been made by the Guarantor on the date of this Guaranty and on the date of each Borrowing and each issuance request with respect to each Letter of Credit requested under the Credit Agreement.

Section 10. **Application of Payments**. All payments received by the Administrative Agent hereunder shall be applied by the Administrative Agent to payment of the Liabilities in the manner set forth in Section 9.16 of the Credit Agreement.

Section 11. **Remedies Generally**. The remedies provided in this Guaranty are cumulative and not exclusive of any remedies provided by law.

Section 12. **Setoff**. The Guarantor agrees that, in addition to (and without limitation of) any right of setoff, banker's lien or counterclaim the Guaranteed Parties may otherwise have, each Guaranteed Party shall be entitled, at its option, to offset balances (general or special, time or demand, provisional or final) held by it for the account of the Guarantor at any of such Guaranteed Party's offices, in dollars or in any other currency, against any amount payable by the Guarantor under this Guaranty which is not paid when due (regardless of whether such balances are then due to the Guarantor), in which case it shall promptly notify the Guarantor thereof; provided that the Guaranteed Parties' failure to give such notice shall not affect the validity thereof.

Section 13. **Formalities**. The Guarantor waives presentment, notice of dishonor, protest, notice of acceptance of this Guaranty or incurrence of any Liability and any other formality with respect to any of the Liabilities or this Guaranty.

Section 14. **Amendments and Waivers**. No amendment or waiver of any provision of this Guaranty, nor consent to any departure by the Guarantor therefrom, shall be effective unless it is in writing and signed by the Administrative Agent, and then the waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No failure on the part of any Guaranteed Party to exercise, and no delay in exercising, any right under this Guaranty shall operate as a waiver or preclude any other or further exercise thereof or the exercise of any other right.

Section 15. **Expenses**. The Guarantor shall reimburse the Guaranteed Parties on demand for all reasonable out-of-pocket costs, expenses and charges (including without limitation fees and charges of external legal counsel) incurred by such Guaranteed Parties in connection with the enforcement of this Guaranty. The obligations of the Guarantor under this Section shall survive the termination of this Guaranty.

Section 16. **Assignment**. This Guaranty shall be binding on, and shall inure to the benefit of, the Guarantor, each Guaranteed Party and their respective successors and assigns; provided that the Guarantor may not assign or transfer its rights or obligations under this Guaranty. Without limiting the generality of the foregoing, each Guaranteed Party may assign, sell participations in or otherwise transfer its rights under the Facility Documents in accordance with the terms thereof to any other Person, and the other Person shall then become vested with all the rights granted to the Guaranteed Parties in this Guaranty or otherwise.

Section 17. **Captions**. The headings and captions in this Guaranty are for convenience only and shall not affect the interpretation or construction of this Guaranty.

Section 18. **Governing Law, Etc**. This Guaranty shall be construed in accordance with the law of the State of New York. The Guarantor acknowledges and agrees that the provisions of Sections 9.09(b), (c) and (d) and Section 9.10 of the Credit Agreement shall be applicable hereto and are incorporated herein by reference mutatis mutandis.

Section 19. **Integration; Effectiveness**. This Guaranty alone sets forth the entire understanding of the Guarantor and the Guaranteed Parties relating to the guarantee of the Liabilities and constitutes the entire contract between the parties relating to the subject matter

hereof and supersedes any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. This Guaranty shall become effective when it shall have been executed and delivered by the Guarantor to the Administrative Agent. Delivery of an executed signature page of this Guaranty by telecopy or electronic communication shall be effective as delivery of a manually executed signature page of this Guaranty.

Section 20. **Notices**. All communications and notices hereunder shall be in writing and given as provided in Section 9.01 of the Credit Agreement. Notices to the Guarantor shall be sent to it in care of the Borrower at the Borrower's address specified in the Credit Agreement or at such other address as the Guarantor may specify in a writing delivered to the Administrative Agent in the manner specified by Section 9.01 of the Credit Agreement.

[signature page follows]

IN WITNESS WHEREOF, the Guarantor has caused this Guaranty to be duly executed and delivered by its authorized officer as of the date first above written.

VERA BRADLEY, INC.

By: /s/ Michael C. Ray
Name: Michael C. Ray
Title: Chief Executive Officer

SUBSIDIARY GUARANTY

SUBSIDIARY GUARANTY dated as of November 26, 2008 (this "Guaranty") made by each of the Persons that is a signatory hereto (individually a "Guarantor" and collectively, the "Guarantors") in favor of JPMorgan Chase Bank, N.A., in its capacity as administrative agent (the "Administrative Agent") under the Credit Agreement referred to below for the benefit of the Administrative Agent, the Collateral Agent, the Lenders and their Affiliates to the extent provided below.

WITNESSETH:

WHEREAS, Vera Bradley Designs, Inc., an Indiana corporation (the "Borrower"), the Administrative Agent and certain other financial institutions are contemporaneously herewith entering into a credit agreement dated as of the date hereof (as same may be amended or modified from time to time, the "Credit Agreement"), providing, subject to the terms and conditions thereof, for extensions of credit to be made by the Lenders (as defined therein) to the Borrower. Capitalized terms used but not otherwise defined herein shall have the meaning ascribed to them by the Credit Agreement;

WHEREAS, it is a condition precedent to the extension of credit by the Lenders under the Credit Agreement that each of the Guarantors execute and deliver this Guaranty whereby each of the Guarantors shall guarantee the payment when due of all Liabilities (as defined below); and

WHEREAS, in consideration of the financial and other support that the Borrower has provided, and such financial and other support as the Borrower may in the future provide, to the Guarantors, and in order to (a) induce the Lenders and the Administrative Agent to enter into the Credit Agreement and extend credit thereunder and (b) induce the Lenders and their Affiliates to enter into one or more Swap Agreements permitted by the Credit Agreement (such agreements, as from time to time amended, supplemented or otherwise modified, being the "Covered Swap Agreements") and (c) to induce the Lenders and their Affiliates to enter into one or more Banking Service Agreements (as defined in the Security Agreement) and because each Guarantor has determined that executing this Guaranty is in its interest and to its financial benefit, each of the Guarantors is willing to guarantee the obligations of the Borrower under the Credit Agreement, any Note, the other Credit Documents, the Banking Service Agreement (as defined in Security Agreement) and the Covered Swap Agreements (all of the foregoing agreements or arrangements being the "Facilities" and any writing evidencing, supporting or securing a Facility, including but not limited to this Guaranty, as such writing may be amended, supplemented or otherwise modified from time to time, being a "Facility Document").

NOW THEREFORE, in order to induce the Guaranteed Parties (as defined below) to enter into or extend or continue credit or give financial accommodation under the Facilities, each Guarantor agrees as follows:

1. **Guaranty of Payment.** Each Guarantor unconditionally and irrevocably guarantees to each of the Administrative Agent, the Collateral Agent, the Lenders and each of their Affiliates party to a Covered Swap Agreement (individually a "Guaranteed Party" and

collectively, the "Guaranteed Parties") the punctual payment of all sums now owing or which may in the future be owing by the Borrower under the Facility Documents, when the same are due and payable, whether on demand, at stated maturity, by acceleration or otherwise, and whether for principal, interest, fees, expenses, indemnification or otherwise (all of the foregoing sums being the "Liabilities"). Upon failure by the Borrower to pay punctually any Liability, each of the Guarantors agrees that it shall forthwith on demand pay to the Administrative Agent for the benefit of the Guaranteed Parties (or in the case of amounts owing under a Covered Swap Agreement, to the applicable Guaranteed Party) the amount not so paid at the place and in the manner specified in the applicable Facility Document. The Liabilities include, without limitation, interest accruing after the commencement of a proceeding under bankruptcy, insolvency or similar laws of any jurisdiction at the rate or rates provided in the Facility Documents. This Guaranty is a guaranty of payment and not of collection only. The Guaranteed Parties shall not be required to exhaust any right or remedy or take any action against the Borrower or any other person or entity or any collateral. Each Guarantor agrees that, as between such Guarantor and the Guaranteed Parties, the Liabilities may be declared to be due and payable for the purposes of this Guaranty notwithstanding any stay, injunction or other prohibition which may prevent, delay or vitiate any declaration as regards the Borrower and that in the event of a declaration or attempted declaration, the Liabilities shall immediately become due and payable by such Guarantor for the purposes of this Guaranty. All liabilities of the Guarantors hereunder shall be the joint and several liabilities of each Guarantor.

2. **Guaranty Absolute.** Each Guarantor guarantees that the Liabilities shall be paid strictly in accordance with the terms of the Facility Documents. The liability of a Guarantor under this Guaranty is absolute and unconditional irrespective of: (a) any change in the time, manner or place of payment of, or in any other term of, all or any of the Facility Documents or Liabilities, or any other amendment or waiver of or any consent to departure from any of the terms of any Facility Document or Liability, including any increase or decrease in the rate of interest thereon; (b) any release or amendment or waiver of, or consent to departure from, any other guaranty or support document, or any exchange, release or non perfection of any collateral, for all or any of the Facility Documents or Liabilities; (c) any present or future law, regulation or order of any jurisdiction (whether of right or in fact) or of any agency thereof purporting to reduce, amend, restructure or otherwise affect any term of any Facility Document or Liability; (d) without being limited by the foregoing, any lack of validity or enforceability of any Facility Document or Liability; and (e) any other setoff, defense or counterclaim whatsoever (in any case, whether based on contract, tort or any other theory) with respect to the Facility Documents or the transactions contemplated thereby which might constitute a legal or equitable defense available to, or discharge of, the Borrower or a Guarantor.

3. **Guaranty Irrevocable.** This Guaranty is a continuing guaranty of the payment of all Liabilities now or hereafter existing under the Facility Documents and shall remain in full force and effect until payment in full of all Liabilities and other amounts payable under this Guaranty and until the Facility Documents are no longer in effect.

4. **Reinstatement.** This Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Liabilities is rescinded or must otherwise be returned by the Guaranteed Party on the insolvency, bankruptcy or reorganization of the Borrower or otherwise, all as though the payment had not been made.

5. **Subrogation.** No Guarantor shall exercise any rights which it may acquire by way of subrogation, by any payment made under this Guaranty or otherwise, until all the Liabilities have been paid in full and the Facility Documents are no longer in effect. If any amount is paid to a Guarantor on account of subrogation rights under this Guaranty at any time when all the Liabilities have not been paid in full, the amount shall be held in trust by such Guarantor for the benefit of the Guaranteed Parties and shall be promptly paid to the Administrative Agent for the benefit of the Guaranteed Parties to be credited and applied to the Liabilities, whether matured or unmatured or absolute or contingent, in accordance with the terms hereof and of the Facility Documents. If a Guarantor makes payment to the Guaranteed Parties of all or any part of the Liabilities and all the Liabilities are paid in full and the Facility Documents are no longer in effect, the applicable Guaranteed Party shall, at such Guarantor's request, execute and deliver to such Guarantor appropriate documents, without recourse and without representation or warranty, necessary to evidence the transfer by subrogation to such Guarantor of an interest in the Liabilities resulting from the payment.

6. **Subordination.** Without limiting the Guaranteed Parties' rights under any other agreement, any liabilities owed by the Borrower to a Guarantor in connection with any extension of credit or financial accommodation by a Guarantor to or for the account of the Borrower, including but not limited to interest accruing at the agreed contract rate after the commencement of a bankruptcy or similar proceeding, are hereby subordinated to the Liabilities, and such liabilities of the Borrower to such Guarantor, if the Administrative Agent so requests, shall be collected, enforced and received by such Guarantor as trustee for the Guaranteed Parties and shall be paid over to the Administrative Agent for the benefit of the Guaranteed Parties on account of the Liabilities but without reducing or affecting in any manner the liability of such Guarantor under the other provisions of this Guaranty.

7. **Payments Generally.** All payments by a Guarantor hereunder shall be made in the manner, at the place and in the currency (the "Payment Currency") required by the applicable Facility Document; provided, however, that (if the Payment Currency is other than dollars) a Guarantor may, at its option (or, if for any reason whatsoever such Guarantor is unable to effect payments in the foregoing manner, such Guarantor shall be obligated to) pay to the applicable Guaranteed Party at its principal office the equivalent amount in dollars as reasonably determined by the applicable Guaranteed Party. In any case in which a Guarantor makes payment in dollars, such Guarantor shall hold the applicable Guaranteed Party harmless from any loss incurred by it arising from any change in the value of dollars in relation to the Payment Currency between the date the Liability becomes due and the date the Guaranteed Party is actually able, following the conversion of the dollars paid by such Guarantor into the Payment Currency and remittance of such Payment Currency to the place where such Liability is payable, to apply such Payment Currency to such Liability.

8. **Certain Taxes.** Each Guarantor further agrees that all payments to be made hereunder shall be made without setoff or counterclaim and free and clear of, and without deduction for, any taxes, levies, imposts, duties, charges, fees, deductions, withholdings or restrictions or conditions of any nature whatsoever now or hereafter imposed, levied, collected, withheld or assessed by any country or by any political subdivision or taxing authority thereof or therein ("Taxes"). If any Taxes are required to be withheld from any amounts payable to a Guaranteed Party hereunder, the amounts so payable to such Guaranteed Party shall be increased

to the extent necessary to yield to such Guaranteed Party (after payment of all Taxes) the amounts payable hereunder in the full amounts so to be paid. Whenever any such Tax is withheld and paid by a Guarantor, as promptly as possible thereafter, such Guarantor shall send the Administrative Agent an official receipt showing payment thereof, together with such additional documentary evidence as may be reasonably required from time to time by the Administrative Agent or such Guaranteed Party.

9. **Representations and Warranties.** Each Guarantor represents and warrants that: (a) the execution, delivery and performance of this Guaranty by such Guarantor (i) are within such Guarantor's corporate or other organizational powers and have been duly authorized by all necessary corporate or limited liability company and, if required, stockholder or similar action on the part of such Guarantor; (ii) do not violate any material agreement, instrument, law, regulation or order applicable to such Guarantor; and (iii) do not require the consent or approval of any person or entity, including but not limited to any governmental authority, or any filing or registration of any kind except such as have been obtained or made and are in full force and effect; (b) this Guaranty has been duly executed and delivered by such Guarantor and is the legal, valid and binding obligation of such Guarantor enforceable against such Guarantor in accordance with its terms, except to the extent that enforcement may be limited by applicable bankruptcy, insolvency and other similar laws affecting creditors' rights generally; and (c) in executing and delivering this Guaranty, such Guarantor has (i) without reliance on any Guaranteed Party or any information received from any Guaranteed Party and based upon such documents and information it deems appropriate, made an independent investigation of the transactions contemplated hereby and the Borrower, the Borrower's business, assets, operations, prospects and condition, financial or otherwise, and any circumstances which may bear upon such transactions, the Borrower or the obligations and risks undertaken herein with respect to the Liabilities; (ii) adequate means to obtain from the Borrower on a continuing basis information concerning the Borrower; (iii) has full and complete access to the Facility Documents and any other documents executed in connection with the Facility Documents; and (iv) not relied and will not rely upon any representations or warranties of any Guaranteed Party not embodied herein or any acts heretofore or hereafter taken by any Guaranteed Party (including but not limited to any review by any Guaranteed Party of the affairs of the Borrower). Each Guarantor agrees that the foregoing representations and warranties shall be deemed to have been made by such Guarantor on the date of this Guaranty and on the date of each Borrowing and each issuance request with respect to each Letter of Credit requested under the Credit Agreement.

10. **Limitation on Obligations.** The provisions of this Guaranty are severable, and in any action or proceeding involving any state corporate law, or any state, federal or foreign bankruptcy, insolvency, reorganization or other law affecting the rights of creditors generally, if the obligations of any Guarantor under this Guaranty would otherwise be held or determined to be avoidable, invalid or unenforceable on account of the amount of such Guarantor's liability under this Guaranty, then, notwithstanding any other provision of this Guaranty to the contrary, the amount of such liability shall, without any further action by the Guarantors or any Guaranteed Party, be automatically limited and reduced to the highest amount that is valid and enforceable as determined in such action or proceeding (such highest amount determined hereunder being the relevant Guarantor's "Maximum Liability"). This Section 10 with respect to the Maximum Liability of the Guarantors is intended solely to preserve the rights of the Guaranteed Parties hereunder to the maximum extent not subject to avoidance under applicable

law, and neither the Guarantor nor any other person or entity shall have any right or claim under this Section 10 with respect to the Maximum Liability, except to the extent necessary so that the obligations of the Guarantor hereunder shall not be rendered voidable under applicable law.

Each of the Guarantors agrees that the Liabilities may at any time and from time to time exceed the Maximum Liability of each Guarantor, and may exceed the aggregate Maximum Liability of all other Guarantors, without impairing this Guaranty or affecting the rights and remedies of the Guaranteed Parties hereunder. Nothing in this Section 10 shall be construed to increase any Guarantor's obligations hereunder beyond its Maximum Liability.

In the event any Guarantor (a "Paying Guarantor") shall make any payment or payments under this Guaranty or shall suffer any loss as a result of any realization upon any collateral granted by it to secure its obligations under this Guaranty, each other Guarantor (each a "Non-Paying Guarantor") shall contribute to such Paying Guarantor an amount equal to such Non-Paying Guarantor's "Pro Rata Share" of such payment or payments made, or losses suffered, by such Paying Guarantor. For the purposes hereof, each Non-Paying Guarantor's "Pro Rata Share" with respect to any such payment or loss by a Paying Guarantor shall be determined as of the date on which such payment or loss was made by reference to the ratio of (i) such Non-Paying Guarantor's Maximum Liability as of such date (without giving effect to any right to receive, or obligation to make, any contribution hereunder) or, if such Non-Paying Guarantor's Maximum Liability has not been determined, the aggregate amount of all monies received by such Non-Paying Guarantor from the Borrower after the date hereof (whether by loan, capital infusion or by other means) to (ii) the aggregate Maximum Liability of all Guarantors hereunder (including such Paying Guarantor) as of such date (without giving effect to any right to receive, or obligation to make, any contribution hereunder), or to the extent that a Maximum Liability has not been determined for any Guarantors, the aggregate amount of all monies received by all Guarantors from the Borrower after the date hereof (whether by loan, capital infusion or by other means). Nothing in this Section 10 shall affect any Guarantor's several liability for the entire amount of the Liabilities (up to such Guarantor's Maximum Liability). Each of the Guarantors covenants and agrees that its right to receive any contribution under this Guaranty from a Non-Paying Guarantor shall be subordinate and junior in right of payment to all the Liabilities. The provisions of this Section 10 are for the benefit of both the Guaranteed Parties and the Guarantors and may be enforced by any one, or more, or all of them in accordance with the terms hereof.

11. **Application of Payments.** All payments received by the Administrative Agent hereunder shall be applied by the Administrative Agent to payment of the Liabilities in the manner set forth in Section 9.16 of the Credit Agreement:

12. **Remedies Generally.** The remedies provided in this Guaranty are cumulative and not exclusive of any remedies provided by law.

13. **Setoff.** Each Guarantor agrees that, in addition to (and without limitation of) any right of setoff, banker's lien or counterclaim the Guaranteed Parties may otherwise have, each Guaranteed Party shall be entitled, at its option, to offset balances (general or special, time or demand, provisional or final) held by it for the account of such Guarantor at any of such Guaranteed Party's offices, in dollars or in any other currency, against any amount payable by

such Guarantor under this Guaranty which is not paid when due (regardless of whether such balances are then due to such Guarantor), in which case it shall promptly notify such Guarantor thereof; provided that the Guaranteed Parties' failure to give such notice shall not affect the validity thereof.

14. **Formalities.** Each Guarantor waives presentment, notice of dishonor, protest, notice of acceptance of this Guaranty or incurrence of any Liability and any other formality with respect to any of the Liabilities or this Guaranty.

15. **Amendments and Waivers.** No amendment or waiver of any provision of this Guaranty, nor consent to any departure by a Guarantor therefrom, shall be effective unless it is in writing and signed by the Administrative Agent, and then the waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No failure on the part of any Guaranteed Party to exercise, and no delay in exercising, any right under this Guaranty shall operate as a waiver or preclude any other or further exercise thereof or the exercise of any other right.

16. **Expenses.** The Guarantors shall reimburse the Guaranteed Parties on demand for all reasonable out-of-pocket costs, expenses and charges (including without limitation fees and charges of external legal counsel) incurred by such Guaranteed Parties in connection with the enforcement of this Guaranty. The obligations of each Guarantor under this Section shall survive the termination of this Guaranty.

17. **Assignment.** This Guaranty shall be binding on, and shall inure to the benefit of each Guarantor, each Guaranteed Party and their respective successors and assigns; provided that a Guarantor may not assign or transfer its rights or obligations under this Guaranty. Without limiting the generality of the foregoing: (a) the obligations of each Guarantor under this Guaranty shall continue in full force and effect and shall be binding on any successor partnership and on previous partners and their respective estates if the Guarantor is a partnership, regardless of any change in the partnership as a result of death retirement or otherwise; and (b) each Guaranteed Party may assign, sell participations in or otherwise transfer its rights under the Facility Documents in accordance with the terms thereof to any other person or entity, and the other person or entity shall then become vested with all the rights granted to the Guaranteed Parties in this Guaranty or otherwise.

18. **Captions.** The headings and captions in this Guaranty are for convenience only and shall not affect the interpretation or construction of this Guaranty.

19. **Governing Law, Etc. THIS GUARANTY SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAW OF THE STATE OF NEW YORK. EACH GUARANTOR HEREBY IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF THE SUPREME COURT OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY AND OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS GUARANTY, OR FOR RECOGNITION OR**

ENFORCEMENT OF ANY JUDGMENT, AND AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE OR, TO THE EXTENT PERMITTED BY LAW, IN SUCH FEDERAL COURT. SERVICE OF PROCESS BY A GUARANTEED PARTY IN CONNECTION WITH ANY DISPUTE BEFORE ANY OF THE FOREGOING SHALL BE BINDING ON A GUARANTOR IF SENT TO SUCH GUARANTOR BY REGISTERED MAIL AT THE ADDRESS SPECIFIED FOR NOTICES BELOW OR AS OTHERWISE SPECIFIED BY SUCH GUARANTOR FROM TIME TO TIME. EACH GUARANTOR WAIVES ANY RIGHT SUCH GUARANTOR MAY HAVE TO JURY TRIAL IN ANY ACTION RELATED TO THIS GUARANTY OR THE TRANSACTIONS CONTEMPLATED HEREBY AND FURTHER WAIVES ANY RIGHT TO INTERPOSE ANY COUNTERCLAIM RELATED TO THIS GUARANTY OR THE TRANSACTIONS CONTEMPLATED HEREBY IN ANY SUCH ACTION. TO THE EXTENT THAT A GUARANTOR HAS OR HEREAFTER MAY ACQUIRE ANY IMMUNITY FROM JURISDICTION OF ANY COURT OR FROM ANY LEGAL PROCESS (WHETHER FROM SERVICE OR NOTICE, ATTACHMENT PRIOR TO JUDGMENT, ATTACHMENT IN AID OF EXECUTION OF A JUDGMENT, EXECUTION OR OTHERWISE), SUCH GUARANTOR HEREBY IRREVOCABLY WAIVES SUCH IMMUNITY IN RESPECT OF ITS OBLIGATIONS UNDER THIS GUARANTY.

20. **Integration; Effectiveness.** This Guaranty alone sets forth the entire understanding of each Guarantor and the Guaranteed Parties relating to the guarantee of the Liabilities and constitutes the entire contract between the parties relating to the subject matter hereof and supersedes any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. This Guaranty shall become effective when it shall have been executed and delivered by each Guarantor to the Administrative Agent. Delivery of an executed signature page of this Guaranty by telecopy shall be effective as delivery of a manually executed signature page of this Guaranty.

21. **Additional Subsidiary Guarantors.** Pursuant to Section 5.10 of the Credit Agreement, certain Subsidiaries are from time to time required to enter into this Guaranty as a Guarantor. Upon execution and delivery after the date hereof by the Administrative Agent and a Subsidiary of a supplement in the form of Exhibit A hereto, such Subsidiary shall become a Guarantor hereunder with the same force and effect as if originally named as a Guarantor herein. The execution and delivery of any instrument adding an additional Guarantor as a party to this Guaranty shall not require the consent of any Guarantor hereunder, of the Borrower or of any Guaranteed Party. The rights and obligations of each Guarantor hereunder shall remain in full force and effect notwithstanding the addition of any new Guarantor as a party hereto.

22. **Notices.** All communications and notices hereunder shall be in writing and given as provided in Section 9.01 of the Credit Agreement. Notices to the Guarantors shall be sent to them in care of Borrower at the Borrower's address specified in the Credit Agreement or at such other address as they may specify in a writing delivered to the Administrative Agent in the manner specified by such Section 9.01.

23. **Security.** As security for all obligations of the Guarantors hereunder, each Guarantor agrees to pledge and grant to the Collateral Agent a lien on and security interest in certain assets of such Guarantor in accordance with the terms of the Pledge Agreement and the Security Agreement which are executed by the Guarantors herewith.

[Signature Page Follows]

IN WITNESS WHEREOF, each of the Guarantors has caused this Guaranty to be duly executed and delivered by its authorized officer as of the date first above written.

VERA BRADLEY RETAIL STORES, LLC

By: /s/ Patricia R. Miller
Name: Patricia R. Miller
Title: President

VERA BRADLEY INTERNATIONAL, LLC

By: /s/ Patricia R. Miller
Name: Patricia R. Miller
Title: President

Exhibit 10.9

SECURITY AGREEMENT

SECURITY AGREEMENT ("Agreement") dated as of November 26, 2008 among Vera Bradley Designs, Inc., an Indiana corporation (the "Borrower"), Vera Bradley Retail Stores, LLC, an Indiana limited liability company, and Vera Bradley International, LLC, an Indiana limited liability company (collectively, the "Subsidiary Guarantors") (the Borrower, the Subsidiary Guarantors and each Person who becomes a party to this Agreement by execution of a joinder in the form of Exhibit A hereto collectively referred to herein as "Grantors", and each individually as a "Grantor"), and JPMorgan Chase Bank, N.A., as Collateral Agent for the benefit of the Secured Creditors (the "Collateral Agent").

W I T N E S S E T H:

WHEREAS, contemporaneously herewith, the Borrower is entering into that certain Credit Agreement of even date herewith (the same, as it may be amended, restated, modified or supplemented and in effect from time to time, being herein referred to as the "Credit Agreement") with JPMorgan Chase Bank, N.A., as Administrative Agent (the "Administrative Agent") and the Lenders, providing for the Lenders to make available to the Borrower certain credit facilities on the terms and conditions set forth therein;

WHEREAS, one or more Grantors may from time to time on or after the date hereof enter into, or guaranty the obligations of one or more other Grantors or any of their respective Subsidiaries under one or more Swap Agreements permitted by the Credit Agreement or Banking Services Agreements with a Lender or an Affiliate of a Lender;

WHEREAS, each of the Grantors other than the Borrower is a direct or indirect subsidiary of the Borrower, will benefit directly and indirectly from the credit facilities made available pursuant to the Credit Agreement and from the entering into of Swap Agreements or Banking Services Agreements by Grantors or their Subsidiaries, and has entered into that certain Subsidiary Guaranty of even date herewith; and

WHEREAS, to induce the Administrative Agent and the Lenders to enter into the Credit Agreement and make available the credit facilities thereunder and to induce Lenders and their Affiliates to enter into the Swap Agreements or Banking Services Agreements, Grantors have agreed to pledge and grant a security interest in the Collateral (as hereinafter defined) to the Collateral Agent for the benefit of the Secured Creditors on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. Definitions. Capitalized terms used herein without definition and defined in the Credit Agreement are used herein as defined therein. In addition, as used herein:

"Accounts" means any "account," as such term is defined in the Uniform Commercial Code, and, in any event, shall include, without limitation, "supporting obligations" as defined in the Uniform Commercial Code.

"Banking Services Agreements" means agreements with respect to Banking Services.

"Banking Services" means each and any of the following bank services provided to any of the Credit Parties by any Lender or any of its Affiliates: (a) commercial credit cards, (b) stored value cards and (c) treasury management services (including, without limitation, controlled disbursement, automated clearinghouse transactions, return items, overdrafts and interstate depository network services).

"Banking Services Obligations" of the Credit Parties means any and all obligations of the Credit Parties, whether absolute or contingent and howsoever and whensoever created, arising, evidenced or acquired (including all renewals, extensions and modifications thereof and substitutions therefor) in connection with Banking Services.

"Chattel Paper" means any "chattel paper", as such term is defined in the Uniform Commercial Code.

"Collateral" shall have the meaning ascribed thereto in Section 3 hereof; provided, however, that notwithstanding anything herein to the contrary, the term "Collateral" shall not include any property of any Grantor constituting Pledged Collateral under the Pledge Agreement.

"Commercial Tort Claims" means "commercial tort claims", as such term is defined in the Uniform Commercial Code.

"Contracts" means all contracts, undertakings, or other agreements (other than rights evidenced by Chattel Paper, Documents or Instruments) in or under which any Grantor may now or hereafter have any right, title or interest, including, without limitation, with respect to an Account, any agreement relating to the terms of payment or the terms of performance thereof.

"Copyrights" means any copyrights, rights and interests in copyrights, works protectable by copyrights, copyright registrations and copyright applications, including, without limitation, the copyright registrations and applications listed on Schedule III attached hereto, and all renewals of any of the foregoing, all income, royalties, damages and payments now and hereafter due and/or payable under or with respect to any of the foregoing, including, without limitation, damages and payments for past, present and future infringements of any of the foregoing and the right to sue for past, present and future infringements of any of the foregoing.

"Deposit Accounts" means all "deposit accounts" as such term is defined in the Uniform Commercial Code, now or hereafter held in the name of any Grantor.

"Documents" means any "documents", as such term is defined in the Uniform Commercial Code, and shall include, without limitation, all documents of title (as defined in the Uniform Commercial Code) bills of lading or other receipts evidencing or representing Inventory or Equipment.

"Equipment" means any "equipment", as such term is defined in the Uniform Commercial Code.

"Event of Default" shall mean one or more of the following events or occurrences: (a) an Event of Default (as defined in the Credit Agreement); (b) any Grantor shall fail to observe or perform any covenant, condition or agreement contained in Section 4.2, 4.4(a) or 4.4(b) of this Agreement; or (c) any Grantor shall fail to observe or perform any covenant, condition or agreement contained in this Agreement (other than those specified in clause (b) of this definition), and such failure shall continue unremedied for a period of 30 days after the earlier of (i) the first day on which any executive officer of a Credit Party has knowledge of such failure or (ii) the date written notice thereof has been given to the Borrower or such Grantor by the Administrative Agent (which notice will be given at the request of any Lender).

"General Intangibles" means any "general intangibles", as such term is defined in the Uniform Commercial Code, and, in any event, shall include, without limitation, all right, title and interest in or under any Contract, models, drawings, materials and records, claims, literary rights, goodwill, rights of performance, Copyrights, Trademarks, Patents, warranties, rights under insurance policies and rights of indemnification.

"Goods" means any "goods", as such term is defined in the Uniform Commercial Code, including, without limitation, fixtures and embedded Software to the extent included in "goods" as defined in the Uniform Commercial Code.

"Instruments" means any "instrument", as such term is defined in the Uniform Commercial Code, and shall include, without limitation, promissory notes, drafts, bills of exchange, trade acceptances, letters of credit, letter of credit rights (as defined in the Uniform Commercial Code) and Chattel Paper.

"Inventory" means any "inventory", as such term is defined in the Uniform Commercial Code.

"Investment Property" means any "investment property", as such term is defined in the Uniform Commercial Code.

"Motor Vehicles" shall mean motor vehicles, tractors, trailers and other like property, whether or not the title thereto is governed by a certificate of title or ownership.

"Obligations" means all unpaid principal of and accrued and unpaid interest on the Loans, all LC Exposure, all accrued and unpaid fees and all expenses, reimbursements, indemnities and other obligations of the Credit Parties to the Lenders or to any Lender, the Administrative Agent, the Collateral Agent or any indemnified party arising under the Credit Documents.

"Patents" means any patents and patent applications, including, without limitation, the inventions and improvements described and claimed therein, all patentable inventions and those patents and patent applications listed on Schedule IV attached hereto, and the reissues, divisions, continuations, renewals, extensions and continuations-in-part of any of the foregoing, and all income, royalties, damages and payments now or hereafter due and/or payable under or with respect to any of the foregoing, including, without limitation, damages and payments for past, present and future infringements of any of the foregoing and the right to sue for past, present and future infringements of any of the foregoing.

"Pledged Collateral" has the meaning assigned to such term in the Pledge Agreement.

"Proceeds" means "proceeds", as such term is defined in the UCC and, in any event, includes, without limitation, (a) any and all proceeds of any insurance, indemnity, warranty or guaranty payable with respect to any of the Collateral, (b) any and all payments (in any form whatsoever) made or due and payable from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of all or any part of the Collateral by any governmental body, authority, bureau or agency (or any person acting under color of governmental authority), and (c) any and all other amounts from time to time paid or payable under, in respect of or in connection with any of the Collateral.

"Representative" means any Person acting as agent, representative or trustee on behalf of the Collateral Agent from time to time.

"Required Secured Creditors" means (a) prior to the date upon which the Credit Agreement has terminated by its terms and all of the Obligations have been paid in full, the Required Lenders (or if so required by Section 9.02 of the Credit Agreement, all the Lenders), and (b) after the Credit Agreement has terminated by its terms and all of the Obligations have been paid in full, Secured Creditors holding in the aggregate at least a majority of the aggregate (i) net early termination payments and all other amounts then due and unpaid from any Grantor to the Lenders under any Swap Agreement and (ii) due and unpaid Banking Services Obligations, in each case as determined by the Administrative Agent in its reasonable discretion.

"Secured Creditors" means, collectively, each Lender (even if such Lender ceases to be a Lender under the Credit Agreement), their Affiliates which are holders of Banking Services Obligations or Swap Obligations, the Issuing Bank, the Collateral Agent, the Administrative Agent and all of their successors and assigns.

"Secured Obligations" means all Obligations, all Banking Services Obligations owing to one or more Lenders or their respective Affiliates and all Swap Obligations owing to one or more Lenders or their respective Affiliates.

"Software" means all "software", as such term is defined in the Uniform Commercial Code, now owned or hereafter acquired by any Grantor, other than software embedded in any category of Goods, including, without limitation, all computer programs and all supporting information provided in connection with a transaction related to any program.

"Swap Obligations" of a Person means any and all obligations of such Person, whether absolute or contingent and howsoever and whensoever created, arising, evidenced or acquired (including all renewals, extensions and modifications thereof and substitutions therefor), under (a) any and all Swap Agreements, and (b) any and all cancellations, buy backs, reversals, terminations or assignments of any Swap Agreement transaction.

"Trademarks" means any trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, logos, other business identifiers, prints and labels on which any of the foregoing have appeared or appear, all registrations and recordings thereof, and all applications in connection therewith, including, without limitation, the trademarks and applications listed in Schedule V attached hereto and

renewals thereof, and all income, royalties, damages and payments now or hereafter due and/or payable under or with respect to any of the foregoing, including, without limitation, damages and payments for past, present and future infringements of any of the foregoing and the right to sue for past, present and future infringements of any of the foregoing.

"UCC" means the Uniform Commercial Code as in effect from time to time in the State of New York; provided, that to the extent that the UCC is used to define any term herein or in any Credit Document and such term is defined differently in different Articles or Divisions of the UCC, the definition of such term contained in Article or Division 9 shall govern.

Section 2. Representations, Warranties and Covenants of Grantors. Each Grantor represents and warrants to, and covenants with, the Collateral Agent, for the benefit of the Secured Creditors, as follows:

(a) each Grantor has rights in and the power to transfer the Collateral in which it purports to grant a security interest pursuant to Section 3 hereof (subject, with respect to after acquired Collateral, to such Grantor acquiring the same) and no Lien other than liens expressly permitted pursuant to the Credit Agreement exists or will exist upon such Collateral at any time;

(b) this Agreement is effective to create in favor of the Collateral Agent for the benefit of the Secured Creditors a valid security interest in and Lien upon all of the Grantors' right, title and interest in and to the Collateral, and, upon the filing of appropriate UCC financing statements in the jurisdictions listed on Schedule I attached hereto, such security interest will be duly perfected in all the Collateral (other than Deposit Accounts, Instruments not constituting Chattel Paper and registered Copyrights), and upon delivery of the Instruments to the Collateral Agent or its Representative, duly endorsed by the applicable Grantor or accompanied by appropriate undated instruments of transfer duly executed by such Grantor, and duly executed control agreements with respect to the Deposit Accounts, the security interest in the Instruments and Deposit Accounts will be duly perfected;

(c) all of the Equipment, Inventory and Goods are located on the date hereof at the places as specified on Schedule I attached hereto. Except as disclosed on Schedule I, as of the date hereof none of the Collateral is in the possession of any bailee, warehouseman, processor or consignee. Schedule I discloses each Grantor's name as of the date hereof as it appears in official filings in the state of its incorporation, formation or organization, the type of entity of each Grantor (including corporation, partnership, limited partnership or limited liability company), organizational identification number issued by each Grantor's state of incorporation, formation or organization (or a statement that no such number has been issued), each Grantor's state of incorporation, formation or organization and the chief place of business, chief executive office and the office where each Grantor keeps its books and records. Each Grantor has only one state of incorporation, formation or organization. No Grantor (including any Person acquired by any Grantor) does business or has done business during the five (5) years preceding the date hereof under any trade name or fictitious business name except as disclosed on Schedule II attached hereto;

(d) no Copyrights, Patents or Trademark which is material to the business of such Grantor or the invalidity, unenforceability or termination of which could reasonably be expected to have a Material Adverse Effect (each a "Material IP Item") has been adjudged invalid or unenforceable or has been canceled, in whole or in part, or is not presently subsisting. Each of such Material IP Items is valid and enforceable. Each Grantor is the sole and exclusive owner of the entire and unencumbered right, title and interest in and to each of such Material IP Items free and clear of any liens, charges and encumbrances, including without limitation licenses, shop rights and covenants by such Grantor not to sue third persons. Each Grantor has adopted, used and is currently using, or has a current bona fide intention to use, all of such Material IP Items and such Grantor has no notice of any suits or actions commenced or threatened with respect thereto;

(e) All depositary and other accounts maintained by each Grantor are described on Schedule VI hereto, which description includes for each such account the name of the Grantor maintaining such account, the name, address and telephone number of the financial institution at which such account is maintained, the city in which the account is located, and the account number of such account. Each Grantor shall, upon the request of the Collateral Agent deliver to the Collateral Agent a revised version of Schedule VI showing any changes thereto within five (5) Business Days of receiving such request. Each Grantor hereby authorizes the financial institutions at which such Grantor maintains an account to provide the Collateral Agent with such information with respect to such account as the Collateral Agent from time to time reasonably may request, and each Grantor hereby consents to such information being provided to the Collateral Agent; and

(f) As of the date hereof, Grantor does not own any Commercial Tort Claim except for those disclosed on Schedule VII hereto.

Section 3. Collateral. As collateral security for the prompt payment in full when due (whether at stated maturity, by acceleration or otherwise) of the Secured Obligations, each Grantor hereby pledges and grants to the Collateral Agent, for the benefit of the Secured Creditors, a Lien on and security interest in and to all of such Grantor's right, title and interest in the following personal property, whether now owned by such Grantor or hereafter acquired and whether now existing or hereafter coming into existence and wherever located (all being collectively referred to herein as "Collateral"):

(a) the Instruments of such Grantor, together with all payments thereon or thereunder:

(b) all Accounts of such Grantor;

(c) all Inventory of such Grantor;

(d) all General Intangibles (including payment intangibles (as defined in the Uniform Commercial Code) and Software) of such Grantor;

(e) all Equipment (including Motor Vehicles) of such Grantor;

(f) all Documents of such Grantor;

(g) all Contracts of such Grantor;

(h) all Goods of such Grantor;

(i) all Investment Property of such Grantor;

(j) all Deposit Accounts of such Grantor, including, without limitation, the balance from time to time in all bank accounts maintained by such Grantor;

(k) Commercial Tort Claims of such Grantor; specified on Schedule VII, as from time to time updated; and

(l) all other tangible and intangible personal property of such Grantor, including, without limitation, all Proceeds, tort claims, products, accessions, rents, profits, income, benefits, substitutions, additions and replacements of and to any of the property of such Grantor described in the preceding clauses of this Section 3 (including, without limitation, any proceeds of insurance thereon, insurance claims and all rights, claims and benefits against any Person relating thereto), other rights to payments not otherwise included in the foregoing and all books, correspondence, files, records, invoices and other papers, including without limitation all tapes, cards, computer runs, computer programs, computer files and other papers, documents and records in the possession or under the control of such Grantor or any computer bureau or service company from time to time acting for such Grantor.

Section 4. Covenants; Remedies. In furtherance of the grant of the pledge and security interest pursuant to Section 3 hereof, each Grantor hereby agrees with the Collateral Agent, for the benefit of the Secured Creditors, as follows:

4.1. Delivery and Other Perfection; Maintenance, etc.

(a) Delivery of Instruments, Documents, Etc. Each Grantor shall deliver and pledge to the Collateral Agent or its Representative any and all Instruments, negotiable Documents, Chattel Paper and certificated securities (accompanied by undated stock powers executed in blank) duly endorsed and/or accompanied by such instruments of assignment and transfer executed by such Grantor in such form and substance as the Collateral Agent or its Representative may request; provided, that so long as no Event of Default shall have occurred and be continuing, such Grantor may retain for collection in the ordinary course of business any Instruments, negotiable Documents and Chattel Paper received by such Grantor in the ordinary course of business, and the Collateral Agent or its Representative shall, promptly upon request of such Grantor, make appropriate arrangements for making any other Instruments, negotiable Documents and Chattel Paper pledged by such Grantor available to such Grantor for purposes of presentation, collection or renewal (any such arrangement to be effected, to the extent deemed appropriate by the Collateral Agent or its Representative, against trust receipt or like document). If pursuant to the terms hereof any Grantor retains possession of any Chattel Paper, negotiable Documents or Instruments pursuant to the terms hereof, such Chattel

Paper, negotiable Documents and Instruments shall be marked with the following legend: "This writing and the obligations evidenced or secured hereby are subject to the security interest of JPMorgan Chase Bank, N.A., as the Collateral Agent, for the benefit of itself and certain other Secured Creditors."

(b) Other Documents and Actions. Each Grantor shall give, execute, deliver, file and/or record any financing statement, notice, instrument, document, agreement or other papers that may be necessary or desirable (in the reasonable judgment of the Collateral Agent or its Representative) to create, preserve, perfect or validate the security interest granted pursuant hereto or to enable the Collateral Agent or its Representative to exercise and enforce the rights of the Collateral Agent hereunder with respect to such pledge and security interest, provided that notices to account debtors in respect of any Accounts or Instruments shall be subject to the provisions of clause (e) below. Notwithstanding the foregoing, each Grantor hereby irrevocably authorizes the Collateral Agent at any time and from time to time to file in any filing office in any UCC jurisdiction any initial financing statements and amendments thereto that (a) indicate the Collateral (i) as all assets of such Grantor or words of similar effect, regardless of whether any particular asset comprised in the Collateral falls within the scope of Article 9 of the UCC of the State of New York or such jurisdiction, or (ii) as being of an equal or lesser scope or with greater detail, and (b) contain any other information required by part 5 of Article 9 of the UCC of the State of New York for the sufficiency or filing office acceptance of any financing statement or amendment, including (i) whether such Grantor is an organization, the type of organization and any organization identification number issued to such Grantor, and (ii) in the case of a financing statement filed as a fixture filing or indicating Collateral as as-extracted collateral or timber to be cut, a sufficient description of real property to which the Collateral relates. Each Grantor agrees to furnish any such information to the Collateral Agent promptly upon request. Each Grantor also ratifies its authorization for the Collateral Agent to have filed in any UCC jurisdiction any like initial financing statements or amendments thereto if filed prior to the date hereof.

(c) Books and Records. Each Grantor shall maintain at its own cost and expense complete and accurate books and records of the Collateral, including, without limitation, a record of all payments received and all credits granted with respect to the Collateral and all other dealings with the Collateral. Upon the occurrence and during the continuation of any Event of Default, each Grantor shall deliver and turn over any such books and records (or true and correct copies thereof) to the Collateral Agent or its Representative at any time on demand. Each Grantor shall permit any representative of the Collateral Agent to inspect such books and records, upon reasonable prior notice, during normal business hours and will provide photocopies thereof at such Grantor's expense to the Collateral Agent, in each case upon the request of the Collateral Agent.

(d) Motor Vehicles. Each Grantor shall, promptly upon the request of the Collateral Agent or its Representative, cause the Collateral Agent to be listed as the lienholder on each certificate of title or ownership covering any items of Equipment, including Motor Vehicles.

(e) Notice to Account Debtors; Verification. (i) Upon the occurrence and during the continuance of any Event of Default (or if any rights of set-off (other than set-offs against an Account arising under the Contract giving rise to the same Account) or contra accounts may be asserted), upon request of the Collateral Agent or its Representative, each Grantor shall promptly notify (and each Grantor hereby authorizes the Collateral Agent and its Representative so to notify) each account debtor in respect of any Accounts or Instruments or other Persons obligated on the Collateral that such Collateral has been assigned to the Collateral Agent hereunder, and that any payments due or to become due in respect of such Collateral are to be made directly to the Collateral Agent, and (ii) the Collateral Agent and its Representative shall have the right at any time or times to make direct verification with the account debtors or other Persons obligated on the Collateral of any and all of the Accounts or other such Collateral; provided, however, the actions taken relative to an account described in the first parenthetical of this Section 4.1(e)(i) shall be taken only with respect to such account. Following the giving of any notice under Section 4.1(e)(i) and while such Event of Default continues, each Grantor shall hold in trust for the Collateral Agent all amounts and proceeds received by it with respect to such accounts and promptly deliver to the Collateral Agent all such amounts and proceeds in the form so received.

(f) Intellectual Property. Each Grantor represents and warrants that the Copyrights, Patents and Trademarks listed on Schedules III, IV and V, respectively, constitute all of the registered Copyrights and all of the Patents and Trademarks now owned by such Grantor which are registered with any Governmental Authority. If such Grantor shall (i) obtain registered rights to any new patentable inventions, any registered Copyrights or any Patents or Trademarks, or (ii) become entitled to the benefit of any registered Copyrights or any Patents or Trademarks or any improvement on any Patent, the provisions of this Agreement above shall automatically apply thereto and such Grantor shall give to the Collateral Agent prompt written notice thereof. Each Grantor hereby authorizes the Collateral Agent to modify this Agreement by amending Schedules III, IV and V, as applicable, to include any such registered Copyrights or any such Patents and Trademarks. Each Grantor shall have the duty (but no Secured Creditor shall have any duty) (i) to prosecute diligently any patent, trademark, or service mark applications material to the business of such Grantor pending as of the date hereof or hereafter, (ii) to make application on unpatented but patentable inventions and on trademarks, copyrights and service marks material to the business of such Grantor, as appropriate, (iii) to preserve and maintain all rights in the Material IP Items and (iv) to ensure that the Material IP Items are and remain enforceable. Any expenses incurred in connection with any Grantor's obligations under this Section 4.1(f) shall be borne by Grantors. No Grantor shall abandon any right to file a patent, trademark or service mark application, or abandon any pending patent, application or any other Copyright, Patent or Trademark (in each case which is or would constitute a Material IP Item) without the written consent of the Collateral Agent, which consent shall not be unreasonably withheld.

(g) Further Identification of Collateral. Each Grantor will, when and as often as requested by the Collateral Agent or its Representative, furnish to the Collateral Agent or such Representative, statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Collateral Agent or its Representative may reasonably request, all in reasonable detail.

(h) Investment Property. Each Grantor will take any and all actions reasonably required or requested by the Collateral Agent, from time to time, to (i) cause the Collateral Agent to obtain exclusive control of any Investment Property owned by such Grantor in a manner reasonably acceptable to the Collateral Agent and (ii) obtain from any issuers of Investment Property written confirmation of the Collateral Agent's Control over such Investment Property. For purposes of this Section 4.1(h), the Collateral Agent shall have exclusive control of Investment Property if (i) such Investment Property consists of certificated securities and such Grantor delivers such certificated securities to the Collateral Agent (with appropriate endorsements if such certificated securities are in registered form and (iii) in the case of any other Investment Property, the Collateral Agent has Control thereof for all applicable purposes of the Uniform Commercial Code.

(i) Compliance with Credit Documents. Each Grantor shall comply with the provisions of the Credit Documents applicable thereto, including, without limitation, maintenance of insurance, restrictions on dispositions, and providing the Collateral Agent and its representatives the right to inspections with respect to the Collateral.

(j) Commercial Tort Claims. Each Grantor shall within a reasonable time notify the Collateral Agent of any material Commercial Tort Claim (as defined in the Uniform Commercial Code) acquired by it and unless otherwise consented to by the Collateral Agent, such Grantor shall enter into a supplement to this Agreement, granting to the Collateral Agent a Lien on and security interest in such Commercial Tort Claim.

4.2. Other Liens. Grantors will not create, permit or suffer to exist, and will defend the Collateral against and take such other action as is necessary to remove, any Lien on the Collateral except Liens expressly permitted pursuant to the Credit Agreement, and will defend the right, title and interest of the Collateral Agent in and to the Collateral and in and to all Proceeds thereof against the claims and demands of all Persons whatsoever.

4.3. Preservation of Rights. Whether or not any Event of Default has occurred or is continuing, the Collateral Agent and its Representative may, but shall not be required to, take any steps the Collateral Agent or its Representative deems necessary or appropriate to preserve any Collateral or any rights against third parties to any of the Collateral, including obtaining insurance of Collateral at any time when a Grantor has failed to do so, and any applicable Grantor shall promptly pay, or reimburse the Collateral Agent for, all expenses incurred in connection therewith.

4.4. Name Change; Location; Bailees.

(a) Except as otherwise permitted by the Credit Agreement, no Grantor shall (i) reincorporate or reorganize itself under the laws of any jurisdiction other than the jurisdiction in which it is incorporated or organized as of the date hereof or (ii) otherwise change its name, identity or corporate structure. Each Grantor will notify the Collateral

Agent promptly in writing prior to any change in the proposed use by such Grantor of any tradename or fictitious business name other than any such name set forth on Schedule II attached hereto.

(b) Except for the sale of Inventory in the ordinary course of business, the transfer of raw materials, work in process and Inventory in the ordinary course of business, and as expressly permitted in the Credit Agreement, each Grantor will keep the Collateral at the locations specified in Schedule I or such other locations as to which notice has been given to the Collateral Agent by such Grantor pursuant to this Section and with respect to which such Grantor has taken such action as the Collateral Agent shall have reasonably requested to protect and preserve its interests in the Collateral to be located at such location (including the securing of landlord waivers or similar documents for any location (other than retail locations and locations outside the United States) at which Collateral having an aggregate value in excess of $100,000 is or is expected to be located). Each Grantor will give the Collateral Agent thirty (30) days' prior written notice of any change in such Grantor's chief place of business or of any new location for any of the Collateral.

(c) If any Collateral having an aggregate value in excess of $100,000 is at any time in the possession or control of any warehouseman, bailee, consignee or processor, Grantors shall, upon the request of the Collateral Agent or its Representative, notify such warehouseman, bailee, consignee or processor (other than, with respect to Inventory located at retail locations or locations outside the United States) of the Lien and security interest created hereby and shall instruct such Person to hold all such Collateral for the Collateral Agent's account subject to the Collateral Agent's instructions.

(d) Each Grantor acknowledges that it is not authorized to file any financing statement or amendment or termination statement with respect to any financing statement filed by the Collateral Agent without the prior written consent of the Collateral Agent and agrees that it will not do so without the prior written consent of the Collateral Agent, subject to such Grantor's rights under Section 9-509(d)(2) to the Uniform Commercial Code.

(e) No Grantor shall enter into any Contract that restricts or prohibits the grant to the Collateral Agent of a security interest in Accounts, Chattel Paper, Instruments or payment intangibles or the proceeds of the foregoing.

4.5. Bank Accounts.

(a) At the Collateral Agent's request, on the date hereof, or at any time hereafter, the Collateral Agent and each Grantor shall enter into a bank agency agreement ("Bank Agency Agreement"), in a form reasonably acceptable to the Collateral Agent, with each financial institution with which such Grantor maintains from time to time any deposit accounts (general or special), which financial institutions (as of the date hereof) are set forth on Schedule VI attached hereto. Pursuant to the Bank Agency Agreements and pursuant hereto, each Grantor grants and shall grant to the Collateral Agent a continuing Lien upon, and security interest in, all such existing or hereafter created

accounts and all funds at any time paid, deposited, credited or held in such accounts (whether for collection, provisionally or otherwise) or otherwise in the possession of such financial institutions, and each such financial institution shall act as the Collateral Agent's agent in connection therewith. Following the date hereof, no Grantor shall establish any deposit account with any financial institution unless such Grantor shall have given the Collateral Agent five Business Days' prior written notice of its intent to open such account (or such other notice as may be acceptable to the Collateral Agent) and, if requested by the Collateral Agent, the Collateral Agent and such Grantor shall have entered into a Bank Agency Agreement with such financial institution.

(b) Upon the Collateral Agent's request following an Event of Default and during the continuance thereof, each Grantor shall establish lock-box or blocked accounts (collectively, "Blocked Accounts") in such Grantor's name with such banks as are acceptable to the Collateral Agent ("Collecting Banks"), subject to instructions (irrevocable while such Event of Default continues) in a form specified by the Collateral Agent, to which the obligors of all Accounts shall be instructed by such Grantor to directly remit all payments on Accounts and in which such Grantor will immediately deposit all cash payments for Inventory or other cash payments constituting proceeds of Collateral in the identical form in which such payment was made, whether by cash or check. In addition, following the occurrence and during the continuation of an Event of Default, the Collateral Agent may establish one or more depository accounts at each Collecting Bank or at a centrally located bank (collectively, the "Depository Account"). All amounts held or deposited in the Blocked Accounts held by such Collecting Bank shall be transferred to the Depository Account without any further notice or action required by the Collateral Agent. Subject to the foregoing, each Grantor hereby agrees that all payments received by the Collateral Agent or any Lender whether by cash, check, wire transfer or any other instrument, made to such Blocked Accounts or otherwise received by the Collateral Agent or any Lender and whether in respect of the Accounts or as proceeds of other Collateral or otherwise will be the sole and exclusive property of the Collateral Agent for the benefit of the Secured Creditors. Upon the occurrence and during the continuation of an Event of Default, each Grantor, and any of its Affiliates, employees, agents and other Persons acting for or in concert with such Grantor shall, acting as trustee for the Collateral Agent, receive, as the sole and exclusive property of the Collateral Agent, any moneys, checks, notes, drafts or other payments relating to and/or proceeds of Accounts or other Collateral which come into the possession or under the control of such Grantor or any Affiliates, employees, agent or other Persons acting for or in concert with such Grantor, and immediately upon receipt thereof, such Grantor or Persons shall deposit the same or cause the same to be deposited in kind, in a Blocked Account.

4.6. Events of Default, Etc. During the period during which an Event of Default shall have occurred and be continuing:

(a) Each Grantor shall, at the request of the Collateral Agent or its Representative, assemble the Collateral and make it available to the Collateral Agent or its Representative at a place or places designated by the Collateral Agent or its Representative which are reasonably convenient to the Collateral Agent or its Representative, as applicable, and such Grantor;

(b) the Collateral Agent or its Representative may make any reasonable compromise or settlement deemed desirable with respect to any of the Collateral and may extend the time of payment, arrange for payment in installments, or otherwise modify the terms of, any of the Collateral;

(c) the Collateral Agent shall have all of the rights and remedies with respect to the Collateral of a secured party under the UCC(whether or not said UCC is in effect in the jurisdiction where the rights and remedies are asserted) and such additional rights and remedies to which a secured party is entitled under the laws in effect in any jurisdiction where any rights and remedies hereunder may be asserted, including, without limitation, the right, to the maximum extent permitted by law, to exercise all voting, consensual and other powers of ownership pertaining to the Collateral as if the Collateral Agent were the sole and absolute owner thereof (and each Grantor agrees to take all such action as may be appropriate to give effect to such right);

(d) the Collateral Agent or its Representative in their discretion may, in the name of the Collateral Agent or in the name of any Grantor or otherwise, demand, sue for, collect or receive any money or property at any time payable or receivable on account of or in exchange for any of the Collateral, but shall be under no obligation to do so;

(e) the Collateral Agent, or its Representative, may take immediate possession and occupancy of any premises owned, used or leased by any Grantor and exercise all other rights and remedies of an assignee which may be available to the Collateral Agent; and

(f) the Collateral Agent may, upon ten (10) Business Days' prior written notice to the Grantors of the time and place (which notice each Grantor hereby agrees is commercially reasonable notification for purposes hereof), with respect to the Collateral or any part thereof which shall then be or shall thereafter come into the possession, custody or control of the Collateral Agent or its Representative, sell, lease, license, assign or otherwise dispose of all or any part of such Collateral, at such place or places as the Collateral Agent deems best, and for cash or for credit or for future delivery (without any Secured Creditor thereby assuming any credit risk), at public or private sale, without demand of performance or notice of intention to effect any such disposition or of the time or place thereof (except such notice as is required above or by applicable statute and cannot be waived), and the Collateral Agent or anyone else may be the purchaser, lessee, licensee, assignee or recipient of any or all of the Collateral so disposed of at any public sale (or, to the extent permitted by law, at any private sale) and thereafter hold the same absolutely, free from any claim or right of whatsoever kind, including any right or equity of redemption (statutory or otherwise), of Grantors, any such demand, notice and right or equity being hereby expressly waived and released. The Collateral Agent may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for the sale, and such sale may be made at any time or place to which the sale may be so adjourned.

The proceeds of each collection, sale or other disposition under this Section 4.6 shall be applied in accordance with Section 4.7 hereof. If such proceeds are insufficient to cover the costs and expenses of such realization and the payment in full of the Secured Obligations, the Grantors shall remain liable for any deficiency.

4.7. Application of Proceeds. The proceeds of any collection, sale or other realization of all or any part of the Collateral, and any other cash at the time held by the Collateral Agent under this Agreement, shall be applied in the manner set forth in Section 9.16 of the Credit Agreement.

4.8. Attorney in Fact. Each Grantor hereby irrevocably constitutes and appoints the Collateral Agent, with full power of substitution, as its true and lawful attorney in fact with full irrevocable power and authority in the place and stead of such Grantor and in the name of such Grantor or in its own name, from time to time in the discretion of the Collateral Agent, for the purpose of carrying out the terms of this Agreement, to take any and all appropriate action and to execute and deliver any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Agreement and, without limiting the generality of the foregoing, hereby gives the Collateral Agent the power and right, on behalf of such Grantor, without notice to or assent by such Grantor, to do the following upon the occurrence and during the continuation of any Event of Default:

(a) to ask, demand, collect, receive and give acquittance and receipts for any and all moneys due and to become due under any Collateral and, in the name of such Grantor or its own name or otherwise, to take possession of and endorse and collect any checks, drafts, notes, acceptances or other Instruments for the payment of moneys due under any Collateral and to file any claim or to take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by the Collateral Agent for the purpose of collecting any and all such moneys due under any Collateral whenever payable and to file any claim or to take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by the Collateral Agent for the purpose of collecting any and all such moneys due under any Collateral whenever payable;

(b) to pay or discharge charges or Liens levied or placed on or threatened against the Collateral (other than the Liens expressly permitted pursuant to the Credit Agreement), to effect any insurance called for by the terms of this Agreement and to pay all or any part of the premiums therefor;

(c) to direct any party liable for any payment under any of the Collateral to make payment of any and all moneys due, and to become due thereunder, directly to the Collateral Agent or as the Collateral Agent shall direct, and to receive payment of and receipt for any and all moneys, claims and other amounts due, and to become due at any time, in respect of or arising out of any Collateral;

(d) to sign and indorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications and notices in connection with accounts and other Documents constituting or relating to the Collateral;

(e) to commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any part thereof and to enforce any other right in respect of any Collateral;

(f) to defend any suit, action or proceeding brought against such Grantor with respect to any Collateral;

(g) to settle, compromise or adjust any suit, action or proceeding described above and, in connection therewith, to give such discharges or releases as the Collateral Agent may deem appropriate;

(h) to the extent that such Grantor's authorization given in Section 4.1(b) of this Agreement is not sufficient, to file such financing statements with respect to this Agreement, with or without such Grantor's signature, or to file a photocopy of this Agreement in substitution for a financing statement, as the Collateral Agent may deem appropriate, and to execute in such Grantor's name such financing statements and amendments thereto and continuation statements which may require the such Grantor's signature; and

(i) generally to sell, transfer, pledge, make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though the Collateral Agent were the absolute owner thereof for all purposes, and to do, at the Collateral Agent's option and at such Grantor's expense, at any time, or from time to time, all acts and things which the Collateral Agent reasonably deems necessary to protect, preserve or realize upon the Collateral and the Collateral Agent's Lien therein, in order to effect the intent of this Agreement, all as fully and effectively as such Grantor might do.

Each Grantor hereby ratifies, to the extent permitted by law, all that such attorneys lawfully do or cause to be done by virtue hereof and in accordance herewith. The power of attorney granted hereunder is a power coupled with an interest and shall be irrevocable until this Agreement is terminated pursuant to Section 4.10 hereof, but is only effective and exercisable as set forth herein.

Each Grantor also authorizes the Collateral Agent, at any time from and after the occurrence and during the continuation of any Event of Default, (x) to communicate in its own name with any party to any Contract with regard to the assignment of the right, title and interest of such Grantor in and under the Contracts hereunder and other matters relating thereto and (y) to execute, in connection with any sale of Collateral provided for in Section 4.6 hereof, any endorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral.

4.9. Perfection. Prior to or concurrently with the execution and delivery of this Agreement, each Grantor shall:

(a) furnish to the Collateral Agent such financing statements, assignments for security and other documents in such offices as may be necessary or as the Collateral Agent or the Representative may request to perfect the security interests granted by Section 3 of this Agreement;

(b) at the Collateral Agent's request, deliver to the Collateral Agent or its Representative the originals of all Instruments together with, in the case of Instruments constituting promissory notes, allonges attached thereto showing such promissory notes to be payable to the order of a blank payee; and

(c) at the Collateral Agent's request, deliver to the Collateral Agent or its Representative the originals of all Motor Vehicle titles, duly endorsed indicating the Collateral Agent's interest therein as lienholder.

4.10. Termination. This Agreement and the Liens granted hereunder shall terminate upon the termination of the Credit Agreement, the full and complete performance and indefeasible satisfaction of all the Secured Obligations (other than contingent indemnification obligations) and the termination of all commitments which could give rise to Secured Obligations, whereupon the Collateral Agent shall forthwith cause to be assigned, transferred and delivered, against receipt but without any recourse, warranty or representation whatsoever, any remaining Collateral to or on the order of the Grantors. The Collateral Agent, at the Grantors' expense, shall also execute and deliver to the Grantors upon such termination such UCC termination statements and such other documentation as shall be reasonably requested by the Grantors to effect the termination and release of the Liens in favor of the Collateral Agent created hereby.

4.11. Further Assurances. At any time and from time to time, upon the written request of the Collateral Agent or its Representative, and at the sole expense of Grantors, Grantors will promptly and duly execute and deliver any and all such further instruments, documents and agreements and take such further actions as the Collateral Agent or its Representative may reasonably require in order for the Collateral Agent to obtain the full benefits of this Agreement and of the rights and powers herein granted in favor of the Collateral Agent, including, without limitation, using the Grantors' best efforts to secure all consents and approvals necessary or appropriate for the assignment to the Collateral Agent of any Collateral held by any Grantor or in which any Grantor has any rights not heretofore assigned, the filing of any financing or continuation statements under the UCC with respect to the liens and security interests granted hereby, transferring Collateral to the Collateral Agent's possession (if a security interest in such Collateral can be perfected by possession), placing the interest of the Collateral Agent as lienholder on the certificate of title of any Motor Vehicle and obtaining waivers of liens from landlords and mortgagees. Each Grantor also hereby authorizes the Collateral Agent and its Representative to file any such financing or continuation statement without the signature of such Grantor to the extent permitted by applicable law.

4.12. Limitation on Duty of the Collateral Agent. The powers conferred on the Collateral Agent under this Agreement are solely to protect the Collateral Agent's interest in the Collateral and shall not impose any duty upon it to exercise any such powers. The Collateral Agent shall be accountable only for amounts that it actually receives as a result of the exercise of

such powers and neither the Collateral Agent nor its Representative nor any of their respective officers, directors, employees or agents shall be responsible to Grantors for any act or failure to act, except for gross negligence or willful misconduct. Without limiting the foregoing, the Collateral Agent and any Representative shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral in their possession if such Collateral is accorded treatment substantially equivalent to that which the Collateral Agent or any Representative, in its individual capacity, accords its own property consisting of the type of Collateral involved, it being understood and agreed that neither any Secured Creditor nor any Representative shall have any responsibility for taking any necessary steps (other than steps taken in accordance with the standard of care set forth above) to protect, preserve or exercise rights against any Person with respect to any Collateral and the Collateral Agent shall be relieved of all responsibility for the Collateral upon surrendering same to the applicable Grantor.

Also without limiting the generality of the foregoing, neither any Secured Creditor nor any Representative shall have any obligation or liability under any Contract or license by reason of or arising out of this Agreement or the granting to the Collateral Agent of a security interest therein or assignment thereof or the receipt by any Secured Creditor or any Representative of any payment relating to any Contract or license pursuant hereto, nor shall any Secured Creditor or any Representative be required or obligated in any manner to perform or fulfill any of the obligations of any Grantor under or pursuant to any Contract or license, or to make any payment, or to make any inquiry as to the nature or the sufficiency of any payment received by it or the sufficiency of any performance by any party under any Contract or license, or to present or file any claim, or to take any action to collect or enforce any performance or the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

Nothing in this Agreement shall be construed to subject the Collateral Agent or any Secured Creditor to liability as an owner of any Collateral, nor shall the Collateral Agent or any Secured Creditor be deemed to have assumed any obligations under any agreement or instrument included as Collateral, unless and until in each case the Collateral Agent enforces its rights hereunder after an Event of Default in such a manner as to actually take ownership of such Collateral pursuant to a foreclosure or similar action.

Section 5. Miscellaneous.

5.1. No Waiver. No failure on the part of the Collateral Agent or any of its Representatives to exercise, and no course of dealing with respect to, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise by the Collateral Agent or any of its Representatives of any right, power or remedy hereunder preclude any other or further exercise thereof or the exercise of any other right, power or remedy. The rights and remedies hereunder provided are cumulative and may be exercised singly or concurrently, and are not exclusive of any rights and remedies provided by law.

5.2. Notices. All notices, demands and requests that any party is required or elects to give to any other party shall be given in accordance with the provisions of Section 9.01 of the Credit Agreement, and if given (i) to the Collateral Agent, shall be given to it at 10 South Dearborn Street, Floor 7, Chicago, Illinois 60603-2003 or as otherwise specified by the

Collateral Agent in writing, (ii) to a Grantor other than the Borrower, shall be given to it c/o the Borrower at the Borrower's address specified in the Credit Agreement and (iii) to the Borrower, shall be given to it at its address specified in the Credit Agreement.

5.3. Amendments, etc. The terms of this Agreement may be waived, altered or amended only by an instrument in writing duly executed by each Grantor and the Collateral Agent with (other than in the case of amendments hereof solely for the purpose of adding Collateral as contemplated hereby) the concurrence or at the direction of the Required Secured Creditors. Any such amendment or waiver shall be binding upon the Collateral Agent and each Grantor and their respective successors and assigns.

5.4. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto, the Secured Creditors and the respective successors and assigns of each of the foregoing, provided, that no Grantor shall assign or transfer its rights hereunder without the prior written consent of the Collateral Agent.

5.5. Counterparts; Headings. This Agreement may be authenticated in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the parties hereto may authenticate this Agreement by signing any such counterpart. This Agreement may be authenticated by manual signature, facsimile or, if approved in writing by the Collateral Agent, electronic means, all of which shall be equally valid. The headings in this Agreement are for convenience of reference only and shall not alter or otherwise affect the meaning hereof.

5.6. Severability. If any provision hereof is invalid and unenforceable in any jurisdiction, then, to the fullest extent permitted by law, (a) the other provisions hereof shall remain in full force and effect in such jurisdiction and shall be liberally construed in favor of the Collateral Agent and its Representative in order to carry out the intentions of the parties hereto as nearly as may be possible and (b) the invalidity or unenforceability of any provision hereof in any jurisdiction shall not affect the validity or enforceability of such provision in any other jurisdiction.

5.7. Entire Agreement. This Agreement embodies the entire agreement and understanding between the Grantors and the Collateral Agent with respect to the subject matter hereof and supersedes all prior oral and written agreements and understandings between any Grantor and the Collateral Agent relating to the subject matter hereof. This Agreement supplements the other Credit Documents and nothing in this Agreement shall be deemed to limit or supersede the rights granted to the Collateral Agent or the other Secured Creditors in any other Credit Document. In the event of any conflict between this Agreement and the Credit Agreement, the provisions of the Credit Agreement shall govern. In the event of any inconsistencies between the provisions of this Agreement and the provisions of the Pledge Agreement relating to Pledged Collateral, the provisions of the Pledge Agreement relating to the Pledged Collateral shall govern.

5.8. Choice of Law, Submission to Jurisdiction, etc.

(a) This Agreement shall be construed in accordance with and governed by the laws of the State of New York.

(b) Each Grantor hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that any Secured Creditor may otherwise have to bring any action or proceeding relating to this Agreement against such Grantor or its properties in the courts of any jurisdiction.

(c) Each Grantor hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in this Section 5. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

5.9. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Security Agreement to be duly executed and delivered as of the day and year first above written.

GRANTORS:

VERA BRADLEY DESIGNS, INC.

By: /s/ Patricia R. Miller

Title: President

VERA BRADLEY RETAIL STORES, LLC

By: /s/ Patricia R. Miller

Title: President

VERA BRADLEY INTERNATIONAL, LLC

By: /s/ Patricia R. Miller

Title: President

COLLATERAL AGENT:

JPMORGAN CHASE BANK, N.A., as Collateral Agent for the benefit of the Secured Creditors

By: /s/ William J. Schafter

Title: Vice President

Joinder to Security Agreement

The undersigned, Vera Bradley, Inc., an Indiana corporation, as of the 4th day of October, 2010, hereby joins in the execution of that certain Security Agreement dated as of November 26, 2008 (as the same may be amended, restated, supplemented or otherwise modified and in effect from time to time, the "Security Agreement") among Vera Bradley Designs, Inc., Vera Bradley Retail Stores, LLC, Vera Bradley International, LLC and each other Person that becomes a Grantor thereunder after the date and pursuant to the terms thereof, to and in favor of JPMorgan Chase Bank, N.A., as Collateral Agent. Capitalized terms used but not defined herein have the meanings given them in the Security Agreement. By executing this Joinder, the undersigned hereby agrees that it is a Grantor thereunder and agrees to be bound by all of the terms and provisions of the Security Agreement (giving effect to the provisions of Section 4(b) and (c) of the Reaffirmation of Guaranty and Security Documents dated as of the date hereof, to which provisions the undersigned hereby agrees).

The undersigned represents and warrants to the Collateral Agent and the other Secured Creditors that:

(a) all of the Equipment, Inventory and Goods owned by such Grantor is located at the places as specified on Schedule I attached hereto;

(b) except as disclosed on Schedule I, none of such Collateral is in the possession of any bailee, warehousemen, processor or consignee;

(c) the chief place of business, chief executive office and the office where such Grantor keeps its books and records are located at the place specified on Schedule I;

(d) such Grantor (including any Person acquired by such Grantor) does not do business or has not done business during the past five years under any tradename or fictitious business name, except as disclosed on Schedule II; and

(e) all Copyrights, Patents and Trademarks owned by the undersigned are listed in Schedules III, IV and V, respectively.

(f) all depository and other accounts maintained by such Grantor are described on Schedule VI; and

(g) all Commercial Tort Claims of such Grantor are listed in Schedule VII.

VERA BRADLEY, INC., an Indiana corporation

By: /s/ Michael C. Ray
Name: Michael C. Ray
Title: Chief Executive Officer
FEIN: _____

Exhibit 10.10

PLEDGE AGREEMENT

PLEDGE AGREEMENT (this "Agreement"), dated as of November 26, 2008, is among Vera Bradley Designs, Inc., an Indiana corporation (the "Borrower"), Vera Bradley Retail Stores, LLC, an Indiana limited liability company, and Vera Bradley International, LLC, an Indiana limited liability company (the "Subsidiary Guarantors") (the Borrower, Subsidiary Guarantors and each Person who becomes a party to this Agreement by execution of a joinder in the form of Exhibit C hereto, are sometimes collectively referred to herein as "Pledgors" and each individually as a "Pledgor"), and JPMorgan Chase Bank, N.A., as Collateral Agent for the benefit of the Secured Creditors (the "Collateral Agent").

W I T N E S S E T H:

WHEREAS, contemporaneously herewith the Borrower is entering into that certain Credit Agreement of even date herewith (the same, as it may be amended, restated, modified or supplemented and in effect from time to time, being herein referred to as the "Credit Agreement") with JPMorgan Chase Bank, N.A., as Administrative Agent (the "Administrative Agent"), and the Lenders, providing for the Lenders to make available to the Borrower certain credit facilities on the terms and conditions set forth therein;

WHEREAS, one or more Pledgors may from time to time on or after the date hereof enter into, or guaranty the obligations of one or more other Pledgors or any of their respective Subsidiaries under, one or more Swap Agreements permitted by the Credit Agreement with a Lender or an Affiliate of a Lender;

WHEREAS, all of the issued and outstanding Equity Interests owned by each Pledgor that comprise Pledged Shares (as defined herein) are set forth on Exhibit A hereto (the issuer of each such Equity Interest, together with each other issuer of Equity Interests which are hereafter acquired by any Pledgor, is referred to herein as an "Issuer" and collectively as the "Issuers");

WHEREAS, each of the Pledgors other than the Borrower is a direct or indirect subsidiary of the Borrower, will benefit directly and indirectly from the credit facilities made available pursuant to the Credit Agreement and from the entering into of Swap Agreements or Banking Services Agreements by Pledgors or their Subsidiaries, and has entered into that certain Subsidiary Guaranty of even date herewith; and

WHEREAS, to induce the Collateral Agent and the Lenders to enter into the Credit Agreement and make available the credit facilities thereunder and to induce Lenders and their Affiliates to enter into the Swap Agreements or Banking Services Agreements, Pledgors have agreed to pledge to the Collateral Agent, for the benefit of the Collateral Agent and the Secured Creditors, the Equity Interests of the Issuers now or hereafter owned or acquired by any Pledgor on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. Definitions. Unless otherwise defined herein, all capitalized terms used herein shall have the respective meanings ascribed thereto in the Credit Agreement. Terms defined in the Uniform Commercial Code, as in effect in the State of New York from time to time (the "UCC"), which are not otherwise defined in this Agreement or in the Credit Agreement are used in this Agreement as defined in the UCC as in effect on the date hereof. In addition, as used herein:

"Banking Services Agreements" has the meaning assigned to such term in the Security Agreement.

"Banking Services Obligations" has the meaning assigned to such term in the Security Agreement.

"Event of Default" shall mean one or more of the following events or occurrences: (a) an Event of Default (as defined in the Credit Agreement); (b) any Pledgor shall fail to observe or perform any covenant, condition or agreement contained in Section 5(a)(i) or 6 of this Agreement; or (c) any Pledgor shall fail to observe or perform any covenant, condition or agreement contained in this Agreement (other than those specified in clause (b) of this definition), and such failure shall continue unremedied for a period of 30 days after the earlier of (i) the first day on which any executive officer of a Credit Party has knowledge of such failure or (ii) the date written notice thereof has been given to the Borrower or such Pledgor by the Administrative Agent (which notice will be given at the request of any Lender).

"General Intangibles" has the meaning assigned to such term in the Security Agreement.

"Obligations" means all unpaid principal of and accrued and unpaid interest on the Loans, all LC Exposure, all accrued and unpaid fees and all expenses, reimbursements, indemnities and other obligations of the Credit Parties to the Lenders or to any Lender, the Administrative Agent, the Collateral Agent, the Issuing Bank or any indemnified party arising under the Credit Documents.

"Pledged Collateral" shall have the meaning ascribed thereto in Section 2 below.

"Pledged Shares" shall have the meaning ascribed thereto in Section 2 below.

"Proceeds" means "proceeds", as such term is defined in the UCC and, in any event, includes, without limitation, (a) any and all proceeds of any insurance, indemnity, warranty or guaranty payable with respect to any of the Pledged Collateral, (b) any and all payments (in any form whatsoever) made or due and payable from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of all or any part of the Pledged Collateral by any governmental body, authority, bureau or agency (or any person acting under color of governmental authority), (c) all Stock Rights and (d) any and all other amounts from time to time paid or payable under, in respect of or in connection with any of the Pledged Collateral.

"Representative" means any Person acting as agent, representative or trustee on behalf of the Collateral Agent from time to time.

"Required Secured Creditors" means (a) prior to the date upon which the Credit Agreement has terminated by its terms and all of the Obligations have been paid in full, the Required Lenders (or if so required by Section 9.02 of the Credit Agreement, all the Lenders), and (b) after the Credit Agreement has terminated by its terms and all of the Obligations have been paid in full, Secured Creditors holding in the aggregate at least a majority of the aggregate (i) net early termination payments and all other amounts then due and unpaid from any Pledgor to the Lenders under any Swap Agreement and (ii) due and unpaid Banking Services Obligations, in each case as determined by the Administrative Agent in its reasonable discretion.

"Secured Creditors" means, collectively, each Lender (even if such Lender ceases to be a Lender under the Credit Agreement), its Affiliates which are holders of Banking Services Obligations or Swap Obligations, the Issuing Bank, the Administrative Agent, the Collateral Agent and all of their successors and assigns.

"Secured Obligations" means all Obligations, all Banking Services Obligations owing to one or more Lenders or their respective Affiliates and all Swap Obligations owing to one or more Lenders or their respective Affiliates.

"Securities" has the meaning given such term in Section 8-102(a)(15) of the UCC.

"Stock Rights" means all dividends, instruments or other distributions and any stocks, shares, warrants, options or other securities rights or any other right or property which the Pledgors shall receive or shall become entitled to by way of dividend bonus, redemption, exchange, purchase, substitution, conversion, consolidation, subdivision, preference or otherwise to receive for any reason whatsoever with respect to the Pledged Shares of, in substitution for or in exchange for any Equity Interest constituting Pledged Collateral, any right to receive an Equity Interest and any right to receive earnings, interest or other income which may be paid or payable in which the Pledgors now have or hereafter acquire any right, issued by an issuer of such Equity Interest.

"Swap Obligations" of a Person means any and all obligations of such Person, whether absolute or contingent and howsoever and whensoever created, arising, evidenced or acquired (including all renewals, extensions and modifications thereof and substitutions therefor), under (a) any and all Swap Agreements, and (b) any and all cancellations, buy backs, reversals, terminations or assignments of any Swap Agreement transaction.

Section 2. Pledge.

(a) As collateral security for the prompt payment in full when due (whether at stated maturity, by acceleration or otherwise) of the Secured Obligations, the Pledgors hereby pledge, assign, hypothecate, transfer, deliver and grant to the Collateral Agent, for the benefit of the Secured Creditors, a first Lien on and first security interest in (i) the Equity Interests set forth on Exhibit A hereto (collectively, the "Pledged Shares"), (ii) all

other property hereafter delivered to, or in the possession or in the custody of, the Collateral Agent, in substitution for or in addition to the Pledged Shares, (iii) any other property of such Pledgor, as described in Section 4 below, now or hereafter delivered to, or in the possession or custody of such Pledgor and (iv) all Proceeds of the collateral described in the preceding clauses (i), (ii) and (iii) (the collateral described in clauses (i) through (iv) of this Section 2 being collectively referred to as the "Pledged Collateral"). Notwithstanding anything else in this Agreement and except as required under Section 5.10(b) of the Credit Agreement, the Pledgors shall not at any time under this Agreement have pledged more than 65% of the voting Equity Interests of any Foreign Subsidiary; and Pledged Collateral shall not constitute more than 65% of the voting Equity Interests of any Foreign Subsidiary; and

(b) All of the Pledged Shares now owned by each Pledgor which are presently represented by stock certificates are listed on Exhibit A hereto, which stock certificates, with undated stock powers duly executed in blank by such Pledgor and irrevocable proxies, are being delivered to the Collateral Agent, for the benefit of the Secured Creditors, simultaneously herewith. Each Pledgor shall execute an Addendum in the form of Exhibit B hereto (an "Addendum") upon creation or acquisition by such Pledgor of any Equity Interest in any other Issuer or any additional Equity Interest in Issuers named on Exhibit A. The Collateral Agent, on behalf of the Secured Creditors, shall maintain possession and custody of the certificates representing the Pledged Shares and any additional Pledged Collateral.

Section 3. Representations and Warranties of Pledgors. Each Pledgor represents and warrants to, and covenants with, the Collateral Agent, for the benefit of the Secured Creditors, as follows:

(a) such Pledgor is the record and beneficial owner of, and has legal title to, the Pledged Shares, including without limitation the Pledged Shares listed on Exhibit A, and such shares are and will remain and all other Equity Interests constituting Pledged Collateral will be, free and clear of all Liens and other encumbrances and restrictions whatsoever, except the Liens created by this Agreement or the other Credit Documents;

(b) such Pledgor has full power, authority and legal right to execute this Agreement and to pledge the Pledged Shares and any additional Pledged Collateral to the Collateral Agent, for the benefit of the Secured Creditors;

(c) this Agreement has been duly authorized, executed and delivered by such Pledgor and constitutes a legal, valid and binding obligation of such Pledgor enforceable in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, moratorium, reorganization and other similar laws affecting the enforcement of creditors' rights generally;

(d) there are no outstanding options, warrants or other agreements with respect to the Pledged Shares;

(e) the Pledged Shares have been, and all additional Pledged Collateral constituting capital stock will be, duly and validly authorized and issued, and are or will be fully paid and non-assessable. The Pledged Shares listed on Exhibit A constitute the percentage of the issued and outstanding Equity Interests of such class of the Issuers specified on Exhibit A;

(f) no consent, approval or authorization of or designation or filing with any Governmental Authority on the part of such Pledgor is required in connection with or as a condition to the pledge and security interest granted under this Agreement, or the exercise by the Collateral Agent of the voting and other rights provided for in this Agreement except as may be required in connection with disposition of the Pledged Collateral by laws affecting the offering and sale of securities generally;

(g) the execution, delivery and performance of this Agreement by such Pledgor will not violate any provision of any applicable law or regulation or of any order, judgment, writ, award or decree of any court, arbitrator or Governmental Authority, or of the charter or by-laws or similar governing documents of such Pledgor or any Issuer or of any securities issued by any Issuer or of any mortgage, indenture, lease, contract, or other agreement, instrument or undertaking to which such Pledgor or any Issuer is a party or which purports to be binding upon such Pledgor or any Issuer or upon any of their respective assets, and will not result in the creation or imposition of any lien, charge or encumbrance on or security interest in any of the assets of such Pledgor or any Issuer except as contemplated by this Agreement or the Credit Agreement;

(h) the pledge, assignment and delivery to the Collateral Agent of the Pledged Shares pursuant to this Agreement creates a valid first priority Lien on and a first perfected security interest in the Pledged Shares and the Proceeds thereof in favor of the Collateral Agent, for the benefit of the Secured Creditors, subject to no prior Lien. Such Pledgor covenants and agrees that it will defend the Collateral Agent's right, title and security interest in and to the Pledged Shares and the proceeds thereof against the claims and demands of all persons whomsoever.

(i) with respect to any certificates delivered to the Collateral Agent representing Pledged Collateral, either such certificates are Securities as defined in Article 8 of the UCC as a result of actions by the Issuer or otherwise, or, if such certificates are not Securities, such Pledgor has so informed the Collateral Agent so that the Collateral Agent may take steps to perfect its security interest therein as a General Intangible;

(j) all Pledged Collateral owned by such Pledgor and held by a securities intermediary is covered by a control agreement among such Pledgor, the securities intermediary and the Collateral Agent pursuant to which the Collateral Agent has Control; and

(k) none of the Pledged Collateral owned by such Pledgor has been issued or transferred in violation of the securities registration, securities disclosure or similar laws of any jurisdiction to which such issuance or transfer may be subject.

Section 4. Stock Dividends, Distributions, etc. If, while this Agreement is in effect, any Pledgor shall become entitled to receive or shall receive any certificate representing Equity Interests constituting Pledged Collateral (including, without limitation, any certificate representing a stock dividend or a stock distribution in connection with any reclassification, increase or reduction of capital, or issued in connection with any reorganization, merger or consolidation), or any options or rights, whether as an addition to, in substitution for, or in exchange for any of the Pledged Shares, or otherwise, such Pledgor agrees to accept the same as the Collateral Agent's agent and to hold the same in trust for the Collateral Agent, and to deliver the same forthwith to the Collateral Agent in the exact form received, with the endorsement of such Pledgor when necessary and/or appropriate undated stock powers duly executed in blank, to be held by the Collateral Agent, for the benefit of the Secured Creditors, subject to the terms hereof, as additional Pledged Collateral. In case any distribution of capital shall be made on or in respect of the Pledged Shares or any property shall be distributed upon or with respect to the Pledged Shares pursuant to the recapitalization or reclassification of the capital of the issuer thereof or pursuant to the reorganization thereof, the property so distributed shall be delivered to the Collateral Agent to be held by it as additional Pledged Collateral. Except as provided in subsection 5(a)(ii) below, all sums of money and property so paid or distributed in respect of the Pledged Shares which are received by such Pledgor shall, until paid or delivered to the Collateral Agent, be held by such Pledgor in trust as additional Pledged Collateral.

Section 5. Administration of Security.

(a) Each Pledgor shall be entitled (subject to the other provisions hereof, including, without limitation, Section 8 below):

(i) until receipt of notice to the contrary from the Collateral Agent during the continuance of an Event of Default and while such Event of Default continues, to vote or consent with respect to the Pledged Shares; provided however, that no vote or other right shall be exercised or action taken by any Pledgor which would have the effect of causing a material impairment of the rights of the Collateral Agent in respect of such Pledged Collateral; and

(ii) until receipt of notice to the contrary from the Collateral Agent delivered during the continuance of an Event of Default and while such Event of Default continues, to receive cash dividends or other distributions in the ordinary course made in respect of the Pledged Shares, to the extent permitted to be paid pursuant to the Credit Agreement.

(b) Each Pledgor hereby irrevocably constitutes and appoints the Collateral Agent as its proxy and attorney-in-fact (as set forth in Section 20 below) with respect to its Pledged Collateral, including the right to vote such Pledged Collateral, with full power of substitution to do so. In addition to the right to vote any such Pledged Collateral, the appointment of the Collateral Agent as proxy and attorney-in-fact shall include the right to exercise all other rights, powers, privileges and remedies to which a holder of such Pledged Collateral would be entitled (including giving or withholding written consents of shareholders, calling special meetings of shareholders and voting at such meetings). Such proxy and appointment as attorney-in-fact shall be effective, automatically and

without the necessity of any action (including any transfer of any such Pledged Collateral on the record books of the issuer thereof) by any person (including the issuer of such Pledged Collateral or any officer or agent thereof), upon the occurrence and during the continuation of an Event of Default. After the occurrence and during the continuance of an Event of Default and upon the request of the Collateral Agent, each Pledgor agrees to deliver to the Collateral Agent, on behalf of the Secured Creditors, such further evidence of such irrevocable proxy or such further irrevocable proxies to vote the Pledged Shares as the Collateral Agent may request.

(c) Upon the occurrence and during the continuance of an Event of Default, in the event that any Pledgor, as record and beneficial owner of its Pledged Shares, shall have received or shall have become entitled to receive, in the ordinary course, any cash dividends or other distributions on account of the Pledged Shares, such Pledgor shall deliver to the Collateral Agent, for the benefit of the Secured Creditors, and the Collateral Agent, for the benefit of the Secured Creditors, shall be entitled to receive and retain, all such cash or other distributions as additional Pledged Collateral.

Section 6. No Disposition, etc. Except, in each case, as and to the extent permitted by the Credit Agreement, without the prior written consent of the Collateral Agent, each Pledgor agrees that such Pledgor will not sell, assign, transfer, exchange, or otherwise dispose of, or grant any option with respect to, the Pledged Shares or any other Pledged Collateral, nor will such Pledgor create, incur or permit to exist any Lien with respect to any of the Pledged Shares, any other Pledged Collateral or any interest therein, or any proceeds thereof. Without the prior written consent of the Collateral Agent (which consent shall not be unreasonably withheld so long as no Event of Default has occurred and is continuing or would result therefrom), each Pledgor agrees that it will not vote to enable, and will not otherwise permit, any Issuer to (a) issue any stock or other securities of any nature in addition to or in exchange or substitution for the Pledged Shares or (b) dissolve, liquidate, retire any of its capital stock, reduce its capital or merge or consolidate with any other Person, except in each case as expressly permitted by the Credit Agreement.

Section 7. Certain Rights of the Collateral Agent. Neither the Collateral Agent nor any of the other Secured Creditors shall be liable for failure to collect or realize upon any of the Secured Obligations or any collateral security or guaranty therefor, or any part thereof, or for any delay in so doing, nor shall the Collateral Agent or any of the other Secured Creditors be under any obligation to take any action whatsoever with regard thereto. Any or all of the Pledged Shares held by the Collateral Agent hereunder may, if an Event of Default has occurred and is continuing, be registered in the name of the Collateral Agent or its nominee and the Collateral Agent or its nominee may thereafter without notice exercise all voting and corporate rights at any meeting with respect to any Issuer and exercise any and all rights of conversion, exchange, subscription or any other rights, privileges or options pertaining to any of the Pledged Shares as if it were the absolute owner thereof, including, without limitation, the right to vote in favor of, and to exchange at its discretion any and all of the Pledged Shares upon, the merger, consolidation, reorganization, recapitalization or other readjustment with respect to any Issuer or upon the exercise by any Pledgor or the Collateral Agent of any right, privilege or option pertaining to any of the Pledged Shares, and in connection therewith, to deposit and deliver any and all of the Pledged Shares with any committee, depository, transfer agent, registrar or other

designated agency upon such terms and conditions as the Collateral Agent may determine, all without liability except to account for property actually received by the Collateral Agent, but the Collateral Agent shall have no duty to exercise any of the aforesaid rights, privileges or options and shall not be responsible for any failure to do so or delay in so doing.

Section 8. Remedies. Upon the occurrence and during the continuance of an Event of Default, the Collateral Agent, without demand of performance or other demand, advertisement or notice of any kind (except the notice specified below of time and place of public or private sale) to or upon any Pledgor or any other person (all and each of which demands, advertisements and/or notices are hereby expressly waived), may forthwith collect, receive, appropriate and realize upon the Pledged Collateral, or any part thereof, and/or may forthwith sell, assign, give an option or options to purchase, contract to sell or otherwise dispose of (including the disposition by merger) and deliver said Pledged Collateral, or any part thereof, in one or more portions at public or private sale or sales or transactions, at any exchange, broker's board or at any of the Collateral Agent's offices or elsewhere upon such terms and conditions as the Collateral Agent may deem advisable and at such prices as it may deem best, for any combination of cash and/or securities or other property or on credit or for future delivery without assumption by any Secured Creditor of any credit risk, with the right to the Collateral Agent upon any such sale or sales, public or private, to purchase the whole or any part of said Pledged Collateral so sold, free of any right or equity of redemption in any Pledgor, which right or equity is hereby expressly waived or released Each Pledgor agrees that the Collateral Agent need not give more than ten (10) days' notice of the time and place of any public sale or of the time after which a private sale or other intended disposition is to take place and that such notice is reasonable notification of such matters. No notification need be given to any Pledgor if such Pledgor has signed after the occurrence and during the continuance of an Event of Default a statement renouncing or modifying any right to notification of sale or other intended disposition. In addition to the rights and remedies granted to the Collateral Agent for the benefit of the Secured Creditors in this Agreement and in any other instrument or agreement securing, evidencing or relating to any of the Secured Obligations, the Collateral Agent and the other Secured Creditors shall have all the rights and remedies of a secured party under the UCC and under any other applicable law.

Section 9. Sale of Pledged Shares.

(a) Each Pledgor recognizes that the Collateral Agent, on behalf of the Secured Creditors, may be unable to effect a public sale or disposition (including, without limitation, any disposition in connection with a merger of any Subsidiary) of any or all the Pledged Collateral by reason of certain prohibitions contained in the Securities Act of 1933, as amended (the "Act"), and applicable state securities laws, but may be compelled to resort to one or more private sales or dispositions thereof to a restricted group of purchasers who will be obliged to agree, among other things, to acquire such securities for their own account for investment and not with a view to the distribution or resale thereof. Each Pledgor acknowledges and agrees that any such private sale or disposition may result in prices and other terms (including the terms of any securities or other property received in connection therewith) less favorable to the seller than if such sale or disposition were a public sale or disposition and, notwithstanding such circumstances, agrees that any such private sale or disposition shall be deemed to be reasonable and

affected in a commercially reasonable manner. The Collateral Agent shall be under no obligation to delay a sale or disposition of any of the Pledged Collateral in order to permit any Pledgor or any Issuer to register such securities for public sale under the Act, or under applicable state securities laws, even if such Pledgor or any Issuer would agree to do so. No Secured Creditor shall incur any liability as a result of the sale of any such Pledged Collateral, or any part thereof, at any private sale provided for in this Agreement conducted in a commercially reasonable manner, and each Pledgor hereby waives any claims against the Secured Creditors arising by reason of the fact that the price at which the Pledged Collateral may have been sold at such a private sale was less than the price which might have been obtained at a public sale or was less than the aggregate amount of the Secured Obligations, even if the Collateral Agent accepts the first offer received and does not offer the Pledged Collateral to more than one offeree.

(b) Each Pledgor agrees to do or cause to be done all such other acts and things as may be necessary to make such sale or sales or dispositions of any portion or all of the Pledged Collateral valid and binding and in compliance with any and all applicable laws, regulations, orders, writs, injunctions, decrees or awards of any and all courts, arbitrators or governmental instrumentalities, domestic or foreign, having jurisdiction over any such sale or sales or dispositions, all at such Pledgor's expense.

(c) Each Pledgor agrees to indemnify and hold harmless the Secured Creditors, each of their respective successors and assigns, officers, directors, employees, agents and attorneys, and any Person in control of any thereof, from and against any loss, liability, claim, damage and expense, including, without limitation, reasonable counsel fees (collectively called the "Indemnified Liabilities"), under federal and state securities laws or otherwise insofar as such loss, liability, claim, damage or expense:

(i) arises out of or is based upon any untrue statement or alleged untrue statement of a material fact contained in any registration statement, prospectus or offering memorandum or in any preliminary prospectus or preliminary offering memorandum or in any amendment or supplement to any of the foregoing or in any other writing prepared in connection with the offer, sale or resale of all or any portion of the Pledged Collateral unless such untrue statement of material fact was provided by the Collateral Agent specifically for inclusion therein; or

(ii) arises out of or is based upon any omission or alleged omission to state therein a material fact required to be stated or necessary to make the statements therein not misleading;

such indemnification to remain operative regardless of any investigation made by or on behalf of the Collateral Agent, any Secured Creditor or any successor thereof, or any Person in control of any thereof. In connection with a public sale or other distribution, each Pledgor will provide customary indemnification to any underwriters, their respective successors and assigns, their respective officers and directors and each Person who controls any such underwriter (within the meaning of the Act). If and to the extent that the foregoing undertakings in this Section 9(c) may be unenforceable for any reason, each Pledgor agrees to make maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities which is permissible under applicable law. The obligations of each Pledgor under this Section 9(c) shall survive any termination of this Agreement.

Section 10. Application of Proceeds. The proceeds of any collection, sale or other realization of all or any part of the Pledged Collateral, and any other cash at the time held by the Collateral Agent under this Agreement, shall be applied in the manner set forth in Section 9.16 of the Credit Agreement. Each Pledgor shall remain liable for any deficiency remaining after such application.

Section 11. Further Assurances. Each Pledgor agrees that at any time and from time to time, upon the written request of the Collateral Agent, such Pledgor will execute and deliver all stock powers, financing statements and such further documents and do such further acts and things as the Collateral Agent may reasonably request consistent with the provisions hereof in order to effect the purposes of this Agreement. Without limiting the foregoing, each Pledgor will take any and all actions required or requested by the Collateral Agent, from time to time, to (a) cause the Collateral Agent to obtain exclusive control of any Pledged Collateral owned by such Pledgor in a manner reasonably acceptable to the Collateral Agent and (b) obtain from any Issuer of Pledged Collateral written confirmation of the Collateral Agent's Control over such Pledged Collateral. For purposes of this Section 11, the Collateral Agent shall have exclusive control of Pledged Collateral if (i) in the case of Pledged Collateral consisting of certificated securities, such Pledgor delivers such certificated securities to the Collateral Agent (with appropriate endorsements (in blank or otherwise) if such certificated securities are in registered form) and (ii) in the case of any other Pledged Collateral, the Collateral Agent has Control thereof for all applicable purposes of the UCC.

Section 12. Limitation on Duty of the Collateral Agent.

(a) The powers conferred on the Collateral Agent under this Agreement are solely to protect the Collateral Agent's interest in the Pledged Collateral and shall not impose any duty upon it to exercise any such powers. The Collateral Agent shall be accountable only for amounts that it actually receives as a result of the exercise of such powers and neither the Collateral Agent nor its Representative nor any of their respective officers, directors, employees or agents shall be responsible to Pledgors for any act or failure to act, except for gross negligence or willful misconduct. Without limiting the foregoing, the Collateral Agent and any Representative shall be deemed to have exercised reasonable care in the custody and preservation of the Pledged Collateral in their possession if such Pledged Collateral is accorded treatment substantially equivalent to that which the Collateral Agent or any Representative, in its individual capacity, accords its own property consisting of the type of Pledged Collateral involved, it being understood and agreed that neither the Collateral Agent nor any Representative shall have any responsibility for taking any necessary steps (other than steps taken in accordance with the standard of care set forth above) to protect, preserve or exercise rights against any Person with respect to any Pledged Collateral and shall be relieved of all responsibility for the Pledged Collateral upon surrendering it to the applicable Pledgor.

(b) Also without limiting the generality of the foregoing, neither the Collateral Agent nor any Representative shall have any obligation or liability under any contract or

license by reason of or arising out of this Agreement or the granting to the Collateral Agent of a security interest therein or assignment thereof or the receipt by the Collateral Agent or any Representative of any payment relating to any contract or license pursuant hereto, nor shall the Collateral Agent or any Representative be required or obligated in any manner to perform or fulfill any of the obligations of any Pledgor under or pursuant to any contract or license, or to make any payment, or to make any inquiry as to the nature or the sufficiency of any payment received by it or the sufficiency of any performance by any party under any contract or license, or to present or file any claim, or to take any action to collect or enforce any performance or the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

Section 13. Severability. If any provision hereof is invalid and unenforceable in any jurisdiction, then, to the fullest extent permitted by law, (a) the other provisions hereof shall remain in full force and effect in such jurisdiction and shall be liberally construed in favor of the Collateral Agent and its Representative in order to carry out the intentions of the parties hereto as nearly as may be possible and (b) the invalidity or unenforceability of any provision hereof in any jurisdiction shall not affect the validity or enforceability of such provision in any other jurisdiction.

Section 14. No Waiver; Cumulative Remedies. No failure on the part of the Collateral Agent to exercise, and no course of dealing with respect to, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise by the Collateral Agent of any right, power or remedy hereunder preclude any other or further exercise thereof or the exercise of any other right, power or remedy. Neither the Collateral Agent nor any of the other Secured Creditors shall be liable for any failure to collect or realize upon any of the Secured Obligations or any collateral security or guaranty therefor, or any part thereof, or for any delay in so doing, nor shall the Collateral Agent or any of the other Secured Creditors be under any obligation to take any action whatsoever with regard thereto. The rights and remedies herein provided are cumulative and may be exercised singly or concurrently, and are not exclusive of any rights or remedies provided by law.

Section 15. Specific Performance. Each Pledgor agrees that a breach of any of the covenants contained in Sections 2(b), 4, 5(c), 6, 9 or 11 hereof will cause irreparable injury to the Secured Creditors, that the Secured Creditors have no adequate remedy at law in respect of such breach and, as a consequence, agrees, without limiting the right of the Collateral Agent to seek and obtain specific performance of other obligations of such Pledgor contained in this Agreement, that each and every covenant referenced above shall be specifically enforceable against such Pledgor, and such Pledgor hereby waives and agrees not to assert any defenses against an action for specific performance of such covenants except for a defense that the Secured Obligations have been paid in full and all commitments which could give rise to Secured Obligations have been terminated.

Section 16. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto, the Secured Creditors and the respective successors and assigns of the foregoing, provided, that no Pledgor shall assign or transfer its rights hereunder without the prior written consent of the Collateral Agent.

Section 17. Termination. This Agreement and the Liens granted hereunder shall terminate upon the termination of the Credit Agreement, the full and complete performance and indefeasible satisfaction of all the Secured Obligations (other than contingent indemnification obligations) and the termination of all commitments which could give rise to Secured Obligations, whereupon the Collateral Agent shall forthwith cause to be assigned, transferred and delivered, against receipt but without any recourse, warranty or representation whatsoever, any remaining Collateral (including all certificates evidencing the Pledged Collateral in its possession or control) to or on the order of the Pledgors. The Collateral Agent, at the Pledgors' expense, shall also execute and deliver to the Pledgors upon such termination such UCC termination statements and such other documentation as shall be reasonably requested by the Pledgors to effect the termination and release of the Liens in favor of the Collateral Agent created hereby.

Section 18. Possession of Pledged Collateral. Beyond the exercise of reasonable care to assure the safe custody of the Pledged Collateral in the physical possession of the Collateral Agent pursuant hereto, neither the Collateral Agent nor any nominee of the Collateral Agent shall have any duty or liability to collect any sums due in respect thereof or to protect, preserve or exercise any rights pertaining thereto, and shall be relieved of all responsibility for the Pledged Collateral upon surrendering them to the applicable Pledgor.

Section 19. Survival of Representations. All representations and warranties of each Pledgor contained in this Agreement shall survive the execution and delivery of this Agreement.

Section 20. Expenses. Any taxes (including income taxes) and stamp duties payable or ruled payable by any domestic or foreign Governmental Authority in respect of this Agreement shall be paid by the Pledgors, together with related interest, penalties, fines and expenses, if any. The Pledgors shall reimburse the Collateral Agent upon demand for any and all out-of-pocket expenses and internal charges (including reasonable attorneys, auditors' and accountants' fees and reasonable time charges of attorneys, paralegals, auditors and accountants who may be employees of the Collateral Agent) paid or incurred by the Collateral Agent in connection with the preparation, execution, delivery, administration, collection and enforcement of this Agreement and in the audit, analysis, administration, collection, preservation or sale of the Collateral (including the expenses and charges associated with any periodic or special audit of the Collateral). Any and all costs and expenses incurred by the Pledgors in the performance of actions required pursuant to the terms hereof shall be borne solely by the Pledgors.

Section 21. Attorney-In-Fact. Each Pledgor hereby irrevocably appoints the Collateral Agent as such Pledgor's attorney-in-fact, effective upon the occurrence and during the continuance of an Event of Default, with full authority in the place and stead of such Pledgor and in the name of such Pledgor or otherwise, from time to time in the Collateral Agent's discretion, to take any action and to execute any instrument that the Collateral Agent deems reasonably necessary or advisable to accomplish the purposes of this Agreement, including, without limitation, to receive, endorse and collect all instruments made payable to such Pledgor representing any dividend, payment or other distribution in respect of the Pledged Collateral or any part thereof and to give full discharge for the same, when and to the extent permitted by this Agreement.

Section 22. Notices. All notices, demands and requests that any party is required or elects to give to any other party shall be given in accordance with the provisions of Section 9.01 of the Credit Agreement, and if given (i) to the Collateral Agent, shall be given to it at 10 S. Dearborn Street, Floor 7, Chicago, Illinois 60603-2003, or as otherwise specified by the Collateral Agent in writing, (ii) to a Pledgor other than the Borrower, shall be given to it c/o the Borrower at the Borrower's address specified in the Credit Agreement and (iii) to the Borrower, shall be given to it at its address specified in the Credit Agreement.

Section 23. Choice of Law, Submission to Jurisdiction, etc.

(a) This Agreement shall be construed in accordance with and governed by the laws of the State of New York.

(b) Each Pledgor hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that any Secured Creditor may otherwise have to bring any action or proceeding relating to this Agreement against such Pledgor or its properties in the courts of any jurisdiction.

(c) Each Pledgor hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in this Section 23. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

Section 24. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO

REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

Section 25. Amendments, Etc. The terms of this Agreement may be waived, altered or amended only by an instrument in writing duly executed by each Pledgor and the Collateral Agent with (other than in the case of amendments hereof solely for the purpose of adding Pledged Collateral as contemplated hereby) the concurrence or at the direction of the Required Secured Creditors. Any such amendment or waiver shall be binding upon the Collateral Agent and each Pledgor and their respective successors and assigns.

Section 26. Counterparts; Headings. This Agreement may be authenticated in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the parties hereto may authenticate this Agreement by signing any such counterpart. This Agreement may be authenticated by manual signature, facsimile or, if approved in writing by the Collateral Agent, electronic means, all of which shall be equally valid. The headings in this Agreement are for convenience of reference only and shall not alter or otherwise affect the meaning hereof.

Section 27. Entire Agreement. This Agreement embodies the entire agreement and understanding between the Pledgors and the Collateral Agent with respect to the subject matter hereof and supersedes all prior oral and written agreements and understandings between any Pledgor and the Collateral Agent relating to the subject matter hereof. This Agreement supplements the other Credit Documents and nothing in this Agreement shall be deemed to limit or supersede the rights granted to the Collateral Agent or the other Secured Creditors in any other Credit Document. In the event of any conflict between this Agreement and the Credit Agreement, the provisions of the Credit Agreement shall govern. In the event of any inconsistencies between the provisions of this Agreement and the provisions of the Security Agreement relating to Pledged Collateral, the provisions of this Agreement relating to the Pledged Collateral shall govern.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Pledge Agreement to be duly executed and delivered as of the day and year first above written.

PLEDGORS:

VERA BRADLEY DESIGNS, INC.

By: /s/ Patricia R. Miller

Title: President

VERA BRADLEY RETAIL STORES, LLC

By: /s/ Patricia R. Miller

Title: President

VERA BRADLEY INTERNATIONAL, LLC

By: /s/ Patricia R. Miller

Title: President

COLLATERAL AGENT:

JPMORGAN CHASE BANK, N.A., as
Collateral Agent for the benefit of the
Secured Creditors

By: /s/ William J. Schafer

Title: Vice President

Joinder to Pledge Agreement

The undersigned, Vera Bradley, Inc., an Indiana corporation, as of the 4th day of October, 2010, hereby joins in the execution of that certain Pledge Agreement dated as of November 26, 2008 (as the same may be amended, restated, supplemented or otherwise modified and in effect from time to time, the "Pledge Agreement") among Vera Bradley Designs, Inc., Vera Bradley Retail Stores, LLC, Vera Bradley International, LLC and each other Person that becomes a Pledgor thereunder after the date and pursuant to the terms thereof, to and in favor of JPMorgan Chase Bank, N.A., as the Collateral Agent. Capitalized terms used but not defined herein have the meanings given them in the Pledge Agreement. By executing this Joinder, the undersigned hereby agrees that it is a Pledgor thereunder and agrees to be bound by all of the terms and provisions of the Pledge Agreement (giving effect to the provisions of Section 4(b) and (c) of the Reaffirmation of Guaranty and Security Documents dated as of the date hereof, to which provisions the undersigned hereby agrees).

The undersigned represents and warrants to the Collateral Agent and the other Secured Creditors that the undersigned is the record and beneficial owner of, and has legal title to, the Equity Interests set forth below.

VERA BRADLEY, INC., an Indiana corporation

By: /s/ Michael C. Ray
Name: Michael C. Ray
Title: Chief Executive Officer

Pledged Shares

Pledgor	Issuer	Certificate No.	No. of Shares	Class of Shares	% of Issued Shares of Class
Vera Bradley, Inc.	Vera Bradley Designs, Inc.	[__]	[__]	Common	100%

Exhibit 10.11

TRADEMARK SECURITY AGREEMENT

THIS TRADEMARK SECURITY AGREEMENT (this "Agreement"), dated as of November 26, 2008, is between Vera Bradley Designs, Inc., an Indiana corporation ("Grantor"), and JPMorgan Chase Bank, N.A., as Collateral Agent for the benefit of the Secured Parties (the "Collateral Agent").

W I T N E S S E T H:

WHEREAS, Grantor, JPMorgan Chase Bank, N.A., as Administrative Agent (in such capacity, the "Administrative Agent"), and the Lenders are party to that certain Credit Agreement as of the date hereof (the same, as it may be further amended, restated, modified or supplemented and in effect from time to time, being herein referred to as the "Credit Agreement"), pursuant to which the Lenders made certain credit facilities available to the Grantor on the terms and conditions set forth therein;

WHEREAS, Grantor has entered into a Security Agreement of even date herewith (as amended, restated, modified or supplemented from time to time, the "Security Agreement") with the Collateral Agent, for the benefit of the Secured Parties, pursuant to which Grantor has granted to the Collateral Agent a security interest in substantially all the assets of Grantor, including all right, title and interest of Grantor in, to and under all now owned and hereafter acquired Trademarks and Trademark licenses, together with the goodwill of the business symbolized by Grantor's Trademarks, and all products and proceeds thereof, to secure the payment of the Obligations;

WHEREAS, capitalized terms used but not defined herein are used in the manner provided in the Security Agreement or the Credit Agreement, as applicable;

WHEREAS, Grantor owns the Trademarks listed on Schedule 1 annexed hereto, and is a party to the Trademark licenses listed on Schedule 1 annexed hereto; and

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Grantor does hereby grant to the Collateral Agent, for the benefit of the Secured Parties, a continuing security interest in all of Grantor's right, title and interest in, to and under the following (all of the following items or types of property being herein collectively referred to as the "Trademark Collateral"), whether presently existing or hereafter created or acquired:

(1) each Trademark, including without limitation, each Trademark referred to in Schedule 1 annexed hereto, together with any reissues, continuations or extensions thereof, and all of the goodwill of the business connected with the use of, and symbolized by, each Trademark;

(2) each Trademark license, including, without limitation, each Trademark license listed on Schedule 1 annexed hereto, and all of the goodwill of the business connected with the use of, and symbolized by, each Trademark license; and

(3) all products and proceeds of the foregoing, including, without limitation, any claim by Grantor against third parties for past, present or future (a) infringement of any Trademark, including, without limitation, any Trademark referred to in Schedule 1 annexed hereto and any Trademark licensed under any Trademark license listed on Schedule 1 annexed hereto, or (b) injury to the goodwill associated with any Trademark or Trademark licensed under any Trademark license.

This security interest is granted in conjunction with the security interests granted to the Collateral Agent, for the benefit of the Secured Parties, pursuant to the Security Agreement. Grantor hereby acknowledges and affirms that the rights and remedies of the Collateral Agent with respect to the security interest in the Trademark Collateral made and granted hereby are more fully set forth in the Security Agreement, the terms and provisions of which are incorporated by reference herein as if fully set forth herein.

[Signature Page Follows]

IN WITNESS WHEREOF, Grantor has caused this Trademark Security Agreement to be duly executed by its duly authorized officer thereunto as of this __ day of November, 2008.

VERA BRADLEY DESIGNS, INC.

By: /s/ Patricia R. Miller
Name: Patricia R. Miller
Title: President

Acknowledged:

JPMORGAN CHASE BANK, N.A.,
as Collateral Agent for the benefit of the Secured Creditors
By: /s/ William J. Schafer
Name: William J. Schafer
Title: Vice President

ACKNOWLEDGMENT

State of Indiana)
) ss.
County of Allen)

On the date first set forth above before me personally appeared the above-indicated person who executed the foregoing instrument as the above-indicated officer of Vera Bradley Designs, Inc., who being by me duly sworn, did depose and say that he/she is such officer of such corporation; that the foregoing instrument was executed on behalf of said corporation by order of its Board of Directors; and that he/she acknowledged said instrument to be the free act and deed of said corporation.

/s/ Stefi Simmone
{Seal} Notary Public

Exhibit 10.12

COPYRIGHT SECURITY AGREEMENT

This COPYRIGHT SECURITY AGREEMENT (this "Agreement"), dated as of November 26, 2008, is between Vera Bradley Designs, Inc., an Indiana corporation ("Grantor"), and JPMorgan Chase Bank, N.A., as Collateral Agent for the benefit of the Secured Creditors (the "Collateral Agent").

W I T N E S S E T H:

WHEREAS, Grantor, JPMorgan Chase Bank, N.A., as Administrative Agent (in such capacity, the "Administrative Agent"), and the Lenders are party to that certain Credit Agreement as of the date hereof (the same, as it may be further amended, restated, modified or supplemented and in effect from time to time, being herein referred to as the "Credit Agreement"), pursuant to which the Lenders made certain credit facilities available to the Grantor on the terms and conditions set forth therein;

WHEREAS, Grantor, among others, has entered into that certain Security Agreement of even date herewith (as amended, restated, amended and restated, modified or supplemented from time to time, the "Security Agreement") with the Collateral Agent, for the benefit of the Secured Creditors, pursuant to which Grantor has granted to the Collateral Agent a security interest in substantially all the assets of Grantor, including all right, title and interest of Grantor in, to and under all now owned and hereafter acquired Copyrights and Copyright licenses, and all products and proceeds thereof, to secure the payment of the Secured Obligations;

WHEREAS, capitalized terms used but not defined herein are used in the manner provided in the Security Agreement or the Credit Agreement, as applicable;

WHEREAS, Grantor owns the issued Copyrights and the pending Copyright applications listed on Schedule 1 annexed hereto and is a party to the Copyright licenses listed on Schedule 1 annexed hereto; and

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Grantor does hereby grant to the Collateral Agent, for the benefit of the Secured Creditors, as collateral security for the prompt payment in full when due (whether at stated maturity, by acceleration or otherwise) of the Secured Obligations, a continuing security interest in all of Grantor's right, title and interest in, to and under the following (all of the following items or types of property being herein collectively referred to as the "Copyright Collateral"), whether presently existing or hereafter created or acquired:

(1) (i) each Copyright (as defined in the Security Agreement) owned by Grantor, including, without limitation, each federally registered Copyright and Copyright application referred to in Schedule 1 hereto; and

(ii) all proceeds of and revenues from the foregoing, including, without limitation, all proceeds of and revenues from any claim by Grantor against third parties for past,

present or future infringement of any Copyright, including, without limitation, any Copyright referred to in Schedule 1 hereto or any Copyright issued pursuant to a copyright application referred to in Schedule 1 hereto.

The security interests are granted in furtherance, and not in limitation, of the security interests granted to the Collateral Agent, for the benefit of the Secured Creditors, pursuant to the Security Agreement. Grantor hereby acknowledges and affirms that the rights and remedies of Collateral Agent with respect to the security interest in the Copyright Collateral made and granted hereby are more fully set forth in the Security Agreement, the terms and provisions of which are incorporated by reference herein as if fully set forth herein. In the event of any conflict between the terms of this Agreement and the Security Agreement, the terms of the Security Agreement shall govern.

[Signature Page Follows]

IN WITNESS WHEREOF, Grantor has caused this Copyright Security Agreement to be duly executed by its duly authorized officer thereunto as of the date first written above.

VERA BRADLEY DESIGNS, INC.

By: /s/ Patricia R. Miller
Name: Patricia R. Miller
Title: President

Acknowledged:

JPMORGAN CHASE BANK, N.A.,
as Collateral Agent for the benefit of the Secured Creditors

By: /s/ William J. Schafer
Name: William J. Schafer
Title: Vice President

ACKNOWLEDGMENT

State of Indiana)
) ss.
County of Allen)

On the date first set forth above before me personally appeared the above-indicated person who executed the foregoing instrument as the above-indicated officer of Vera Bradley Designs, Inc., who being by me duly sworn, did depose and say that he/she is such officer of such corporation; that the foregoing instrument was executed on behalf of said corporation by order of its Board of Directors; and that he/she acknowledged said instrument to be the free act and deed of said corporation.

/s/ Stefi Simmone
{Seal} Notary Public

Exhibit 10.13

REAFFIRMATION OF GUARANTY AND SECURITY DOCUMENTS

This Reaffirmation of Guaranty and Security Documents (this "Reaffirmation") dated as of October 4, 2010 is entered into by Vera Bradley Designs, Inc., an Indiana corporation (the "Borrower"), Vera Bradley Retail Stores, LLC and Vera Bradley International, LLC (the "Subsidiary Guarantors" and, together with the Borrower, the "Credit Parties") for the benefit of JPMorgan Chase Bank, N.A., as administrative agent (the "Administrative Agent") and collateral agent (the "Collateral Agent"), and the other Secured Creditors (as defined in the Security Agreement and the Pledge Agreement referenced below) and the other Guaranteed Parties (as defined in the Subsidiary Guaranty referenced below). Terms used but not otherwise defined herein have the meaning ascribed thereto by the Amended and Restated Credit Agreement (as defined below).

1. Reference is made to that certain Credit Agreement dated as of November 26, 2008, among the Borrower, JPMorgan Chase Bank, N.A., individually and as administrative agent and the financial institutions party thereto (the "Existing Credit Agreement").

2. Reference is also made to the following documents (collectively, the Reaffirmed Documents"):

(a) that certain Security Agreement dated as of November 26, 2008 made by and among the Credit Parties and the Collateral Agent for the benefit of the Secured Creditors (the "Security Agreement");

(b) that certain Pledge Agreement dated as of November 26, 2008 made by and among the Credit Parties and the Collateral Agent for the benefit of the Secured Creditors (the "Pledge Agreement");

(c) that certain Subsidiary Guaranty dated as of November 26, 2008 made by the Subsidiary Guarantors in favor of the Administrative Agent for the benefit of the Guaranteed Parties (the "Subsidiary Guaranty");

(d) that certain Trademark Security Agreement dated as of November 26, 2008 made by the Borrower in favor of the Collateral Agent for the benefit of the Secured Creditors (the "Trademark Security Agreement"); and

(e) that certain Copyright Security Agreement dated as of November 26, 2008 made by the Borrower in favor of the Collateral Agent for the benefit of the Secured Creditors (the "Copyright Security Agreement").

3. Reference is also made to that certain Amended and Restated Credit Agreement dated as of the date hereof among the Borrower, the financial institutions signatory thereto (the "Lenders") and the Administrative Agent (the "Amended and Restated Credit Agreement"), which agreement amends and restates the Existing Credit Agreement.

4. In order to induce the Administrative Agent and the Lenders to enter into and extend or continue credit under the Amended and Restated Credit Agreement, the Credit Parties hereby:

(a) agree to and reaffirm all of the terms and conditions of the Reaffirmed Documents, and reaffirm and make all of the representations and warranties in the Reaffirmed Documents as of the date hereof, in each case as if the same had been fully set forth herein;

(b) agree that for all purposes of the Reaffirmed Documents, the Amended and Restated Credit Agreement shall be deemed to be the "Credit Agreement" and hereafter the term "Credit Agreement" (as defined in each of the Reaffirmed Documents) shall mean the Amended and Restated Credit Agreement, as amended, modified, restated, amended and restated and/or supplemented from time to time;

(c) agree that Schedules I through VII to the Security Agreement are amended in their entirety to read as set forth on Schedules I through VII hereto;

(d) without limiting the foregoing, make and confirm the grant of the security interests as set forth in Section 3 of the Security Agreement, Section 2 of the Pledge Agreement and the recitals of each of the Trademark Security Agreement and the Copyright Security Agreement, to the Collateral Agent on behalf of, and for the benefit of, the Secured Creditors (in each case as defined therein); and

(e) as applicable, without limiting the foregoing, make and confirm the guaranty as set forth in Section 1 of the Subsidiary Guaranty to the Administrative Agent on behalf of, and for the benefit of, the Guaranteed Parties (as defined therein).

5. The parties hereto agree that except as expressly modified hereby, the Reaffirmed Documents remain in full force and effect in accordance with their terms.

6. This Reaffirmation may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract.

7. This Reaffirmation shall be construed in accordance with and governed by the law (without regard to conflict of law provisions) of the State of New York.

[signature pages follow]

IN WITNESS WHEREOF, the undersigned have executed this Reaffirmation as of the date first written above.

VERA BRADLEY DESIGNS, INC.

By: /s/ Michael C. Ray
Name: Michael C. Ray
Title: Chief Executive Officer

VERA BRADLEY RETAIL STORES, LLC

By: /s/ Michael C. Ray
Name: Michael C. Ray
Title: Chief Executive Officer

VERA BRADLEY INTERNATIONAL, LLC

By: /s/ Michael C. Ray
Name: Michael C. Ray
Title: Chief Executive Officer

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the use in this Registration Statement on Form S-1 of our report dated June 1, 2010, except with respect to our opinion on the consolidated financial statements insofar as it relates to earnings per share, segment reporting and transition period comparative data described in Notes 11, 12 and 13, respectively, as to which the date is July 1, 2010 relating to the consolidated financial statements of Vera Bradley Designs, Inc. and its subsidiaries, which appears in such Registration Statement. We also consent to the references to us under the headings “Summary Consolidated Financial and Other Data”, “Selected Consolidated Financial and Other Data” and “Experts” in such Registration Statement.

/s/ PricewaterhouseCoopers LLP

Indianapolis, Indiana
October 6, 2010

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the use in this Registration Statement on Form S-1 of our report dated September 24, 2010, relating to the statement of financial position of Vera Bradley, Inc., which appears in such Registration Statement. We also consent to the references to us under the headings “Summary Consolidated Financial and Other Data” and “Experts” in such Registration Statement.

/s/ PricewaterhouseCoopers LLP

Indianapolis, Indiana
October 6, 2010