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

FORM 8-K/A
(Amendment No. 1)

**CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported): July 16, 2019

VERA BRADLEY, INC.
(Exact name of registrant as specified in its charter)

Indiana
(State or Other Jurisdiction
of Incorporation)

001-34918
(Commission
File Number)

27-2935063
(IRS Employer
Identification No.)

**12420 Stonebridge Road,
Roanoke, Indiana**
(Address of Principal Executive Offices)

46783
(Zip Code)

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

None
(Former name, former address and former fiscal year, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of Each Class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, without par value	VRA	NASDAQ Global Select Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

EXPLANATORY NOTE

On July 16, 2019 Vera Bradley, Inc. (the “Company”) filed a Current Report on Form 8-K (the “Original Report”) to report, among other things, that the Company had indirectly acquired (the “Transaction”) a seventy-five percent (75%) ownership interest in Creative Genius, Inc. (“Pura Vida”).

This Amendment No. 1 amends Item 9.01 of the Original Report to present certain financial statements and certain pro forma financial information in connection with the Transaction that are required by Items 9.01(a) and 9.01(b), respectively, of Form 8-K. Any information required to be set forth in the Original Report which is not being amended or supplemented pursuant to this Amendment No. 1 is hereby incorporated by reference. Except for the foregoing, this Amendment No. 1 does not modify or update any other disclosure contained in the Original Report. Accordingly, this Amendment No. 1 should be read in conjunction with the Original Report.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

- [23.1](#) [Consent of Squar Milner LLP](#)
- [99.1](#) [The historical audited financial statements of Pura Vida as of and for the year ended December 31, 2018](#)
- [99.2](#) [The historical unaudited condensed financial statements of Pura Vida as of June 30, 2019 and December 31, 2018 and for the six months ended June 30, 2019 and June 30, 2018](#)
- [99.3](#) [The unaudited pro forma condensed consolidated financial statements of Vera Bradley, Inc. giving effect to the acquisition of Pura Vida for the six months ended August 3, 2019 and for the fiscal year ended February 2, 2019](#)

SIGNATURE

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

Vera Bradley, Inc.
(Registrant)

October 1, 2019

/s/ John Enwright

John Enwright
Chief Financial Officer

CONSENT OF INDEPENDENT AUDITOR

We consent to the incorporation by reference in Registration Statement No. 333-170062 on Form S-8 of our report dated April 22, 2019 and October 1, 2019, relating to the financial statements of Creative Genius, Inc. (dba Pura Vida Bracelets) as of and for the year ended December 31, 2018, which appears in the Form 8-K/A of Vera Bradley, Inc. dated October 1, 2019.

/s/ Squar Milner LLP

San Diego, California
October 1, 2019

INDEPENDENT AUDITOR'S REPORT

The Shareholders
Creative Genius, Inc. dba Pura Vida Bracelets

We have audited the accompanying financial statements of Creative Genius, Inc. dba Pura Vida Bracelets (the "Company"), which comprise the balance sheet as of December 31, 2018, as restated, and the related statements of operations, changes in shareholders' equity and cash flows for the year then ended, as restated, and the related notes to the financial statements, as restated (collectively, the financial statements).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Creative Genius, Inc. dba Pura Vida Bracelets as of December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 8 to the financial statements, during 2018 the Company elected to change its method of accounting for raw materials inventory. Our opinion is not modified with respect to this matter.

As discussed in Note 9 to the financial statements, the 2018 financial statements have been restated to correct misstatements identified subsequent to the original report date of April 22, 2019. Our opinion is not modified with respect to this matter.

/s/ SQUAR MILNER LLP

San Diego, California
April 22, 2019 except for Notes 8, 9 and 10 as to which the date is October 1, 2019

CREATIVE GENIUS, INC. dba PURA VIDA BRACELETS
BALANCE SHEET
December 31, 2018
(As Restated)

ASSETS	
Current Assets	
Cash	\$ 1,277,827
Accounts receivable, net	1,460,089
Inventory	11,355,471
Other current assets	997,387
Total current assets	<u>15,090,774</u>
Property, plant, and equipment, net	67,171
Intangible assets, net	6,794
Total assets	<u>\$ 15,164,739</u>
LIABILITIES AND SHAREHOLDERS' EQUITY	
Current Liabilities	
Accounts payable	\$ 4,269,372
Accrued expenses	4,190,495
Deferred revenue	937,938
Total current liabilities	<u>9,397,805</u>
Total liabilities	<u>9,397,805</u>
Shareholders' Equity	
Common stock, no par value, 1,000 shares authorized, 200 shares issued and outstanding	400
Retained earnings	5,766,534
Total shareholders' equity	<u>5,766,934</u>
Total liabilities and shareholders' equity	<u>\$ 15,164,739</u>

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

CREATIVE GENIUS, INC. dba PURA VIDA BRACELETS
STATEMENT OF OPERATIONS
For the Year Ended December 31, 2018
(As Restated)

SALES, NET	\$ 68,280,559
COST OF GOODS SOLD	21,125,453
GROSS PROFIT	<u>47,155,106</u>
Selling, general, and administrative expenses	43,693,415
Depreciation and amortization	35,924
	<u>43,729,339</u>
INCOME FROM OPERATIONS	<u>3,425,767</u>
NET INCOME	<u>\$ 3,425,767</u>

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

CREATIVE GENIUS, INC. dba PURA VIDA BRACELETS
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the Year Ended December 31, 2018

	Shares		Common Stock		Retained Earnings		Total
Balance at December 31, 2017 (As Restated)	200	\$	400	\$	2,324,485	\$	2,324,885
Net income	—		—		3,425,767		3,425,767
Contribution from Shareholders, net	—		—		16,282		16,282
Balance at December 31, 2018 (As Restated)	200	\$	400	\$	5,766,534	\$	5,766,934

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

CREATIVE GENIUS, INC. dba PURA VIDA BRACELETS
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2018
(As Restated)

CASH FLOWS OPERATING ACTIVITIES	
Net income	\$ 3,425,767
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	35,924
Changes in assets and liabilities:	
Accounts receivables	(1,113,009)
Inventory	(6,614,090)
Other current assets	(907,465)
Accounts payable	2,746,228
Accrued expenses	2,527,585
Deferred revenue	920,506
Net cash provided by operating activities	1,021,446
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property, plant and equipment	(8,159)
Net cash used in investing activities	(8,159)
CASH FLOWS FROM FINANCING ACTIVITIES	
Shareholder contributions	16,282
Net cash provided by financing activities	16,282
Net change in cash	1,029,569
CASH - beginning of period	248,258
CASH - end of period	\$ 1,277,827
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash paid for taxes	\$ 24,032

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

CREATIVE GENIUS, INC. dba PURA VIDA BRACELETS
NOTES TO FINANCIAL STATEMENTS (AS RESTATED)
December 31, 2018

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Corporate Structure

Creative Genius, Inc. dba Pura Vida Bracelets, (the "Company") was founded and incorporated in the state of California in 2010. The Company is a retail business that sells a variety of bracelets, apparel, jewelry and other accessories. The Company's operations are based in California.

Basis of Presentation

These financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP").

Use of Estimates

The preparation of financial statements in conformity with U.S. 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition and Deferred Revenue

Revenue from the sale of goods is recognized when an order has been received, the product has been shipped, the selling price is fixed or determinable, collection is reasonably assured and when both title and risk of loss transfer to the customer, provided that no significant obligations remain. Sales revenues do not include sales taxes collected from the customer. Sales are presented net of credits for returns, discounts, allowances and other chargebacks that result in deductions either from invoiced amounts or subsequent billings to customers. For the year ended December 31, 2018, such credits totaled \$10,069,479.

The Company maintains a monthly club membership program whereby members pay six or twelve months in advance for monthly shipment of product with advanced payments recognized as deferred revenue. Upon monthly shipment of club membership product, revenue is recognized equally over each month with a corresponding reduction in the deferred revenue balance. At December 31, 2018, deferred revenue consisted of \$937,938.

Cash and Cash Equivalents

Cash and cash equivalents include cash and investments that are readily convertible into cash and have original maturities of three months or less. There were no cash equivalents at December 31, 2018.

Allowance for Doubtful Accounts

The Company establishes an allowance for doubtful accounts based on historical experience and customer-specific identification and believes that collections of receivables, net of the allowance for doubtful accounts, are reasonably assured. The allowance for doubtful accounts was \$74,216 as of December 31, 2018.

Inventory

Inventory is stated at the lower of cost (first in, first out) or net realizable value.

Property, Plant and Equipment

Property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the assets, generally three to seven years. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or the estimated useful life of the asset. Costs incurred for maintenance and repairs are expensed as incurred and expenditures for major replacements and improvements are capitalized and depreciated over their estimated remaining useful lives.

CREATIVE GENIUS, INC. dba PURA VIDA BRACELETS
NOTES TO FINANCIAL STATEMENTS (AS RESTATED)
December 31, 2018

Income Taxes

The Company is taxed under the provisions of subchapter S of the Internal Revenue Code. Under these provisions, the Company does not pay federal corporate income taxes on its taxable income. However, the Company is subject to California franchise tax equal to the greater of 1.5% of taxable income or \$800.

Under the provisions of subchapter S, the shareholders are liable for individual federal and state income taxes on the Company's taxable income. The Company may disburse funds necessary to satisfy the shareholders' estimated personal income tax liabilities.

The Company files income tax returns in the U.S. federal jurisdiction and California. With few exceptions, the Company is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2013. The Company recognizes interest and/or penalties related to uncertain tax positions in income tax expense. To the extent accrued interest and penalties do not ultimately become payable, amounts accrued will be reduced and reflected as a reduction of the overall income tax provision in the period that such determination is made.

The Company did not have an unrecognized tax benefit as of December 31, 2018 and does not expect this to change significantly over the next 12 months. The Company's policy is to recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense.

Advertising

The Company expenses advertising costs as incurred. Advertising cost for the year ended December 31, 2018 was \$16,383,668.

Shipping and Handling

Shipping and handling fees billed to customers are classified on the statement of operations within "Sales, net" were \$1,874,558 for the year ended December 31, 2018. The associated shipping and handling costs of \$8,006,039, for the year ended December 31, 2018, are included in selling, general, and administrative expenses.

Litigation

From time to time, the Company may become involved in disputes, litigation and other legal actions. The Company estimates the range of liability related to pending litigation where the amount and range of loss can be estimated. The Company records its best estimate of a loss when the loss is considered probable. Where a liability is probable and there is a range of estimated loss with no best estimate in the range, the Company records a charge equal to at least the minimum estimated liability for a loss contingency when both of the following conditions are met: (i) information available prior to issuance of the financial statements indicates that it is probable that an asset had been impaired or a liability had been incurred at the date of the financial statements and (ii) the range of loss can be reasonably estimated. As of December 31, 2018, a loss accrual was recorded as a result of a litigation settlement in 2019 in the amount of \$145,000, and is included in accrued expenses of the accompanying balance sheets.

New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, *Leases (Topic 842)*. This update requires lessees to recognize at the lease commencement date a lease liability, which is the lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and a right-of-use assets, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Lessees will no longer be provided with a source of off-balance sheet financing. This update is effective for financial statements issued for annual periods beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early application is permitted for all nonpublic business entities upon issuance. Management has not yet completed their analysis of the potential impact of this new guidance on the Company's financial statements.

In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which deferred the effective date of ASU 2014-09 by one year. ASU 2014-09 is now effective for annual reporting periods beginning after December 15, 2018. Earlier application is permitted. Management has not yet completed their analysis of the potential impact of this new guidance on the Company's financial statements. In May 2014, the FASB issued

CREATIVE GENIUS, INC. dba PURA VIDA BRACELETS
NOTES TO FINANCIAL STATEMENTS (AS RESTATED)
December 31, 2018

ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This guidance amends the existing FASB Accounting Standards Codification, creating a new Topic 606, *Revenue from Contracts with Customer*. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

2. INVENTORY

At December 31, 2018, inventory consisted of the following:

	2018
Raw Materials	\$ 3,113,347
Finished Goods	8,242,124
	<u>\$ 11,355,471</u>

Inventory balances above include an estimate for indirect inventory costs such as packaging and freight (burden rate). During the year ended December 31, 2018, the Company reviewed its estimate of the burden rate and the Company changed its methodology of applying burden costs to the inventory from a 12-month moving average to a 3-month moving average to better reflect the inventory value. No valuation allowance for inventory was deemed necessary as of December 31, 2018.

3. OTHER CURRENT ASSETS

At December 31, 2018, prepaid expenses, deposits and other current assets consisted of the following:

	2018
Vendor deposits	\$ 954,064
Prepaid other	43,323
	<u>\$ 997,387</u>

4. PROPERTY, PLANT AND EQUIPMENT, NET

At December 31, 2018, property, plant and equipment, net consisted of the following:

	2018
Computers and software	\$ 117,678
Equipment	71,976
Furniture and fixtures	59,544
Auto	46,000
	<u>295,198</u>
Less accumulated depreciation	(228,027)
	<u>\$ 67,171</u>

Depreciation expense totaled \$35,256 for the year ended December 31, 2018.

CREATIVE GENIUS, INC. dba PURA VIDA BRACELETS
NOTES TO FINANCIAL STATEMENTS (AS RESTATED)
December 31, 2018

5. ACCRUED EXPENSES

At December 31, 2018, accrued expenses consisted of the following:

	2018
Credit card liability	\$ 662,630
Payroll liabilities	233,096
Sales tax accrual	2,346,664
Other accrued liabilities	948,105
	<u>\$ 4,190,495</u>

Sales Tax Accrual

Based on the evolving state sales tax legislation, the Company continues to assess its current and potential sales tax exposure in specific jurisdictions. Management has assessed the Company's sales tax liability as of December 31, 2018 and has determined that the liability ranges from \$2,346,664 to \$3,630,600. Management has concluded that as of December 31, 2018, the best estimate of the liability is \$2,346,664, which is reflected in the accompanying balance sheet.

6. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company leases office space in San Diego, California under noncancelable operating leases that expire in January 31, 2020. The office space lease includes a renewal option.

Minimum future lease payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year are as follows:

Year ended December 31:

2019	\$ 60,388
2020	5,045
	<u>\$ 65,433</u>

Rent expense totaled \$154,372 for the year ended December 31, 2018.

Line of Credit

The Company has a line of credit agreement with a bank of \$2,000,000 with a maturity date of October 30, 2019. There were no borrowings against the line at December 31, 2018. The line of credit bears interest at the bank's reference rate which was 5.5% as of December 31, 2018.

7. UNCERTAINTIES AND CONCENTRATIONS

Credit Risk

The Company maintains cash balances at various financial institutions. The Federal Deposit Insurance Corporation currently insures accounts at these institutions up to \$250,000. At times, balances may exceed federally insured limits. The Company has not experienced any losses in such accounts.

Customers

During the year ended December 31, 2018, the Company did not generate sales to any party which comprised more than 10% of total net sales for the year.

CREATIVE GENIUS, INC. dba PURA VIDA BRACELETS
NOTES TO FINANCIAL STATEMENTS (AS RESTATED)
December 31, 2018

Suppliers

During the year ended December 31, 2018, respective purchases from three suppliers each represented an excess of 10% of the Company's purchases during the year. During the year ended December 31, 2018, inventory purchases from three suppliers were \$9,035,140, \$5,747,109 and \$4,757,123 which were 22%, 14% and 11% of total purchases, respectively.

8. CHANGE IN ACCOUNTING PRINCIPLE

In October 2018, the Company changed its method of accounting for raw materials inventory from an indirect method to a direct method. The new method was adopted because management believes the new method provides a more precise measurement of its inventory and cost of sales. This resulted in an adjustment to inventory and retained earnings in the amount of \$1,620,662 at January 1, 2018.

9. RESTATEMENT

The Company has restated its previously issued 2018 financial statements to correct misstatements related to inventory on hand, inventory in-transit and accrued sales tax liability at December 31, 2018. The following is a summary of the restatement for 2018:

	2018	
Increase of inventory and reduction of cost of goods sold	\$	351,801
Additional accrual for sales tax liability		(898,746)
Total change in net income	\$	(546,945)

The effects on the Company's previously issued 2018 financial statements are summarized as follows:

Balance Sheet as of December 31, 2018

	<i>Previously Reported</i>	<i>Increase (Decrease)</i>	<i>As Restated</i>
Current Assets			
Inventory	\$ 9,383,008	\$ 1,972,463	\$ 11,355,471
Total current assets	13,118,311	1,972,463	15,090,774
Total assets	13,192,276	1,972,463	15,164,739
Current Liabilities			
Accrued expenses	2,733,631	1,456,864	4,190,495
Total current liabilities	7,940,941	1,456,864	9,397,805
Total liabilities	7,940,941	1,456,864	9,397,805
Shareholders' Equity			
Retained earnings	5,250,935	515,599	5,766,534
Total shareholders' equity	5,251,335	515,599	5,766,934
Total liabilities and shareholders' equity	13,192,276	1,972,463	15,164,739

CREATIVE GENIUS, INC. dba PURA VIDA BRACELETS
NOTES TO FINANCIAL STATEMENTS (AS RESTATED)
December 31, 2018

Statement of Operations for the Year Ended December 31, 2018

	<i>Previously Reported</i>	<i>Increase (Decrease)</i>	<i>As Restated</i>
Cost of goods sold	\$ 21,477,254	\$ (351,801)	\$ 21,125,453
Gross profit	46,803,305	351,801	47,155,106
Selling and administrative expenses	42,794,669	898,746	43,693,415
Income from operations	3,972,712	(546,945)	3,425,767
Net income	3,972,712	(546,945)	3,425,767

Statement of Cash Flows for the Year Ended December 31, 2018

	<i>Previously Reported</i>	<i>Increase (Decrease)</i>	<i>As Restated</i>
Net income	\$ 3,972,712	\$ (546,945)	\$ 3,425,767
Adjustments to reconcile net income to net cash provided by operating activities			
Inventory	(6,262,289)	(351,801)	(6,614,090)
Accrued expenses	1,628,839	898,746	2,527,585
Net cash provided by operating activities	1,021,446	—	1,021,446

Statement of Changes in Shareholders' Equity for the Year Ended December 31, 2018

	<i>Number of Shares</i>	<i>Common Stock</i>	<i>Retained Earnings</i>	<i>Total Shareholders' Equity</i>
Balance at December 31, 2017, as restated	200	\$ 400	\$ 2,324,485	\$ 2,324,885
Net income for 2018, as restated	—	—	3,425,767	3,425,767
Balance at December 31, 2018, as restated	200	400	5,766,534	5,766,934

The effects on the Company's beginning shareholders' equity as of January 1, 2018 are summarized as follows:

Statement of Changes in Shareholders' Equity for the Year Ended December 31, 2017

	<i>Number of Shares</i>	<i>Common Stock</i>	<i>Retained Earnings</i>	<i>Total Shareholders' Equity</i>
Balance at January 1, 2017, as restated	200	\$ 400	\$ 1,235,648	\$ 1,236,048
Net income for 2017, as restated	—	—	3,794,211	3,794,211
Balance at December 31, 2017, as restated	200	400	2,324,485	2,324,885

10. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through October 1, 2019, which was the date the financial statements were available to be issued. Management has determined that except as noted below, there are no events which require adjustments to, or disclosure in, the 2018 financial statements.

Acquisition by Vera Bradley, Inc.

On July 16, 2019, a seventy-five percent (75%) ownership interest in the Company was acquired by Vera Bradley, Inc. ("Vera Bradley"). Furthermore, the Company entered into a put/call transaction for the remaining 25% following the fifth anniversary of the closing date of the transaction until the tenth anniversary thereof. Subsequent to the July 16, 2019 transaction date, the Company began operating as a majority-owned subsidiary of Vera Bradley.

CREATIVE GENIUS, INC. dba PURA VIDA BRACELETS
BALANCE SHEETS
(Unaudited)

	As of	
	June 30, 2019	December 31, 2018
ASSETS		
Current Assets		
Cash	\$ 1,680,756	\$ 1,277,827
Accounts receivable, net	4,044,172	1,460,089
Inventory	18,320,285	11,355,471
Other current assets	2,204,063	997,387
Total current assets	26,249,276	15,090,774
Property, plant, and equipment, net	330,808	67,171
Intangible assets, net	6,459	6,794
Total assets	\$ 26,586,543	\$ 15,164,739
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 6,145,408	\$ 4,269,372
Accrued expenses	9,911,392	4,190,495
Deferred revenue	1,076,840	937,938
Line of credit	2,000,000	—
Total current liabilities	19,133,640	9,397,805
Total liabilities	19,133,640	9,397,805
Shareholders' Equity		
Common stock, no par value, 1,000 shares authorized, 200 shares issued and outstanding	400	400
Retained earnings	7,452,503	5,766,534
Total shareholders' equity	7,452,903	5,766,934
Total liabilities and shareholders' equity	\$ 26,586,543	\$ 15,164,739

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

CREATIVE GENIUS, INC. dba PURA VIDA BRACELETS
STATEMENTS OF OPERATIONS
(Unaudited)

	Six-month periods ended June 30,	
	2019	2018
SALES, NET	\$ 43,690,253	\$ 26,511,845
COST OF GOODS SOLD	12,095,614	7,678,438
GROSS PROFIT	31,594,639	18,833,407
Selling, general, and administrative expenses	29,761,942	16,647,696
Depreciation and amortization	28,786	19,660
	29,790,728	16,667,356
INCOME FROM OPERATIONS	1,803,911	2,166,051
NET INCOME	\$ 1,803,911	\$ 2,166,051

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

CREATIVE GENIUS, INC. dba PURA VIDA BRACELETS
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
Six-month periods ended June 30, 2019 and 2018
(Unaudited)

	Shares		Common Stock		Retained Earnings		Total
Balance at December 31, 2018	200	\$	400	\$	5,766,534	\$	5,766,934
Net income	—		—		1,803,911		1,803,911
Distribution to Shareholders	—		—		(117,942)		(117,942)
Balance at June 30, 2019	200	\$	400	\$	7,452,503	\$	7,452,903
Balance at December 31, 2017	200	\$	400	\$	2,324,485	\$	2,324,885
Net income	—		—		2,166,051		2,166,051
Contribution from Shareholders, net	—		—		136,367		136,367
Balance at June 30, 2018	200	\$	400	\$	4,626,903	\$	4,627,303

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

CREATIVE GENIUS, INC. dba PURA VIDA BRACELETS
STATEMENTS OF CASH FLOWS
(Unaudited)

	Six-month periods ended June 30,	
	2019	2018
CASH FLOWS OPERATING ACTIVITIES		
Net income	\$ 1,803,911	\$ 2,166,051
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	28,786	19,660
Changes in assets and liabilities:		
Accounts receivables	(2,584,083)	(1,116,546)
Inventory	(6,964,814)	(1,686,567)
Other current assets	(1,206,676)	(1,066,185)
Accounts payable	1,876,037	508,582
Accrued expenses	5,720,897	1,572,794
Deferred revenue	138,902	347,818
Net cash (used in) provided by operating activities	(1,187,040)	745,607
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(292,089)	(3,963)
Net cash used in investing activities	(292,089)	(3,963)
CASH FLOWS FROM FINANCING ACTIVITIES		
Line of credit	2,000,000	—
Shareholder contributions (distributions)	(117,942)	136,367
Net cash provided by financing activities	1,882,058	136,367
 Net change in cash	 402,929	 878,011
 CASH - beginning of period	 1,277,827	 248,258
 CASH - end of period	 <u>\$ 1,680,756</u>	 <u>\$ 1,126,269</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for taxes	\$ —	\$ 15,312
Cash paid for interest	<u>\$ 36,056</u>	<u>\$ —</u>

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

CREATIVE GENIUS, INC. dba PURA VIDA BRACELETS
NOTES TO FINANCIAL STATEMENTS
As of June 30, 2019 and December 31, 2018 and for the six-month periods ended June 30, 2019 and 2018

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Corporate Structure

Creative Genius, Inc. dba Pura Vida Bracelets, (the “Company”) was founded and incorporated in the state of California in 2010. The Company is a retail business that sells a variety of bracelets, apparel, jewelry and other accessories. The Company’s operations are based in California.

On July 16, 2019, a seventy-five percent (75%) ownership interest in the Company was acquired by Vera Bradley Inc (“Vera Bradley”). On July 16, 2019, the Company entered into a put/call transaction for the remaining 25% following the fifth anniversary of the closing date of the transaction until the tenth anniversary thereof. Subsequent to the July 16, 2019 transaction date, the Company began operating as a majority-owned subsidiary of Vera Bradley.

Basis of Presentation

These interim financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”).

Use of Estimates

The preparation of financial statements in conformity with U.S. 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition and Deferred Revenue

Revenue from the sale of goods is recognized when an order has been received, the product has been shipped, the selling price is fixed or determinable, collection is reasonably assured and when both title and risk of loss transfer to the customer, provided that no significant obligations remain. Sales revenues do not include sales taxes collected from the customer. Sales are presented net of credits for returns, discounts, allowances and other chargebacks that result in deductions either from invoiced amounts or subsequent billings to customers. For the six-month periods ended June 30, 2019 and 2018, such credits totaled \$5,913,585 and \$4,575,654, respectively.

The Company maintains a monthly club membership program whereby members pay six or twelve months in advance for monthly shipment of product with advanced payments recognized as deferred revenue. Upon monthly shipment of club membership product, revenue is recognized equally over each month with a corresponding reduction in the deferred revenue balance. At June 30, 2019 and December 31, 2018, deferred revenue consisted of \$1,076,840 and \$937,938, respectively.

Cash and Cash Equivalents

Cash and cash equivalents include cash and investments that are readily convertible into cash and have original maturities of three months or less. As of June 30, 2019 and December 31, 2018 cash and cash equivalents were \$1,680,756 and \$1,277,827 respectively.

Allowance for Doubtful Accounts

The Company establishes an allowance for doubtful accounts based on historical experience and customer-specific identification and believes that collections of receivables, net of the allowance for doubtful accounts, are reasonably assured. The allowance for doubtful accounts was \$33,736 and \$74,216 as of June 30, 2019 and December 31, 2018, respectively.

CREATIVE GENIUS, INC. dba PURA VIDA BRACELETS
NOTES TO FINANCIAL STATEMENTS
As of June 30, 2019 and December 31, 2018 and for the six-month periods ended June 30, 2019 and 2018

Inventory

Inventory is stated at the lower of cost (first in, first out) or net realizable value.

Property, Plant and Equipment

Property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the assets, generally three to seven years. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or the estimated useful life of the asset. Costs incurred for maintenance and repairs are expensed as incurred and expenditures for major replacements and improvements are capitalized and depreciated over their estimated remaining useful lives.

Income Taxes

The Company is taxed under the provisions of subchapter S of the Internal Revenue Code. Under these provisions, the Company does not pay federal corporate income taxes on its taxable income. However, the Company is subject to California franchise tax equal to the greater of 1.5% of taxable income or \$800.

Under the provisions of subchapter S, the shareholders are liable for individual federal and state income taxes on the Company's taxable income. The Company may disburse funds necessary to satisfy the shareholders' estimated personal income tax liabilities.

The Company files income tax returns in the U.S. federal jurisdiction and California. With few exceptions, the Company is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2013. The Company recognizes interest and/or penalties related to uncertain tax positions in income tax expense. To the extent accrued interest and penalties do not ultimately become payable, amounts accrued will be reduced and reflected as a reduction of the overall income tax provision in the period that such determination is made.

The Company's policy is to recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense.

Advertising

The Company expenses advertising costs as incurred. Advertising cost for the six-month periods ended June 30, 2019 and 2018 was \$11,956,627 and \$6,841,731, respectively.

Shipping and Handling

Shipping and handling fees billed to customers are classified on the statement of operations within "Sales, net" and were \$1,520,228 and \$836,693 for the six-month periods ended June 30, 2019 and 2018, respectively. The associated shipping and handling costs of \$4,474,763, and \$3,333,756 for the six-month periods ended June 30, 2019 and 2018, respectively, are included in selling, general, and administrative expenses.

Litigation

From time to time, the Company may become involved in disputes, litigation and other legal actions. The Company estimates the range of liability related to pending litigation where the amount and range of loss can be estimated. The Company records its best estimate of a loss when the loss is considered probable. Where a liability is probable and there is a range of estimated loss with no best estimate in the range, the Company records a charge equal to at least the minimum estimated liability for a loss contingency when both of the following conditions are met: (i) information available prior to issuance of the financial statements indicates that it is probable that an asset had been impaired or a liability had been incurred at the date of the financial statements and (ii) the range of loss can be reasonably estimated. As of December 31, 2018, there was a litigation settlement of \$145,000 related to matters for which a loss accrual was recorded and included in accrued expenses of the accompanying balance sheets.

CREATIVE GENIUS, INC. dba PURA VIDA BRACELETS
NOTES TO FINANCIAL STATEMENTS

As of June 30, 2019 and December 31, 2018 and for the six-month periods ended June 30, 2019 and 2018

New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-02, *Leases (Topic 842)*. This update requires lessees to recognize at the lease commencement date a lease liability, which is the lessee’s obligation to make lease payments arising from a lease, measured on a discounted basis, and a right-of-use assets, which is an asset that represents the lessee’s right to use, or control the use of, a specified asset for the lease term. Lessees will no longer be provided with a source of off-balance sheet financing. This update is effective for financial statements issued for annual periods beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early application is permitted for all nonpublic business entities upon issuance. Management has not yet completed their analysis of the potential impact of this new guidance on the Company’s financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This guidance amended the existing FASB Accounting Standards Codification, creating a new Topic 606, *Revenue from Contracts with Customers*. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which deferred the effective date of ASU 2014-09 by one year. ASU 2014-09 is now effective for annual reporting periods beginning after December 15, 2018 and interim reporting periods within annual reporting periods beginning after December 15, 2019 for nonpublic entities. Management has not yet completed their analysis of the potential impact of this new guidance on the Company’s financial statements.

CREATIVE GENIUS, INC. dba PURA VIDA BRACELETS
NOTES TO FINANCIAL STATEMENTS
As of June 30, 2019 and December 31, 2018 and for the six-month periods ended June 30, 2019 and 2018

2. INVENTORY

At June 30, 2019 and December 31, 2018, inventory consisted of the following:

	June 30, 2019	December 31, 2018
Raw Materials	\$ 2,612,099	\$ 3,113,347
Finished Goods	15,708,186	8,242,124
	<u>\$ 18,320,285</u>	<u>\$ 11,355,471</u>

Inventory balances above include an estimate for indirect inventory costs such as packaging and freight (burden rate) based on a 3-month moving average to better reflect the inventory value. No valuation allowance for inventory was deemed necessary as of June 30, 2019 and December 31, 2018.

3. OTHER CURRENT ASSETS

At June 30, 2019 and December 31, 2018, prepaid expenses, deposits and other current assets consisted of the following:

	June 30, 2019	December 31, 2018
Vendor deposits	\$ 2,137,502	\$ 954,064
Prepaid other	66,561	43,323
	<u>\$ 2,204,063</u>	<u>\$ 997,387</u>

4. PROPERTY, PLANT AND EQUIPMENT, NET

At June 30, 2019 and December 31, 2018, property, plant and equipment, net consisted of the following:

	June 30, 2019	December 31, 2018
Computers and software	\$ 129,044	\$ 117,678
Equipment	71,976	71,976
Furniture and fixtures	169,689	59,544
Auto	46,000	46,000
Leasehold improvements	130,813	—
	<u>547,522</u>	<u>295,198</u>
Less accumulated depreciation	<u>(216,714)</u>	<u>(228,027)</u>
	<u>\$ 330,808</u>	<u>\$ 67,171</u>

Depreciation expense totaled \$28,452 and \$19,326 for the six-month periods ended June 30, 2019 and 2018, respectively.

CREATIVE GENIUS, INC. dba PURA VIDA BRACELETS
NOTES TO FINANCIAL STATEMENTS
As of June 30, 2019 and December 31, 2018 and for the six-month periods ended June 30, 2019 and 2018

5. ACCRUED EXPENSES

At June 30, 2019 and December 31, 2018, accrued expenses consisted of the following:

	June 30, 2019	December 31, 2018
Credit card liability	\$ 1,548,330	\$ 662,630
Payroll liabilities	3,678,351	233,096
Sales tax accrual	3,882,154	2,346,664
Other accrued liabilities	802,557	948,105
	<u>\$ 9,911,392</u>	<u>\$ 4,190,495</u>

Sales Tax Accrual

Based on the evolving state sales tax legislation, the Company continues to assess its current and potential sales tax exposure in specific jurisdictions. Management has assessed the Company's sales tax liability as of June 30, 2019 and December 31, 2018, and has recorded an estimated sales tax liability of \$3,882,154 and \$2,346,664, respectively.

6. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company leases office spaces in San Diego, California under noncancelable operating leases that expire in June 30, 2026 and January 31, 2020. The office space lease expiring January 31, 2020, includes a renewal option.

Minimum future lease payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year are as follows:

Year ended December 31:

2019	\$ 253,481
2020	226,029
2021	273,137
2022	281,331
2023	289,771
Thereafter	764,202
	<u>\$ 2,087,951</u>

Rent expense totaled \$155,903 and \$76,951 for the six-month periods ended June 30, 2019 and 2018, respectively.

Line of Credit

On November 8, 2018, the Company entered into a line of credit agreement with a bank in the amount of \$2,000,000 with a maturity date of October 30, 2019. There were \$2,000,000 and \$0 in borrowings against the line at June 30, 2019 and December 31, 2018, respectively. The line of credit bears interest at the bank's reference rate which was 5.5% as of June 30, 2019 and December 31, 2018.

7. UNCERTAINTIES AND CONCENTRATIONS

Credit Risk

The Company maintains cash balances at various financial institutions. The Federal Deposit Insurance Corporation currently insures accounts at these institutions up to \$250,000. At times, balances may exceed federally insured limits. The Company has not experienced any losses in such accounts.

CREATIVE GENIUS, INC. dba PURA VIDA BRACELETS
NOTES TO FINANCIAL STATEMENTS
As of June 30, 2019 and December 31, 2018 and for the six-month periods ended June 30, 2019 and 2018

Customers

During the six-month periods ended June 30, 2019 and 2018, the Company did not generate sales to any party which comprised more than 10% of total net sales for the years.

Suppliers

During the six-month periods ended June 30, 2019 purchases from Carnaval S.A. de C.V, Silverline and XB Fulfillment suppliers each represented an excess of 10% of the Company's purchases during the year. Purchases from these 3 suppliers were \$8,136,606, \$5,086,587 and \$4,245,134 which were 27%, 17%, and 14% of total purchases, respectively. During the six-month periods ended June 30, 2018, purchases from Carnaval S.A. de C.V, Silverline and Saddle Creek Corporation suppliers each represented an excess of 10% of the Company's purchases during the year. Purchases from these 3 suppliers were \$3,344,733, \$4,027,492 and \$2,218,843 which were 21%, 25% and 14% of total purchases, respectively.

8. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through October 1, 2019, which was the date the financial statements were available to be issued. Except as noted in footnote 1, management has determined there are no events which require adjustments to, or disclosure in, the June 30, 2019 and 2018 interim financial statements.

Unaudited Pro Forma Condensed Combined Financial Information

The following unaudited condensed combined statements of operations are based on the historical condensed consolidated statements of operations of Vera Bradley, Inc. (the “Company” or “Vera Bradley”) and the historical condensed statements of operations of Creative Genius, Inc. (“Pura Vida”) as adjusted to give effect to the July 16, 2019 acquisition of a majority interest in Pura Vida (the “Transaction”). The Company did not include a pro forma condensed combined balance sheet as the Transaction is reflected in the Company’s condensed consolidated balance sheet as of August 3, 2019, previously filed with the Securities and Exchange Commission (“SEC”).

The Company operates on a fiscal year that ends on the Saturday closest to January 31. Prior to the Transaction, Pura Vida operated on a calendar year. The pro forma financial information was combined using the respective fiscal year of each entity as the year end of the entities differs by 93 days or less, as permitted under the rules of S-X Article 11. The pro forma financial information for the most recent fiscal year combines the Company’s consolidated statements of operations for the fiscal year ended February 2, 2019 with Pura Vida’s statements of operations for the calendar year ended December 31, 2018. The pro forma financial information for the subsequent year-to-date interim period combines the Company’s unaudited condensed consolidated statements of operations for the six months ended August 3, 2019 with Pura Vida’s unaudited condensed statements of operations for the six months ended June 30, 2019. These unaudited pro forma condensed combined statements of operations give effect to the Transaction as of it had occurred at the beginning of the Company’s fiscal 2019, or February 4, 2018.

The pro forma financial information is intended to provide a sense for what the Company’s operating results may have been if the Pura Vida acquisition had occurred at the beginning of the Company’s fiscal 2019. The pro forma financial information is not indicative of the results that would have been reflected had the transaction actually occurred as of that date, nor is it necessarily indicative of the Company’s future results. The financial information includes expense related to supplemental officer wages and fully indemnified state sales tax matters for time periods before the acquisition date. The Company does not expect these items to have a continuing impact on its consolidated financial statements.

The unaudited pro forma condensed combined financial information should be read in conjunction with:

- the historical consolidated financial statements and accompanying notes of the Company included in its Annual Report on Form 10-K for the fiscal year ended February 2, 2019 filed with the SEC on April 2, 2019;
- the unaudited historical condensed consolidated financial statements and accompanying notes of the Company included in its Quarterly Report on Form 10-Q for the six months ended August 3, 2019 filed with the SEC on September 11, 2019;
- the historical financial statements and accompanying notes of Pura Vida for the calendar year ended December 31, 2018 included in this Amendment No. 1 to Current Report on Form 8-K; and
- the unaudited historical financial statements and accompanying notes of Pura Vida for the six months ended June 30, 2019 also included in this Amendment No. 1 to Current Report on Form 8-K.

Vera Bradley, Inc.
Pro Forma Condensed Combined Statements of Operations
For the Six Months Ended August 3, 2019
(in thousands, except per share data)

(unaudited)

	Six Months Ended		Pro Forma Adjustments	Notes	Pro Forma Combined
	Vera Bradley Historical	Pura Vida Historical After Reclassifications			
	August 3, 2019	June 30, 2019			
Net revenues	\$ 210,788	\$ 43,690	\$ (5,388)	5(a)	\$ 249,090
Cost of sales	92,987	17,487	(3,118)	5(a)	107,356
Gross profit	117,801	26,203	(2,270)		141,734
Selling, general, and administrative expenses	115,042	24,244	(1,817)	5(a,b,c)	137,469
Other income	944	—	—		944
Operating income	3,703	1,959	(453)		5,209
Interest (income) expense, net	(822)	155	—		(667)
Income before income taxes	4,525	1,804	(453)		5,876
Income tax expense	1,212	—	377	5(d)	1,589
Net income	3,313	1,804	(830)		4,287
Less: Net loss attributable to redeemable noncontrolling interest	(136)	—	(342)	5(e)	(478)
Net income attributable to Vera Bradley, Inc.	\$ 3,449	\$ 1,804	\$ (488)		\$ 4,765
Basic weighted-average shares outstanding	34,203				34,203
Diluted weighted-average shares outstanding	34,476				34,476
Basic net income per share attributable to Vera Bradley, Inc.	\$ 0.10				\$ 0.14
Diluted net income per share attributable to Vera Bradley, Inc.	\$ 0.10				\$ 0.14

See accompanying notes to the unaudited pro forma condensed combined financial information.

Vera Bradley, Inc.
Pro Forma Condensed Combined Statements of Operations
For the Fiscal Year Ended February 2, 2019
(in thousands, except per share data)

(unaudited)

	Fiscal Year Ended		Pro Forma Adjustments	Notes	Pro Forma Combined
	Vera Bradley, Historical February 2, 2019	Pura Vida Historical After Reclassifications December 31, 2018			
Net revenues	\$ 416,097	\$ 68,281	\$ —		\$ 484,378
Cost of sales	177,510	30,234	—		207,744
Gross profit	238,587	38,047	—		276,634
Selling, general, and administrative expenses	211,984	34,621	8,764	5(b,c)	255,369
Other income	498	—	—		498
Operating income	27,101	3,426	(8,764)		21,763
Interest income, net	(1,125)	—	—		(1,125)
Income before income taxes	28,226	3,426	(8,764)		22,888
Income tax expense	7,469	—	(1,413)	5(d)	6,056
Net income	20,757	3,426	(7,351)		16,832
Less: Net loss attributable to redeemable noncontrolling interest	—	—	(1,335)	5(e)	(1,335)
Net income attributable to Vera Bradley, Inc.	\$ 20,757	\$ 3,426	\$ (6,016)		\$ 18,167
Basic weighted-average shares outstanding	35,222				35,222
Diluted weighted-average shares outstanding	35,467				35,467
Basic net income per share attributable to Vera Bradley, Inc.	\$ 0.59				\$ 0.52
Diluted net income per share attributable to Vera Bradley, Inc.	\$ 0.59				\$ 0.51

See accompanying notes to the unaudited pro forma condensed combined financial information.

Notes to the Pro Forma Condensed Combined Financial Statements
(unaudited)

Note 1 - Description of the Transaction

On July 16, 2019, the Company completed its acquisition of a seventy-five percent (75%) ownership interest in Creative Genius, Inc. or “Pura Vida” (the “Transaction”) in exchange for cash consideration of approximately \$75 million, subject to certain adjustments, including working capital. Pura Vida, based in La Jolla, California, is a rapidly growing, digitally native, and highly engaging lifestyle brand that deeply resonates with its loyal consumer following. The Pura Vida brand has a differentiated and expanding offering of bracelets, jewelry, and other lifestyle accessories. The Company believes that the acquisition will strengthen the Company by providing increased product diversification and future growth opportunities partially as a result of resource and knowledge-sharing.

In accordance with the Interest Purchase Agreement, the Company also agreed to a contingent payment of up to \$22.5 million payable during the first quarter of calendar year 2020 based on calendar year 2019 adjusted EBITDA of Pura Vida, as defined in the Interest Purchase Agreement. The Company’s existing available cash, cash equivalents, and investments funded the purchase price due at the closing of the Transaction.

On July 16, 2019, as contemplated by the Interest Purchase Agreement, the Company and certain of its subsidiaries and the owners of the remaining twenty-five percent (25%) ownership interest in Pura Vida (the “Sellers”) which was not acquired by the Company (the “Remaining Pura Vida Interest”) entered into a Put/Call Agreement (the “Put/Call Agreement”). Pursuant to the Put/Call Agreement, and subject to the terms and conditions thereof, the Sellers have the right to sell all of the Remaining Pura Vida Interest to the Company, and the Company has the right to purchase all of the Remaining Pura Vida Interests from Sellers, in each case generally at any time following the fifth anniversary of the closing date of the Transaction until the tenth anniversary thereof. The purchase price for any Remaining Pura Vida Interest put to, or called by, the Company will be determined based on the arithmetic average of a multiple of adjusted EBITDA of Pura Vida and a multiple of adjusted EBITDA of the Company, as defined in the Put/Call Agreement, over the twelve-month period ending on the last day of the month immediately preceding the month in which an exercise notice is delivered by a relevant party. In the event of a change in control of the Company, the parties may exercise a portion of their put and call rights prior to the fifth anniversary of the closing date (as defined in the Put/Call Agreement).

Note 2 - Basis of Presentation

The unaudited pro forma financial information has been prepared using the acquisition method of accounting in accordance with Accounting Standards Codification (“ASC”) 805 *Business Combinations*. The adoption of ASC 606 *Revenue from Contracts with Customers* had an immaterial impact on the Pura Vida historical statements of operations and ASC 842 *Leases* had no impact on the Pura Vida historical statements of operations.

The Company operates on a fiscal year that ends on the Saturday closest to January 31. Prior to the Transaction, Pura Vida operated on a calendar year. The pro forma financial information was combined using the respective fiscal year of each entity as the year end of the entities differs by 93 days or less, as permitted under the rules of S-X Article 11. The pro forma financial information for the most recent fiscal year combines the Company’s consolidated statements of operations for the fiscal year ended February 2, 2019 with Pura Vida’s statements of operations for the calendar year ended December 31, 2018. The pro forma financial information for the subsequent year-to-date interim period combines the Company’s unaudited condensed consolidated statements of operations for the six months ended August 3, 2019 with Pura Vida’s unaudited condensed statements of operations for the six months ended June 30, 2019. These unaudited pro forma condensed combined statements of operations give effect to the Transaction as if it had occurred at the beginning of the Company’s fiscal 2019, or February 4, 2018.

The pro forma adjustments made to the historical condensed consolidated statements of operations include adjustments which give effect to events that are directly attributable to the transaction and are factually supportable. These pro forma adjustments include preliminary definite-lived intangible asset amortization that exceeds one year and acquisition-related transaction costs reflected in the historical financial statements. Refer to Note 3 and Note 5 for additional information regarding the preliminary purchase price allocation and pro forma adjustments, respectively. The Company did not include adjustments for the amortization of the step-up in inventory basis as this adjustment is short-term and will not have a continuing impact on operations. In addition, as further described in Note 4 herein, certain reclassification adjustments were made to Pura Vida’s historical statements of operations to conform to the Company’s presentation.

**Notes to the Pro Forma Condensed Combined Financial Statements
(unaudited)**

The financial information includes expense related to supplemental officer wages and fully indemnified state sales tax matters for time periods before the acquisition date. The Company does not expect these items to have a continuing impact on its consolidated financial statements.

Note 3 - Estimated Consideration and Preliminary Purchase Price Allocation

The following preliminary schedule summarizes the consideration paid for Pura Vida, the fair value of the assets acquired and liabilities assumed, the fair value of the noncontrolling interest, and the fair value of the contingent consideration related to the earn-out provision. The accounting for the acquisition is preliminary as the Company has not yet finalized the working capital purchase price adjustment or the valuation of the aforementioned items. The final valuation could differ materially from the preliminary schedule summarized below. These preliminary values are reflected in the Company's unaudited financial statements for the period ending August 3, 2019 previously filed with the SEC.

**Notes to the Pro Forma Condensed Combined Financial Statements
(unaudited)**

in thousands

	Fair Value at Acquisition Date
Cash and cash equivalents	\$ 1,495
Accounts receivable, net	8,673
Inventories	27,643
Prepaid expenses and other current assets	1,537
Operating right of use asset	1,250
Property, plant, and equipment, net	751
Goodwill	41,310
Intangible asset, brand	36,668
Other intangible assets	25,283
Total assets acquired	144,610
Accounts payable	6,818
Accrued employment costs	2,351
Other accrued liabilities	6,637
Operating lease liability	1,659
Total liabilities assumed	17,465
<i>Less:</i>	
Contingent consideration related to earn-out provision	(20,854)
Redeemable noncontrolling interest	(31,786)
Cash acquired	(1,495)
Total closing consideration amount, net of cash acquired	\$ 73,010

The definite-lived intangible assets subject to amortization include customer relationships and non-competition agreements totaling a preliminary value of \$25.3 million. The preliminary weighted average amortization period is 3.6 years and 5.0 years for customer relationships and non-competition agreements, respectively. The Company did not include customer relationships with less than a one year amortization period in the pro forma adjustments. The preliminary amortization period and preliminary valuation may change materially during the measurement period; therefore, the related amortization expense could differ from the estimates used in the pro forma adjustments herein.

Note 4 - Reclassifications of Pura Vida's Historical Statements of Operations

Adjustments were made to Pura Vida's historical statements of operations to conform to the financial statement presentation of the Company. These adjustments include reclassifying fulfillment costs from selling, general, and administrative expenses to cost of sales, reclassifying items from selling, general, and administrative expenses to interest expense, and reclassifying depreciation and amortization to selling, general, and administrative expenses. Financial statement captions were also conformed to be consistent with the Company. The following schedule details these reclassification adjustments (in thousands).

**Notes to the Pro Forma Condensed Combined Financial Statements
(unaudited)**

	Pura Vida Historical Before Reclassifications	
	Year Ended	Six Months Ended
	December 31, 2018	June 30, 2019
Sales, net	\$ 68,281	\$ 43,690
Cost of goods sold	21,126	12,095
Gross profit	47,155	31,595
Selling, general, and administrative expenses	43,693	29,762
Depreciation and amortization	36	29
	<u>43,729</u>	<u>29,791</u>
Income from operations	3,426	1,804
Net income	<u>\$ 3,426</u>	<u>\$ 1,804</u>
	Pura Vida Historical After Reclassifications	
	Year Ended	Six Months Ended
	December 31, 2018	June 30, 2019
Net revenues	\$ 68,281	\$ 43,690
Cost of sales	30,234	17,487
Gross profit	38,047	26,203
Selling, general, and administrative expenses	34,621	24,244
Other income	—	—
Operating income	3,426	1,959
Interest expense	—	155
Income before income taxes	3,426	1,804
Income tax expense	—	—
Net income	<u>\$ 3,426</u>	<u>\$ 1,804</u>

The pro forma information is based on information available as of the date of the filing of this Amendment No. 1 to Current Report on Form 8-K. Additional information obtained after the date of this filing could result in additional reclassification adjustments to conform Pura Vida to the Company's accounting policies and financial statements presentation.

Note 5 - Pro Forma Adjustments

Adjustments included in the unaudited pro forma combined statements of operations are detailed below.

(a) To remove Pura Vida operating results reflected in the Company's historical condensed consolidated statement of operations for the stub period following the acquisition date. There were \$2.8 million of stub period expenses removed from selling, general, and administrative expenses for the current-year six month period.

(b) To recognize estimated intangible asset amortization, for assets with estimated lives exceeding one year, based on the preliminary purchase price allocation (refer to Note 3 herein for additional information). The estimated intangible asset amortization for assets with estimated lives exceeding one year totaled \$4.5 million and \$9.0 million for the current-year six month period and prior-year annual period, respectively.

Notes to the Pro Forma Condensed Combined Financial Statements
(unaudited)

(c) To remove acquisition-related transaction costs recognized in the historical financial statements of the Company and Pura Vida. For the current-year six month period presented, transaction costs totaled \$3.5 million. For the prior-year annual period, transaction costs totaled \$0.2 million. These costs represent nonrecurring charges directly attributable to the transaction and will not have a continuing impact on operations.

(d) Represents the tax adjustment to record the estimated income tax expense based on a statutory tax rate of 25.0%. The total effective tax rate could be significantly different depending on various tax matters.

(e) Represents an adjustment for the pro forma operating results of Pura Vida that are not attributable to the Company.