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

FORM 10-Q

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

For the Quarterly Period Ended May 4, 2013

OR

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

For the Transition Period From __________ to __________

Commission File Number: 001-34918

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

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

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

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

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

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

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

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐

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

The registrant had 40,603,279 shares of its common stock outstanding as of June 12, 2013.

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Forward-looking Statements

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

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

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

For a discussion of these risks and other risks and uncertainties that could cause actual results to differ materially from those contained in our forward-looking statements, please refer to “Risk Factors” in Item 1A of our Annual Report on Form 10-K for the fiscal year ended February 2, 2013.

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

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Vera Bradley, Inc.
Consolidated Balance Sheets

(in thousands)

(unaudited)

	May 4, 2013	February 2, 2013
Assets		
Current assets:		
Cash and cash equivalents	$ 8,229	$ 9,603
Accounts receivable, net	26,758	34,811
Inventories	138,949	131,562
Prepaid expenses and other current assets	9,211	11,016
Deferred income taxes	11,860	11,348
Total current assets	195,007	198,340
Property, plant, and equipment, net	79,652	77,211
Other assets	1,630	1,768
Total assets	$276,289	$277,319
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 17,768	$ 14,853
Accrued employment costs	9,571	14,162
Other accrued liabilities	18,335	16,532
Income taxes payable	5,761	7,094
Current portion of long-term debt	42	58
Total current liabilities	51,477	52,699
Long-term debt	5,030	15,037
Deferred income taxes	6,102	6,078
Other long-term liabilities	10,134	9,250
Total liabilities	72,743	83,064
Commitments and contingencies		
Shareholders' equity:		
Preferred stock; 5,000 shares authorized, no shares issued or outstanding	—	—
Common stock, without par value; 200,000 shares authorized, 40,603 and 40,563 shares issued and outstanding, respectively	—	—
Additional paid-in-capital	76,032	75,675
Retained earnings	128,379	119,190
Accumulated other comprehensive (loss) income	(865)	(610)
Total shareholders' equity	203,546	194,255
Total liabilities and shareholders' equity	$276,289	$277,319

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

Vera Bradley, Inc.
Consolidated Statements of Income

(in thousands, except per share data)

(unaudited)

	Thirteen Weeks Ended	
	May 4, 2013	April 28, 2012
Net revenues	$123,033	$117,201
Cost of sales	54,567	51,899
Gross profit	68,466	65,302
Selling, general, and administrative expenses	55,227	47,191
Other income	1,951	2,699
Operating income	15,190	20,810
Interest expense, net	141	191
Income before income taxes	15,049	20,619
Income tax expense	5,860	7,993
Net income	$ 9,189	$ 12,626
Basic weighted-average shares outstanding	40,580	40,515
Diluted weighted-average shares outstanding	40,624	40,547
Basic earnings per share	$ 0.23	$ 0.31
Diluted earnings per share	$ 0.23	$ 0.31

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

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Vera Bradley, Inc.
Consolidated Statements of Comprehensive Income

(in thousands)

(unaudited)

	Thirteen Weeks Ended	
	May 4, 2013	April 28, 2012
Net income	$ 9,189	$ 12,626
Cumulative translation adjustment	(255)	(183)
Comprehensive income	$ 8,934	$ 12,443

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

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Vera Bradley, Inc.
Consolidated Statements of Cash Flows

(in thousands)

(unaudited)

	Thirteen Weeks Ended	
	May 4, 2013	April 28, 2012
Cash flows from operating activities		
Net income	$ 9,189	$ 12,626
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation of property, plant, and equipment	3,323	2,268
Provision for doubtful accounts	(213)	195
Loss on disposal of property, plant, and equipment	2	21
Stock-based compensation	806	625
Deferred income taxes	(548)	(155)
Changes in assets and liabilities:		
Accounts receivable	8,266	1,793
Inventories	(7,567)	8,587
Prepaid expenses and other assets	1,943	(8)
Accounts payable	2,915	3,919
Income taxes payable	(1,333)	5,669
Accrued and other liabilities	(1,904)	(4,857)
Net cash provided by operating activities	14,879	30,683
Cash flows from investing activities		
Purchases of property, plant, and equipment	(5,811)	(11,512)
Net cash used in investing activities	(5,811)	(11,512)
Cash flows from financing activities		
Payments on financial-institution debt	(35,000)	(32,750)
Borrowings on financial-institution debt	25,000	15,000
Payments on vendor-financed debt	(23)	(22)
Tax withholdings for equity compensation	(389)	(265)
Net cash used in financing activities	(10,412)	(18,037)
Effect of exchange rate changes on cash and cash equivalents	(30)	(34)
Net increase (decrease) in cash and cash equivalents	(1,374)	1,100
Cash and cash equivalents, beginning of period	9,603	4,922
Cash and cash equivalents, end of period	$ 8,229	$ 6,022

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

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

1. Description of the Company and Basis of Presentation

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

Vera Bradley is a leading designer, producer, marketer, and retailer of stylish, highly functional accessories primarily for women. The Company's products include a wide offering of handbags, accessories, and travel and leisure items. The Company generates net revenues by selling products through two reportable segments: Direct and Indirect. The Direct business consists of sales of Vera Bradley products through the Company's full-price and outlet stores in the United States, department store locations in Japan, its websites, verabradley.com and verabradley.co.jp, and its annual outlet sale in Fort Wayne, Indiana. As of May 4, 2013, the Company operated 72 full-price stores and 13 outlet stores. The Indirect business consists of sales of Vera Bradley products to approximately 3,400 specialty retailers, substantially all of which are located in the United States, as well as select department stores and third party e-commerce sites.

The accompanying unaudited consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC"). Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States ("GAAP") have been omitted. These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the fiscal year ended February 2, 2013, filed with the SEC.

The interim financial statements reflect all adjustments that are, in the opinion of management, necessary to present fairly the results for the interim periods presented. All such adjustments are of a normal, recurring nature. The results of operations for the thirteen weeks ended May 4, 2013, are not necessarily indicative of the results to be expected for the full fiscal year.

Principles of Consolidation

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

Fiscal Periods

The Company's fiscal year ends on the Saturday closest to January 31. References to the fiscal quarters ended May 4, 2013, and April 28, 2012, refer to the thirteen-week periods ended on those dates.

Recently Issued Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income* ("ASU 2013-02"). This guidance adds new disclosure requirements for items reclassified out of accumulated other comprehensive income. The additional disclosures include: (1) changes in accumulated other comprehensive income balances by component and (2) significant items reclassified out of accumulated other comprehensive income. The changes in accumulated other comprehensive income balance by component will be disaggregated to separately present reclassification adjustments and current-period other comprehensive income. Significant items reclassified out of accumulated other comprehensive income by component are required to be presented either on the face of the statement of income or as separate disclosure in the notes to the financial statements. These additional disclosures may be presented before-tax or net-of tax as long as the income tax benefit or expense attributed to each component of other comprehensive income and reclassification adjustments is presented in the financial statement or in the notes to the financial statements. The guidance is effective for interim and annual periods beginning after December 15, 2012 and should be applied prospectively. The adoption of this standard did not have an impact on the Company's consolidated financial statements.

In October 2012, the FASB issued ASU 2012-04, *Technical Corrections and Improvements*. The amendments in this update cover a wide range of Topics in the Accounting Standards Codification. These amendments include technical corrections and improvements to the Accounting Standards Codification and conforming amendments related to fair value measurements. The amendments in this update will be effective for fiscal periods beginning after December 15, 2012. The adoption of this standard did not have a material impact on our Interim Condensed Consolidated Financial Statements.

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

2. Earnings Per Share

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

	Thirteen Weeks Ended	
	May 4, 2013	April 28, 2012
Numerator:		
Net income	$ 9,189	$12,626
Denominator:		
Weighted-average number of common shares (basic)	40,580	40,515
Dilutive effect of stock-based awards	44	32
Weighted-average number of common shares (diluted)	40,624	40,547
Earnings per share:		
Basic	$ 0.23	$ 0.31
Diluted	$ 0.23	$ 0.31

As of May 4, 2013 and April 28, 2012, the amount of additional shares issuable upon the vesting of restricted stock units that were excluded from the diluted share calculations because they were anti-dilutive were immaterial. As of May 4, 2013, there were no additional shares issuable upon the vesting of restricted stock units that were excluded from the diluted share calculations.

3. Fair Value of Financial Instruments

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

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

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

The carrying amounts reflected on the Consolidated Balance Sheets for cash and cash equivalents, receivables, other current assets, and payables as of May 4, 2013, and April 28, 2012, approximated their fair values.

The carrying amount for the amended and restated credit agreement (“credit agreement”) approximates fair value at May 4, 2013, and April 28, 2012, as the interest rates of these borrowings fluctuate with the market. The credit agreement falls within Level 2 of the fair value hierarchy.

4. Inventories

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

	May 4, 2013	February 2, 2013
Raw materials	$ 18,825	$ 19,490
Work in process	940	836
Finished goods	119,184	111,236
Total inventories	$138,949	$131,562

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

5. Long-Term Debt

Long-term debt consisted of the following (in thousands):

	May 4, 2013	February 2, 2013
Financial-institution debt	$5,000	$ 15,000
Other borrowings	72	95
	5,072	15,095
Less: Current maturities	42	58
	$5,030	$ 15,037

At May 4, 2013, the interest rate on outstanding borrowings under the Company's $125.0 million amended and restated credit agreement was 1.30%, and the Company had borrowing availability of $120.0 million under the agreement.

6. Income Taxes

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

The effective tax rate for the thirteen weeks ended May 4, 2013 was 38.9% which is comparable to 38.8% for the thirteen weeks ended April 28, 2012.

7. Stock-Based Compensation

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

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

Awards of Restricted Stock Units

During the thirteen weeks ended May 4, 2013, the Company granted a total of 244,814 time-based and performance-based restricted stock units with an aggregate fair value of $5.8 million to certain employees and non-employee directors under the 2010 Equity and Incentive Plan. During the thirteen weeks ended April 28 2012, the Company granted a total of 174,354 time-based and performance-based restricted stock units with an aggregate fair value of $5.2 million to certain employees and non-employee directors under the 2010 Equity and Incentive Plan. The Company determined the fair value of the awards based on the closing price of the Company's common stock on the grant date.

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

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

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

The following table sets forth a summary of restricted stock unit activity for the period ended May 4, 2013 (units in thousands):

	Time-based Restricted Stock Units		Performance-based Restricted Stock Units	
	Number of Units	Weighted-Average Grant Date Fair Value (per unit)	Number of Units	Weighted-Average Grant Date Fair Value (per unit)
Nonvested units outstanding at February 2, 2013	150	$ 34.71	76	$ 29.62
Granted	139	23.72	105	23.63
Vested	(56)	36.14	—	—
Forfeited	—	—	—	—
Nonvested units outstanding at May 4, 2013	233	$ 27.80	181	$ 26.13

As of May 4, 2013, there was $8.3 million of total unrecognized compensation cost, net of estimated forfeitures, related to nonvested restricted stock units. That cost is expected to be recognized over a weighted average period of 2.3 years.

8. Commitments and Contingencies

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

9. Segment Reporting

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

The Indirect segment represents revenues generated through the distribution of Company-branded products to approximately 3,400 specialty Indirect retailers and department store partners across the United States. The Direct segment includes the Company's full-price and outlet stores, department store locations in Japan, the Company's websites, verabradley.com and verabradley.co.jp, and the annual outlet sale. Revenues generated through this segment are driven through the sale of Company-branded products from Vera Bradley to end consumers.

Corporate costs represent the Company's administrative expenses, which include, but are not limited to: human resources, legal, finance, information technology, and various other corporate-level-activity-related expenses. All intercompany-related activities are eliminated in consolidation and are excluded from the segment reporting.

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

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

	Thirteen Weeks Ended	
	May 4, 2013	April 28, 2012
Segment net revenues:		
Direct	$ 73,687	$ 59,225
Indirect	49,346	57,976
Total	$123,033	$117,201
Segment operating income:		
Direct	$ 16,965	$ 15,379
Indirect	17,739	22,438
Total	$ 34,704	$ 37,817
Reconciliation:		
Segment operating income	$ 34,704	$ 37,817
Less:		
Unallocated corporate expenses	(19,514)	(17,007)
Operating income	$ 15,190	$ 20,810

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

The following discussion summarizes the significant factors affecting the consolidated operating results, financial condition, liquidity, and cash flows of our Company as of and for the thirteen weeks ended May 4, 2013, and April 28, 2012. The following discussion should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended February 2, 2013, and our unaudited consolidated financial statements and the related notes included in Item 1 of this Quarterly Report.

Executive summary

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

Strategic Progress

- We successfully opened seven new full-price and two new outlet stores during the first quarter in both current and new markets.
- We grew traffic 23% at VeraBradley.com.
- We successfully launched our expanded Baby line in March 2013.
- We announced our relationship with Disney Theme Parks produce Disney-inspired handbags and accessories to be sold in Disney parks.

Financial Highlights

- Net revenues increased 5.0% to $123.0 million in the first quarter of fiscal 2014 compared to $117.2 million in the first quarter of fiscal 2013.
  - Direct segment sales increased 24.4% to $73.7 million in the first quarter of fiscal 2014 compared to $59.2 million in the first quarter of fiscal 2013. Comparable store net sales for the first quarter of fiscal 2014 increased 0.9%.
  - Indirect segment sales decreased 14.9% to $49.3 million in the first quarter of fiscal 2014 compared to $58.0 million in the first quarter of fiscal 2013.
- Gross profit was $68.5 million (55.6% of net revenue) in the first quarter of fiscal 2014 compared to $65.3 million (55.7% of net revenue) in the first quarter of fiscal 2013.
- Selling, general and administrative expenses were $55.2 million (44.9% of net revenue) in the first quarter of fiscal 2014 compared to $47.2 million (40.3% of net revenue) in the first quarter of fiscal 2013.
- Operating income was $15.2 million (12.3% of net revenue) in the first quarter of fiscal 2014 compared to $20.8 million (17.8% of net revenue) in the first quarter of fiscal 2013.
- Net income was $9.2 million in the first quarter of fiscal 2014 compared to $12.6 million in the first quarter of fiscal 2013.
- Diluted net income per share was $0.23 in the first quarter of fiscal 2014 compared to $0.31 in the first quarter of fiscal 2013.
- Cash and cash equivalents were $8.2 million at May 4, 2013.
  - Cash generated from operations of $14.9 million was used to fund capital expenditures of $5.8 million and pay down debt by $10 million in the first quarter of fiscal 2014.

How We Assess the Performance of Our Business

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

Net Revenues

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

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 report regarding our comparable-store sales may not be comparable to similar data made available by other companies. Non-comparable store sales include sales from stores not included in comparable-store sales. Comparable store sales do not include e-commerce sales.

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

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

Gross Profit

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

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

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

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

Other Income

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

Operating Income

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

Recent Events

Vera Bradley announced June 5, 2013 that Michael Ray informed the Board of Directors that he plans to retire as Chief Executive Officer. The Board is conducting a search for his successor, and Mr. Ray will continue to serve as Chief Executive Officer until a successor is in place.

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Results of Operations

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

	Thirteen Weeks Ended	
	May 4, 2013 (unaudited)	April 28, 2012 (unaudited)
Statement of Income Data:		
Net revenues	$123,033	$117,201
Cost of sales	54,567	51,899
Gross profit	68,466	65,302
Selling, general, and administrative expenses	55,227	47,191
Other income	1,951	2,699
Operating income	15,190	20,810
Interest expense, net	141	191
Income before income taxes	15,049	20,619
Income tax expense	5,860	7,993
Net income	$ 9,189	$ 12,626
Percentage of Net Revenues:		
Net revenues	100.0%	100.0%
Cost of sales	44.4%	44.3%
Gross profit	55.6%	55.7%
Selling, general, and administrative expenses	44.9%	40.3%
Other income	1.6%	2.3%
Operating income	12.3%	17.8%
Interest expense, net	0.1%	0.2%
Income before income taxes	12.2%	17.6%
Income tax expense	4.8%	6.8%
Net income	7.5%	10.8%

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

	Thirteen Weeks Ended	
	May 4, 2013 (unaudited)	April 28, 2012 (unaudited)
Net Revenues by Segment:		
Direct	$ 73,687	$ 59,225
Indirect	49,346	57,976
Total	$123,033	$117,201
Percentage of Net Revenue by Segment:		
Direct	59.9%	50.5%
Indirect	40.1%	49.5%
Total	100.0%	100.0%

	Thirteen Weeks Ended	
	May 4, 2013	April 28, 2012
	(unaudited)	(unaudited)
Operating Income by Segment:		
Direct	$ 16,965	$ 15,379
Indirect	17,739	22,438
Total	$ 34,704	$ 37,817
Less:		
Corporate unallocated	(19,514)	(17,007)
Total	$ 15,190	$ 20,810
Operating Income as a Percentage of Net Revenues by Segment:		
Direct	23.0%	26.0%
Indirect	35.9%	38.7%
Store Data: (1)		
Total stores open at end of period	85	62
Comparable-store sales increase (2)	0.9%	4.3%
Total gross square footage at end of period	176,437	126,655
Average net revenues per gross square foot (3)	$ 226	$ 216

(1) Includes only our full-price and outlet stores.

(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. Calculation excludes e-commerce sales.

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

Thirteen Weeks Ended May 4, 2013, Compared to Thirteen Weeks Ended April 28, 2012

Net Revenues

For the thirteen weeks ended May 4, 2013, net revenues increased $5.8 million, or 5.0%, to $123.0 million, from $117.2 million in the comparable prior-year period.

Direct. For the thirteen weeks ended May 4, 2013, net revenues in the Direct segment increased $14.5 million, or 24.4%, to $73.7 million, from $59.2 million in the comparable prior-year period. This growth resulted from an $8.2 million increase in revenues related to the opening of new stores, a $5.1 million increase in e-commerce revenues primarily due to continued growth in website traffic, and a comparable-store sales increase of $0.2 million, or 0.9%. The aggregate number of our full-price and outlet stores grew from 62 at April 28, 2012, to 85 at May 4, 2013.

Indirect. For the thirteen weeks ended May 4, 2013, net revenues in the Indirect segment decreased $8.6 million, or 14.9%, to $49.3 million, from $58.0 million in the comparable prior-year period, driven by decreasing orders from specialty retailers in this uncertain consumer environment.

Gross Profit

For the thirteen weeks ended May 4, 2013, gross profit increased $3.2 million, or 4.8%, to $68.5 million, from $65.3 million in the comparable prior-year period. As a percentage of net revenues, gross profit was consistent at 55.6% and 55.7% for the thirteen weeks ended May 4, 2013, and April 28, 2012, respectively.

Selling, General and Administrative Expenses (SG&A)

For the thirteen weeks ended May 4, 2013, SG&A expenses increased $8.0 million, or 17.0%, to $55.2 million, from $47.2 million in the comparable prior-year period. As a percentage of net revenues, SG&A expenses were 44.9% and 40.3% for the thirteen weeks ended May 4, 2013, and April 28, 2012, respectively. The increase in SG&A expenses as a percentage of net revenues was primarily due to fixed expenses being spread over lower revenues in the Indirect segment and comparable full-price stores, as well as the annualization of employee-related expenses.

Other Income

For the thirteen weeks ended May 4, 2013, other income decreased $0.7 million, or 27.7%, to $2.0 million, from $2.7 million in the comparable prior-year period. The decrease in other income was in line with a decrease in associated advertising costs related to mailers for our specialty retailers.

Operating Income

For the thirteen weeks ended May 4, 2013, operating income decreased $5.6 million, or 27.0%, to $15.2 million, from $20.8 million in the comparable prior-year period. As a percentage of net revenues, operating income was 12.3% and 17.8% for the thirteen weeks ended May 4, 2013, and April 28, 2012, respectively.

Direct. For the thirteen weeks ended May 4, 2013, operating income in the Direct segment increased $1.6 million, or 10.3%. As a percentage of Direct segment net revenues, operating income in the Direct segment was 23.0% and 26.0% for the thirteen weeks ended May 4, 2013, and April 28, 2012, respectively. This decrease as a percentage of net revenues in the Direct segment was primarily due to the gross margin impact of promotional activity in our outlet stores, fixed payroll costs spread across lower revenue in our full-price stores, and start-up costs related to three additional stores opened this quarter, compared to the prior year.

Indirect. For the thirteen weeks ended May 4, 2013, operating income in the Indirect segment decreased $4.7 million, or 20.9%. As a percentage of Indirect segment net revenues, operating income in the Indirect segment was 35.9% and 38.7% for the thirteen weeks ended May 4, 2013, and April 28, 2012, respectively. This decrease as a percentage of net revenues in the Indirect segment resulted primarily from fixed expenses spread over lower revenues.

Corporate Unallocated. For the thirteen weeks ended May 4, 2013, unallocated expenses increased $2.5 million, or 14.7%, primarily as a result of higher advertising costs and corporate personnel costs.

Interest Expense, Net

For the thirteen weeks ended May 4, 2013, net interest expense decreased $0.1 million, or 26.2%, to $0.1 million, from $0.2 million in the comparable prior-year period. The decrease of $0.1 million was due primarily to lower average borrowing levels in the thirteen weeks ended May 4, 2013.

Income Tax Expense

The effective tax rate for the thirteen weeks ended May 4, 2013 was 38.9% which is comparable to 38.8% for the thirteen weeks ended April 28, 2012.

Liquidity and Capital Resources

General

Our primary source of liquidity is cash flow from operations. We also have access to additional liquidity, if needed, through borrowings under our $125.0 million amended and restated credit agreement. Historically, our primary cash needs have been for merchandise inventories, payroll, store rent, capital expenditures associated with opening new stores, buildings, debt repayments, operational equipment, and information technology. 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 increase borrowings under our amended and restated credit agreement, in the near term.

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

Cash Flow Analysis

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

	Thirteen Weeks Ended	
	May 4, 2013	April 28, 2012
Net cash provided by operating activities	$ 14,879	$ 30,683
Net cash used in investing activities	(5,811)	(11,512)
Net cash used in financing activities	(10,412)	(18,037)

Net Cash Provided by Operating Activities

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

Net cash provided by operating activities for the thirteen weeks ended May 4, 2013 was $14.9 million, compared to $30.7 million for the thirteen weeks ended April 28, 2012. The $15.8 million decrease in cash provided by operating activities was primarily due to increased net cash outflows from operating assets and liabilities driven by an increase in inventory levels.

Net Cash Used in Investing Activities

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

Net cash used in investing activities was $5.8 million and $11.5 million for the thirteen weeks ended May 4, 2013, and April 28, 2012, respectively. The $5.7 million decrease in capital expenditures from the prior year was primarily due to the investment in the distribution facility expansion in fiscal 2013.

Capital expenditures for fiscal 2014 are expected to be approximately $20 million, including the build-out of new stores and continued investment in our systems, including our e-commerce platform.

Net Cash Used in Financing Activities

Financing activities consist primarily of borrowings and repayments under our credit agreement.

Net cash used in financing activities was $10.4 million for the thirteen weeks ended May 4, 2013, primarily due to $10.0 million of net payments used to reduce debt under our amended and restated credit agreement.

Net cash used in financing activities was $18.0 million for the thirteen weeks ended April 28, 2012, resulting primarily from $17.8 million of net payments under our amended and restated credit agreement.

Amended and Restated Credit Agreement

On October 4, 2010, Vera Bradley Designs, Inc. entered into an agreement to amend and restate our credit agreement with JPMorgan Chase Bank, as administrative agent, and certain other lenders. The amended and restated credit agreement provides for a revolving credit commitment of $125.0 million and matures on October 3, 2015. All borrowings under the amended and restated credit agreement are collateralized by substantially all of our assets. The credit agreement is also guaranteed by the Company. The credit agreement requires us to comply with various financial covenants, including a fixed charge coverage ratio of not less than 1.20 to 1.00 and a leverage ratio of not more than 3.50 to 1.00. The agreement also contains various other covenants, including restrictions on the incurrence of certain indebtedness, liens, investments, acquisitions, and asset sales. We were in compliance with these covenants as of May 4, 2013.

Borrowings under the amended and restated credit agreement bear interest at either LIBOR plus the applicable margin (ranging from 1.05% to 2.05%) or the alternate base rate (as defined in the agreement) plus the applicable margin (ranging from 0.05% to 1.05%). The applicable margin is tied to our leverage ratio. In addition, we are required to pay a quarterly facility fee (as defined in the agreement) ranging from 0.20% to 0.45% of the revolving credit commitment. At May 4, 2013, the weighted-average interest rate on the $5.0 million of outstanding borrowings under the credit agreement was 1.3%. We had borrowing availability of $120.0 million under the agreement as of May 4, 2013.

On June 1, 2012, Vera Bradley Designs, Inc. entered into an amendment to the credit agreement. The amendment extends the maturity date from October 3, 2015 to June 1, 2017. Certain permitted indebtedness covenants were also amended.

Off-Balance-Sheet Arrangements

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

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses, as well as the related disclosures of contingent assets and liabilities at the date of the financial statements. A summary of the Company's significant accounting policies is included in Note 2 to the Company's consolidated financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended February 2, 2013.

Certain of the Company's accounting policies and estimates are considered critical, as these policies and estimates are the most important to the depiction of the Company's consolidated financial statements and require significant, difficult, or complex judgments, often about the effect of matters that are inherently uncertain. Such policies are summarized in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Annual Report on Form 10-K for the fiscal year ended February 2, 2013. There was no significant change to any of the critical accounting policies and estimates described in the Annual Report.

Recently Issued Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income* ("ASU 2013-02"). This guidance adds new disclosure requirements for items reclassified out of accumulated other comprehensive income. The additional disclosures include: (1) changes in accumulated other comprehensive income balances by component and (2) significant items reclassified out of accumulated other comprehensive income. The changes in accumulated other comprehensive income balance by component will be disaggregated to separately present reclassification adjustments and current-period other comprehensive income. Significant items reclassified out of accumulated other comprehensive income by component are required to be presented either on the face of the statement of income or as separate disclosure in the notes to the financial statements. These additional disclosures may be presented before-tax or net-of tax as long as the income tax benefit or expense attributed to each component of other comprehensive income and reclassification adjustments is presented in the financial statement or in the notes to the financial statements. The guidance is effective for interim and annual periods beginning after December 15, 2012 and should be applied prospectively. The adoption of this standard did not have an impact on the Company's consolidated financial statements.

In October 2012, the FASB issued ASU 2012-04, *Technical Corrections and Improvements*. The amendments in this update cover a wide range of Topics in the Accounting Standards Codification. These amendments include technical corrections and improvements to the Accounting Standards Codification and conforming amendments related to fair value measurements. The amendments in this update will be effective for fiscal periods beginning after December 15, 2012. The adoption of this standard did not have a material impact on our Interim Condensed Consolidated Financial Statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As of May 4, 2013, there was no material change in the market risks described in “Quantitative and Qualitative Disclosures About Market Risks” in the Company’s Annual Report on Form 10-K for the fiscal year ended February 2, 2013.

ITEM 4. CONTROLS AND PROCEDURES

At the end of the period covered by this Quarterly Report on Form 10-Q, the Company carried out an evaluation, under the supervision and with the participation of the Company’s Disclosure Committee and management, including the Chief Executive Officer and the Controller, Chief Accounting Officer, and Interim Chief Financial Officer of the effectiveness of the design and operation of the Company’s disclosure controls and procedures pursuant to Rule 13a-15 of the Securities Exchange Act of 1934. Based on that evaluation, the Chief Executive Officer and Controller, Chief Accounting Officer, and Interim Chief Financial Officer concluded that the Company’s disclosure controls and procedures were effective as of May 4, 2013.

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

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PART II. OTHER INFORMATION

ITEM 1A. RISK FACTORS

There has been no material change to our risk factors as previously set forth in the Company's Annual Report on Form 10-K for the fiscal year ended February 2, 2013.

ITEM 6. EXHIBITS

a. Exhibits

Exhibit No.	Description
10.1	Fiscal 2014 Restricted Stock Unit/Performance Unit Terms and Conditions
10.2	Fiscal 2014 Outside Director Restricted Stock Unit Terms and Conditions
10.3	Fiscal 2014 Annual Incentive Compensation Plan (Executives)
31.1	CEO Section 302 Certification
31.2	CFO Section 302 Certification
32.1	Section 906 Certifications*
101	The following materials from the Vera Bradley, Inc.'s Quarterly Report on Form 10-Q for the quarter ended May 4, 2013 formatted in Extensible Business Reporting Language (XBRL): (i) Consolidated Statements of Income and Comprehensive Income for the Thirteen Weeks ended May 4, 2013 and April 28, 2012; (ii) Consolidated Balance Sheets at May 4, 2013 and February 2, 2013; (iii) Consolidated Statements of Cash Flows for the Thirteen Weeks Ended May 4, 2013 and April 28, 2012, and (iv) Notes to Consolidated Financial Statements. **

* Furnished, not filed.

** Pursuant to Rule 406T of SEC Regulation S-T, the Interactive Data Files included as Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under these Sections.

SIGNATURE

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

	Vera Bradley, Inc. (Registrant)
Date: June 12, 2013	/s/ Kevin J. Sierks
	Kevin J. Sierks Vice President – Controller, Chief Accounting Officer and Interim Chief Financial Officer

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Vera Bradley, Inc.
2010 Equity and Incentive Plan

FY14 RESTRICTED STOCK UNIT/PERFORMANCE UNIT
TERMS AND CONDITIONS

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

2. Grant and Vesting of Restricted Stock Units.

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

(b) Restricted Stock Units will vest on each of the first three anniversaries of the Grant Date. If the Participant's Service with the Company and all of its Affiliates terminates before the date that a grant of Restricted Stock Units vests, his or her right to receive the Shares underlying such unvested Restricted Stock Units will be only as provided in Section 5.

3. Grant and Vesting of Performance Units ("Performance RSUs").

(a) As of the Grant Date, the Participant will be credited with the number of Performance RSUs set forth in the Award Agreement. Each Performance RSU is a notional amount that represents one unvested share of Common Stock. Each Performance RSU constitutes the right, subject to the terms and conditions of the Plan and this document, to the distribution of a Share if and when the Performance RSU is deemed earned and vested.

(b) Performance RSUs granted under the Plan are intended to qualify as performance-based compensation under section 162(m) of the Internal Revenue Code of 1986, as amended ("Code"). Performance RSUs (or tranches of such Performance RSUs) will become earned only if the Company achieves a stated level of "Net Income" (as defined below) during the applicable Performance Year within the Performance Period as set forth in the Award Agreement. Except as provided in Section 5, any earned Performance RSUs (and the Participant's right to receive the Shares underlying such Performance RSUs) will become vested only if the Participant remains continuously employed with the Company during the Performance Period. The following additional provisions apply to grants of Performance RSUs:

(i) *Certification of Results.* Before any award of Performance RSUs is deemed earned with respect to a Performance Period, the Committee shall certify, in accordance with Section 9.5 of the Plan, in writing (i) that the performance goals described in the Award Agreement has been achieved for the Performance Period, and (ii) the calculation of "Net Income" (as defined below) for each Performance Year within the Performance Period.

(ii) *Definition of "Net Income."* For purposes of this Subsection 3(b), the term "Net Income" means, with respect to any Awards of Performance RSUs, the Company's consolidated net income, as determined in accordance with U.S. GAAP, adjusted to exclude the effects, as shown on the financial statements furnished as part of Form 8-K (announcing the Company's fiscal year-end financial results) for any fiscal year of the Company ending with or within the Performance Period, of (i) any acquisition during the Performance Period, including the amortization expense of intangible assets acquired during the Performance Period, (ii) material charges or income arising from litigation, (iii) corporate restructuring, asset impairment, or other special charges, and (iv) cumulative effect of changes to U.S. GAAP accounting.

(iii) *Definition of "Performance Year."* For purposes of this Subsection 3(b), the term "Performance Year" means, with respect to any Awards of Performance RSUs, each fiscal year of the Company ending within the Performance Period.

(iv) *Finality of Committee Determinations.* Any determination by the Committee of Net Income and the level and entitlement to the Award of Performance RSUs, and any interpretation, rule, or decision adopted by the Committee under the Plan or in carrying out or administering the Plan, is final and binding for all purposes and upon all interested persons, their heirs, and personal representatives. The Committee may rely conclusively on determinations made by the Company and its auditors to determine Net Income and related information for purposes of administration of the Plan, whether such information is determined by the Company, its auditors, or a third-party vendor engaged to provide such information to the Company. This Subsection is not intended to limit the Committee's power, to the extent it deems proper in its sole discretion, to take any action permitted under the Plan and Code Section 162(m).

4. <u>Rights as a Stockholder</u>.

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

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

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

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

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

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

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

9. Securities Law Requirements.

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

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

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

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

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

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

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

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

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

Exhibit 10.2

Vera Bradley, Inc.
2010 Equity and Incentive Plan

FISCAL 2014 OUTSIDE DIRECTOR RESTRICTED STOCK UNIT
TERMS AND CONDITIONS

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

2. Grant and Vesting of Restricted Stock Units.

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

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

3. Rights as a Stockholder.

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

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

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

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

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

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

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

8. <u>Securities Law Requirements</u>.

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

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

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

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

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

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

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

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

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

FY14 Annual Incentive Compensation Plan (Executives)

Plan Overview

Grants under this FY14 Annual Incentive Compensation Plan (Executives) ("Annual Executive Plan") are granted under and governed by the terms and conditions of the Vera Bradley, Inc. 2010 Equity and Incentive Plan (the "2010 Plan"), as amended. Any term capitalized herein but not defined will have the meaning set forth in the 2010 Plan.

The Annual Executive Plan is designed to give the Company's Chief Executive Officer (CEO) and each executive-level employee who reports directly to the CEO (and is identified on Exhibit A attached hereto) an opportunity to share in the Company's success for the fiscal year ending February 1, 2014 (the "Performance Period"). The target incentive opportunity for the Performance Period is based on a percentage of each Participant's Base Salary (as defined herein). Each Participant's incentive opportunity is based on two independent performance measures: net revenue and net income (each making up 50% of corporate performance).

Corporate Performance

Payouts under the Annual Executive Plan are based on the achievement level of the two equally weighted, independent financial metrics, currently defined as net revenue and net income. Assuming at least threshold performance levels are met for the Performance Period, the actual payout levels range from 50%-200% of target.

Net Revenue

Performance	*Performance Level**	*Payout %*
Threshold	*93%*	*50%*
Target	*100%*	*100%*
Excellence	*107%*	*200%*

Net Income

Performance	*Performance Level**	*Payout %*
Threshold	*93%*	*50%*
Target	*100%*	*100%*
Excellence	*107%*	*200%*

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

Incentive Opportunity

As outlined in the Plan Overview (above), the target incentive opportunity is based on a percentage of each Participant's Base Salary (as defined below). The actual payout levels range from 50%-200% of target, assuming threshold levels are met.

Participant Level	Incentive Opportunity* (% of Base Salary**) Threshold	Target	Excellence
CEO	37.5%	75%	150%
Functional Mgmt. 6 (EVPs)	25%	50%	100%

* The actual annual incentive that can be earned under this Annual Executive Plan is based on the level of performance achieved (as summarized in the table above) and can range from 0% of the "Target" (for performance levels below the "Threshold" level) to a maximum of 200% of the "Target" (for performance levels at or above the "Excellence" level).

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

Putting It All Together — An Example

Assume Lynn has a Functional Management Level 6 job with a Base Salary of $100,000. Her target incentive is 50% of Base Salary ($50,000).

Target — The performance weightings for Lynn's grade along with dollar target amounts are:

- Net Revenue: 50% ($25,000)
- Net Income: 50% ($25,000)

Actual — The actual performance levels were:

- Net Revenue: at "Excellence" or 200% ($50,000)
- Net Income: at "Target" or 100% ($25,000)

Performance Measure	Opportunity	Weighting	Result	Award
Net Revenue	$ 50,000	50%	200%	$50,000
Net Income	$ 50,000	50%	100%	$25,000
			Actual Total Bonus Payout:	$75,000

Administrative Guidelines — Provide additional information regarding how the Annual Executive Plan will be administered.

1. Awards granted under the Annual Executive Plan are intended to qualify as performance-based compensation under section 162(m) of the Internal Revenue Code of 1986, as amended ("Code"). Annual incentive payments will become earned (i.e., vested) only if the Company achieves levels of "Net Revenue" and "Net Income" (as defined below) over the Performance Period as approved by the Compensation Committee.

   a. *Certification of Results*. Before any Awards under the Annual Executive Plan are deemed earned with respect to a Performance Period, the Committee shall certify, in accordance with Section 9.5 of the 2010 Plan, in writing (i) that the performance goals have been met for the Performance Period, and (ii) the calculation of "Net Income" and "Net Revenue" for the Performance Period.

   b. *Definition of "Net Income"*. For purposes of this Annual Executive Plan, the term "Net Income" means, with respect to the Performance Period related to any Awards, the Company's consolidated net income, as determined in accordance with U.S. GAAP, adjusted to exclude the effects, as shown on the financial statements furnished as part of Form 8-K (announcing the Company's fiscal year-end financial results) for any fiscal year of the Company ending with or within the Performance Period, of (i) any acquisition during the Performance Period, including the amortization expense of intangible assets acquired during the Performance Period, (ii) material charges or income arising from litigation, (iii) corporate restructuring, asset impairment, or other special charges, and (iv) cumulative effect of changes to U.S. GAAP accounting.

   c. *Definition of "Net Revenue"*. For purposes of this Annual Executive Plan, the term "Net Revenue" means, with respect to the Performance Period related to any Awards, the Company's consolidated net revenue, as determined in accordance with U.S. GAAP.

   d. *Finality of Committee Determinations*. Any determination by the Committee of Net Income, Net Revenue and the level and entitlement to an Award, and any interpretation, rule, or decision adopted by the Committee under the Annual Executive Plan or in carrying out or administering the Annual Executive Plan, is final and binding for all purposes and upon all interested persons, their heirs, and personal representatives. The Committee may rely conclusively on determinations made by the Company and its auditors to determine Net Income, Net Revenue and related information for purposes of administration of the Annual Executive Plan, whether such information is determined by the Company, its auditors, or a third-party vendor engaged to provide such information to the Company. This provision is not intended to limit the Committee's power, to the extent it deems proper in its sole discretion, to take any action permitted under the Plan and Code Section 162(m)

2. Only those regular, full-time and part-time corporate employees selected by the Compensation Committee and set forth on Exhibit A are eligible to participate in this Annual Executive Plan.

3. Participation in the Annual Executive Plan neither gives any employee the right to be retained as an employee nor limits the Company's right to discharge or discipline any employee.

4. Except as provided herein, (a) no Participant will be entitled to an incentive payment under the Annual Executive Plan unless the Participant is employed by the Company or an Affiliate in an eligible position on the day the incentive payment is made, and (b) a Participant who separates from the Service for any reason prior to the date of payment of such incentive will not be entitled to a prorated award, unless otherwise required by applicable state law. Notwithstanding the preceding provisions, the following provisions will apply if, during the Performance Period (or after the Performance Period and prior to the date of payment), you cease providing Services due to death, Disability or Retirement (and provided that you have not otherwise engaged in an act that would constitute Cause):

(i) Death or Disability: In the event a Participant's Service terminates as a result of death or Disability prior to the date on which the incentive payment is made, the outstanding Award shall be treated as earned at the target level (if such Service terminated prior to the end of the Performance Period), or at the actual level (if such Service terminated after the Performance Period and prior to the payment date), but prorated based on the number of full fiscal months (in which the Participant provided Service throughout such month) during the Performance Period, with any such earned Awards becoming fully vested and paid out as provided in section 8, below.

(ii) Retirement: In the event a Participant's Service with the Company terminates as a result of Retirement during the Performance Period, the outstanding Award shall be earned based on the actual performance level obtained (determined at the end of the Performance Period), but prorated based on the number of full fiscal months (in which the Participant provided Service throughout such month) during the Performance Period, with any such earned Awards becoming fully vested and paid out as provided in section 8, below.

In the event a Participant's Service terminates prior to the date of payment as a result of any reason other than death, Disability, or Retirement, all unearned incentive compensation granted hereunder shall be forfeited to the Company.

5. Notwithstanding anything to the contrary in this Annual Executive Plan, in the event of a Change in Control of the Company during the Performance Period, then the outstanding Award shall be treated as earned at the target level, but prorated based on the number of full fiscal months (in which the Participant provided Service throughout such month) during the Performance Period, with any such earned Awards becoming fully vested and paid out on a as soon as practicable (but not later that 30 calendar days) following the Change in Control. For purposes of this Annual Executive Plan, the term "Change in Control" shall mean the occurrence of any one or more of the following: (a) the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person or group (within the meaning of the Exchange Act and the rules of the Securities and Exchange Commission as in effect on the date of this Award), other than (i) Barbara Baekgaard, Patricia Miller, Michael Ray and Kim Colby and their respective heirs and descendants and any trust established for the benefit of such Persons, (ii) the Company or a corporation owned directly or indirectly by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company, or (iii) any employee benefit plan (or related trust) sponsored or maintained by the Company or any Affiliate, of securities of the Company representing more than twenty-five percent (25%) of the

combined voting power of the Company's then outstanding securities; (b) the occupation of a majority of the seats (other than vacant seats) on the Board by Persons who were neither (i) nominated by the Board nor (ii) appointed by directors so nominated; or (c) the consummation of (i) an agreement for the sale or disposition of all or substantially all of the Company's assets, or (ii) a merger, consolidation or reorganization of the Company with or involving any other corporation, other than a merger, consolidation or reorganization that results in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least fifty percent (50%) of the combined voting power of the voting securities of the Company (or such surviving entity) outstanding immediately after such merger, consolidation or reorganization.

6. Subject to the discretion of the Compensation Committee of the Board, Participants will be ineligible to participate in the Annual Executive Plan while employed in any new-hire probationary period.

7. All goal attainment calculations will follow normal rounding guidelines (i.e., 93.1% to 93.49% = 93%; 93.5% to 93.9% = 94%).

8. Subject to the certification requirements of the Compensation Committee (above), payments under the Annual Executive Plan will be paid in cash after the end of the Company's fiscal tax year but no later than the 15th day of the third month following the Company's fiscal tax year on which the annual incentives under this Annual Executive Plan are based.

9. The Company shall have the power and the right to deduct or withhold an amount sufficient to satisfy federal, state, and local taxes (including FICA obligations), domestic or foreign, and other deductions required to be withheld by law with respect to this Award.

10. Record keeping and computation required by this Annual Executive Plan will be subject to review by third-party auditors, and by the Compensation Committee.

11. Interpretations, determinations, and actions regarding plan administration shall be made by the Compensation Committee. Any such determinations and any interpretation, rule, or decision under the Annual Executive Plan or in carrying out or administering the Annual Executive Plan, is final and binding for all purposes and upon all interested persons, their heirs, and personal representatives. The Company or its designee may rely conclusively on determinations made by the Company and its auditors to determine related information for purposes of administration of the Annual Executive Plan, whether such information is determined by the Company, its auditors, or a third-party vendor engaged to provide such information to the Company.

12. While it is the intent of the Company to continue this Annual Executive Plan as stated herein, the Company reserves the right to amend or discontinue the plan at any time in its sole discretion.

13. No Participant can assign, encumber or transfer any of his or her rights and interests under the Award described in this document, except, in the event of his or her death, by will or the laws of descent and distribution.

14. The rights granted under this document are in all respects subject to the provisions of the 2010 Plan to the same extent and with the same effect as if they were set forth fully therein. If the terms of this document or the Award conflict with the terms of the 2010 Plan, the 2010 Plan will control.

Exhibit A

Employees Eligible for FY14 Annual Executive Plan

1. Mike Ray
2. Barbara Baekgaard
3. C. Roddy Mann
4. Kimberly Colby
5. Matthew Wojewuczki
6. Bonita Inza

Exhibit 31.1

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

I, Michael C. Ray, certify that:

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

Date: June 12, 2013

/s/ Michael C. Ray
Michael C. Ray
Chief Executive Officer

Exhibit 31.2

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

I, Kevin J. Sierks, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Vera Bradley, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f))for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 12, 2013

/s/ Kevin J. Sierks

Kevin J. Sierks
Vice President – Controller, Chief Accounting Officer and
Interim Chief Financial Officer

Exhibit 32.1

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

I, Michael C. Ray, the Chief Executive Officer of Vera Bradley, Inc., certify that (i) the quarterly report on Form 10-Q for the fiscal quarter ended May 4, 2013 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Vera Bradley, Inc. as of the dates and for the periods set forth therein.

/s/ Michael C. Ray
Michael C. Ray
Chief Executive Officer

June 12, 2013
Date

I, Kevin J. Sierks, the Vice President – Controller, Chief Accounting Officer and Interim Chief Financial Officer of Vera Bradley, Inc., certify that (i) the quarterly report on Form 10-Q for the fiscal quarter ended May 4, 2013 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Vera Bradley, Inc. as of the dates and for the periods set forth therein.

/s/ Kevin J. Sierks
Kevin J. Sierks
Vice President – Controller, Chief Accounting Officer and Interim Chief Financial Officer

June 12, 2013
Date