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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 April 30, 2011

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	**27-2935063**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
2208 Production Road, Fort Wayne, Indiana	**46808**
(Address of principal executive offices)	**(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 40,506,670 shares of its common stock outstanding as of June 10, 2011.

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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” beginning on page 16 of our Annual Report on Form 10-K for the fiscal year ended January 29, 2011.

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)

	April 30, 2011	January 29, 2011
Assets		
Current assets:		
Cash and cash equivalents	$ 4,318	$ 13,953
Accounts receivable, net	35,467	34,300
Inventories	101,913	96,717
Prepaid expenses and other current assets	6,800	6,754
Deferred income taxes	9,191	8,743
Total current assets	157,689	160,467
Property, plant, and equipment, net of accumulated depreciation and amortization of $34,918 and $32,808, respectively	43,554	42,984
Other assets	2,651	2,588
Total assets	$203,894	$206,039
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 29,938	$ 30,012
Accrued employment costs	8,914	17,892
Other accrued liabilities	11,933	10,551
Income taxes payable	7,408	10,010
Current portion of long-term debt	85	83
Total current liabilities	58,278	68,548
Long-term debt	61,912	66,934
Deferred income taxes	3,615	3,300
Other long-term liabilities	4,247	2,935
Total liabilities	128,052	141,717
Commitments and contingencies (Note 8)		
Shareholders' equity:		
Preferred stock; April 30, 2011, and January 29, 2011 – 5,000,000 shares authorized, no shares issued or outstanding	—	—
Common stock, without par value; April 30, 2011, and January 29, 2011 – 200,000,000 shares authorized, 40,506,670 shares issued and outstanding	—	—
Additional paid-in-capital	72,219	71,923
Retained earnings (accumulated deficit)	3,623	(7,601)
Total shareholders' equity	75,842	64,322
Total liabilities and shareholders' equity	$203,894	$206,039

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	
	April 30, 2011	May 1, 2010
Net revenues	$ 101,390	$ 85,002
Cost of sales	44,946	36,189
Gross profit	56,444	48,813
Selling, general, and administrative expenses	39,989	33,888
Other income	2,605	2,376
Operating income	19,060	17,301
Interest expense, net	316	308
Income before income taxes	18,744	16,993
Income tax expense	7,520	199
Net income	$ 11,224	$ 16,794
Basic weighted-average shares outstanding	40,506,670	35,440,547
Diluted weighted-average shares outstanding	40,532,169	35,440,547
Basic net income per share	$ 0.28	$ 0.47
Diluted net income per share	0.28	0.47
Basic distributions per share	—	0.38
Pro forma income information (Note 1):		
Income before income taxes		$ 16,993
Pro forma income tax expense		6,797
Pro forma net income		$ 10,196
Pro forma basic weighted-average shares outstanding		35,440,547
Pro forma diluted weighted-average shares outstanding		35,440,547
Pro forma basic net income per share		$ 0.29
Pro forma diluted net income per share		0.29

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

Vera Bradley, Inc.
Consolidated Statements of Cash Flows

($ in thousands)

(unaudited)

	Thirteen Weeks Ended	
	April 30, 2011	May 1, 2010
Cash flows from operating activities		
Net income	$ 11,224	$ 16,794
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization of property, plant, and equipment	2,110	2,043
Provision for doubtful accounts	41	149
Stock-based compensation	220	—
Deferred income taxes	(133)	—
Changes in assets and liabilities:		
Accounts receivable	(1,208)	(6,775)
Inventories	(5,196)	(6,224)
Other assets	(109)	1,703
Accounts payable	(74)	564
Accrued and other liabilities	(8,886)	(4,570)
Net cash provided by (used in) operating activities	(2,011)	3,684
Cash flows from investing activities		
Purchases of property, plant, and equipment	(2,680)	(2,100)
Net cash used in investing activities	(2,680)	(2,100)
Cash flows from financing activities		
Payments on financial-institution debt	(10,000)	(14,550)
Borrowings on financial-institution debt	5,000	19,300
Payments on vendor-financed debt	(20)	(5)
Change in bank overdraft	—	1,813
Payments of distributions	—	(13,301)
Other	76	—
Net cash used in financing activities	(4,944)	(6,743)
Decrease in cash and cash equivalents	(9,635)	(5,159)
Cash and cash equivalents, beginning of period	13,953	6,509
Cash and cash equivalents, end of period	$ 4,318	$ 1,350

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

Vera Bradley, Inc. was formed as an Indiana corporation on June 23, 2010, for the purpose of reorganizing the corporate structure of Vera Bradley Designs, Inc. On October 3, 2010, the shareholders of Vera Bradley Designs, Inc. contributed all of their shares of Class A Voting Common Stock and Class B Non-Voting Common Stock of Vera Bradley Designs, Inc. to Vera Bradley, Inc. in return for shares of Vera Bradley, Inc. Class A Voting Common Stock and Class B Non-Voting Common Stock on a one-for-one basis. In addition, effective October 3, 2010, Vera Bradley Designs, Inc. converted from an "S" Corporation to a "C" Corporation for income tax purposes. Further, on October 18, 2010, Vera Bradley, Inc. recapitalized all of its Class A Voting Common Stock and Class B Non-Voting Common Stock into a single class of common stock and effectuated a 35.437-for-1 stock split of all outstanding shares of its common stock. These events collectively are referred to as the "Reorganization." As a result of the Reorganization, Vera Bradley Designs, Inc. became a wholly owned subsidiary of Vera Bradley, Inc. Except where context requires or where otherwise indicated, the terms "Company" and "Vera Bradley" refer to Vera Bradley Designs, Inc. and its subsidiaries before the Reorganization and to Vera Bradley, Inc. and its subsidiaries, including Vera Bradley Designs, Inc., after the Reorganization. All historical common stock and per share common stock information has been changed to reflect the stock split.

Vera Bradley is a leading designer, producer, marketer, and retailer of stylish, highly functional accessories for women. The Company's products include a wide offering of handbags, accessories, and travel and leisure items. The Company generates net revenues by selling products through two reportable segments: Indirect and Direct. The Indirect business consists of sales of Vera Bradley products to approximately 3,300 independent retailers, substantially all of which are located in the United States, as well as select national retailers and third-party e-commerce sites. The Direct business consists of sales of Vera Bradley products through the Company's full-price, outlet, and Japanese pop-up stores, its websites, verabradley.com and verabradley.co.jp, and its annual outlet sale in Fort Wayne, Indiana. As of April 30, 2011, the Company operated 38 full-price stores and five outlet stores.

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 January 29, 2011, 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 April 30, 2011, 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 April 30, 2011, and May 1, 2010, refer to the thirteen-week periods ended on those dates.

Comprehensive Income

The Company has excluded the Statement of Comprehensive Income from these consolidated financial statements because comprehensive income equals net income.

Reclassifications

Certain prior-year amounts have been reclassified to conform to the current-year presentation.

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

Pro Forma Income Statement Information

Prior to the Reorganization, the Company was taxed as an "S" Corporation for purposes of federal and state income taxes. Accordingly, each of the Company's shareholders was required to include his or her portion of the Company's taxable income or loss on his or her federal and state income tax returns. As part of the Reorganization, the Company's "S" Corporation status automatically terminated and the Company became subject to increased taxes.

The unaudited pro forma income statement information for the thirteen weeks ended May 1, 2010, gives effect to an adjustment for income tax expense as if the Company had been a "C" Corporation as of the beginning of the fiscal year ended January 29, 2011, at an assumed combined federal, state, and local effective tax rate of 40.0%.

2. Earnings Per Share

Net income per share is computed under the provisions of ASC 260, Earnings Per Share. Basic net income per share is computed based on the weighted-average number of common shares outstanding during the period. Diluted net income per share is computed based on the weighted-average number of shares of common stock 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 units. The components of basic and diluted net income per share were as follows ($ in thousands, except per share amounts):

	Thirteen Weeks Ended	
	April 30, 2011	May 1, 2010
Numerator:		
Net income	$ 11,224	$ 16,794
Denominator:		
Weighted-average number of common shares (basic)	40,506,670	35,440,547
Dilutive effect of stock-based awards	25,499	—
Weighted-average number of common shares (diluted)	40,532,169	35,440,547
Earnings per share:		
Basic	$ 0.28	$ 0.47
Diluted	$ 0.28	$ 0.47

3. Fair Value of Financial Instruments

The carrying amounts reflected on the consolidated balance sheets for cash and cash equivalents, receivables, prepaid expenses and other current assets, debt, and payables as of April 30, 2011, and January 29, 2011, approximated their fair values.

4. Inventories

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

	April 30, 2011	January 29, 2011
Raw materials	$ 13,162	$ 9,695
Work in process	914	829
Finished goods	87,837	86,193
Total inventories	$101,913	$ 96,717

5. Long-Term Debt

Long-term debt consisted of the following as of April 30, 2011, and January 29, 2011 (in thousands):

Vera Bradley, Inc.
Notes to the Consolidated Financial Statements
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	April 30, 2011	January 29, 2011
Amended and restated credit agreement	$61,750	$ 66,750
Vendor-financed debt	247	267
	61,997	67,017
Less: Current maturities	85	83
	$61,912	$ 66,934

At April 30, 2011, the interest rate on outstanding borrowings under the Company's $125 million amended and restated credit agreement was 1.5%, and the Company had borrowing availability of $63.3 million under the agreement.

6. Income Taxes

Prior to October 3, 2010, Vera Bradley Designs, Inc. was taxed as an "S" Corporation for federal income tax purposes under Section 1362 of the Internal Revenue Code, and therefore was not subject to federal and state income taxes (subject to exception in a limited number of state and local jurisdictions that do not recognize the "S" Corporation status). On October 3, 2010, as part of the Reorganization, the Company's "S" Corporation status automatically terminated and the Company became subject to corporate-level federal and state income taxes at prevailing corporate rates.

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 (loss) to estimate the Company's annual effective tax rate.

The effective tax rate for the thirteen weeks ended April 30, 2011, was 40.1%, compared to 1.2% for the thirteen weeks ended May 1, 2010. The increase in the effective tax rate resulted primarily from the Company's conversion to a "C" Corporation in connection with its initial public offering in October 2010. The Company's effective tax rate for the thirteen weeks ended April 30, 2011, was negatively impacted by the non-deductibility of expenses related to a secondary offering of the Company's common stock by certain shareholders in April 2011 and by the net operating loss incurred by the Company's recently formed Japanese subsidiary, for which no tax benefit was recorded. The non-deductibility of the secondary offering expenses increased the effective tax rate by approximately 1.0%, which was recorded as a discrete event for the thirteen weeks ended April 30, 2011. The valuation allowance recorded against the deferred tax asset arising from the net operating loss of the Company's Japanese subsidiary also increased the effective tax rate by 1.0% for the thirteen weeks ended April 30, 2011.

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. This expense, net of estimated forfeitures, is recognized on a straight-line basis over the requisite service period.

The Company has 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

On March 29, 2011, the Company granted a total of 106,889 restricted stock units with an aggregate fair value of $4.4 million to certain employees and non-employee directors under the 2010 Equity and Incentive Plan. These 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 awards, net of estimated forfeitures, on a straight-line basis over three years. 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 following table sets forth a summary of restricted stock unit activity for the thirteen weeks ended April 30, 2011:

Restricted Stock Units	Number of Units	Weighted-Average Grant Date Fair Value (per unit)
Nonvested units outstanding at January 29, 2011	54,225	$ 16.00
Granted	106,889	41.36
Vested	—	—
Forfeited	(1,550)	16.00
Nonvested units outstanding at April 30, 2011	159,564	$ 32.99

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

The Indirect segment represents activity driven by revenues generated through the distribution of Company-branded products to approximately 3,300 independent retailers, substantially all of which are located in the United States, as well as select national retailers and third-party e-commerce sites. The Direct segment includes the Company's full-price, outlet, and Japanese pop-up stores, e-commerce activity driven by the Company's websites, and the annual outlet sale. Revenues generated through this segment are driven by the sale of Company-branded products from Vera Bradley to end customers.

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

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. The table below represents key financial information for each of the Company's reportable segments, Indirect and Direct. Certain prior-year amounts have been reclassified to conform to the current-year presentation.

(in thousands)

	Thirteen Weeks Ended	
	April 30, 2011	May 1, 2010
Segment net revenues:		
Indirect	$ 57,249	$ 54,174
Direct	44,141	30,828
Total	$101,390	$ 85,002
Segment operating income:		
Indirect	$ 21,739	$ 22,535
Direct	12,360	9,722
Total	$ 34,099	$ 32,257
Reconciliation:		
Segment operating income	$ 34,099	$ 32,257
Less:		
Unallocated corporate expenses	(15,039)	(14,956)
Operating income	$ 19,060	$ 17,301

Sales outside of the United States were insignificant.

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 April 30, 2011, and May 1, 2010. The following discussion should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended January 29, 2011, and our unaudited consolidated financial statements and the related notes included in Item 1 of this Quarterly Report.

Overview

Vera Bradley is a leading designer, producer, marketer, and retailer of stylish and highly functional accessories for women. Our products include a wide offering of handbags, accessories, and travel and leisure items. Over our 29-year history, Vera Bradley has become a true lifestyle brand that appeals to a broad range of consumers. Our brand vision is accessible luxury that inspires a casual, fun, and family-oriented lifestyle. We have positioned our brand to highlight the high quality, distinctive and vibrant styling, and functional design of our products. Frequent releases of new designs help keep the brand fresh and our customers continually engaged.

We generate revenues by selling products through two reportable segments: Indirect and Direct. As of April 30, 2011, our Indirect business consisted of sales of Vera Bradley products to approximately 3,300 independent retailers, substantially all of which are located in the United States, and to select national retailers and independent e-commerce sites. As of April 30, 2011, our Direct business consisted of sales of Vera Bradley products through our full-price, outlet, and Japanese pop-up stores, our websites, verabradley.com and verabradley.co.jp, and our annual outlet sale in Fort Wayne, Indiana. We operated 38 full-price and five outlet stores as of April 30, 2011, compared to 28 full-price stores and one outlet store as of May 1, 2010.

During the thirteen weeks ended April 30, 2011, we continued to experience strong demand for our brand across all of our sales channels, as reflected in our net revenue growth of 19.3%. In our Indirect segment, net revenues increased 5.7%, driven primarily by increased offerings and sales of special collection products, including our new line of rolling luggage. In our Direct segment, net revenues increased 43.2%, including an increase of $6.1 million in revenues related to the opening of new stores, a $4.4 million increase in e-commerce revenues, and a comparable-store sales increase of 22.1%. Additionally, we achieved a 10.2% increase in operating income, with operating income of $19.1 million for the thirteen weeks ended April 30, 2011, compared to $17.3 million for the thirteen weeks ended May 1, 2010. Operating income for the thirteen weeks ended April 30, 2011, included the net investment related to our market entry into Japan, as discussed below, and $0.5 million of costs related to a secondary offering of our common stock by certain shareholders in April 2011.

During the quarter, we remained focused on executing our growth strategies, which include growing in underpenetrated markets and expanding our store base and product offerings. In doing so, we opened three full-price stores and one outlet store. We also introduced our brand in Japan through a combination of pop-up stores and the launch of a Japanese-language website. We believe the combination of our expanding product offerings and continued growth in underpenetrated markets will lead to meaningful growth opportunities throughout the remainder of fiscal 2012.

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

How We Assess the Performance of Our Business

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

Net Revenues

Net revenues represent revenues from the sale of our merchandise and from distribution and shipping and handling fees, less returns and discounts. Revenues for the Indirect segment represent revenues from sales to our independent retailers. Revenues for the Direct segment represent revenues from sales through our full-price, outlet, and Japanese pop-up stores, our websites, and our annual outlet sale.

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.

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;
- Store traffic;
- The level of customer service that we provide in stores;
- Our ability to source and distribute products efficiently;
- The number of stores we open and close in any period; and
- The timing and success of promotional and advertising efforts.

Gross Profit

Gross profit is equal to our net revenues less our cost of sales. Gross margin measures gross profit as a percentage of our net revenues. Cost of sales includes the direct cost of purchased 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, operational efficiencies, such as leveraging of fixed costs, promotional activities, such as free shipping, and fluctuations in pricing structures within e-commerce and the annual outlet sale. Price changes in the Indirect and Direct channels, excluding e-commerce and the annual outlet sale, have had an insignificant impact.

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

SG&A expenses fall into three categories: (1) selling; (2) advertising, marketing, and product development; and (3) administrative. Selling expenses include Direct business expenses such as store expenses, 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, and public relations expenses. A portion of our advertising expenses may be reimbursed by Indirect retailers, and such amount is classified as other income. Administrative expenses include compensation costs for corporate functions, corporate headquarters occupancy costs, consulting and software expenses, and charitable donations. SG&A expenses increase as the number of stores increases, but not in the same proportion as the associated increase in revenues.

Other Income

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

Operating Income

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

Income Taxes

Prior to October 3, 2010, we were taxed as an "S" Corporation for federal income tax purposes under Section 1362 of the Internal Revenue Code, and therefore were not subject to federal and state income taxes (subject to exception in a limited number of state and local jurisdictions that do not recognize the "S" Corporation status). On October 3, 2010, our "S" Corporation status automatically terminated and we became subject to corporate-level federal and state income taxes at prevailing corporate rates.

Our provisions for income taxes for interim reporting periods are based on an estimate of the effective tax rate for each of the periods presented. The computation of the effective tax rate includes a forecast of our estimated ordinary income (loss), which is the annual income (loss) from operations before income tax, excluding unusual or infrequently occurring (or discrete) items.

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	
	April 30, 2011 (unaudited)	May 1, 2010 (unaudited)
Statement of Income Data:		
Net revenues	$101,390	$ 85,002
Cost of sales	44,946	36,189
Gross profit	56,444	48,813
Selling, general, and administrative expenses	39,989	33,888
Other income	2,605	2,376
Operating income	19,060	17,301
Interest expense, net	316	308
Income before income taxes	18,744	16,993
Income tax expense	7,520	199
Net income	$ 11,224	$ 16,794
Percentage of Net Revenues:		
Net revenues	100.0%	100.0%
Cost of sales	44.3%	42.6%
Gross profit	55.7%	57.4%
Selling, general, and administrative expenses	39.4%	39.9%
Other income	2.6%	2.8%
Operating income	18.8%	20.4%
Interest expense, net	0.3%	0.4%
Income before income taxes	18.5%	20.0%
Income tax expense	7.4%	0.2%
Net income	11.1%	19.8%

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	
	April 30, 2011 (unaudited)	May 1, 2010 (unaudited)
Net Revenues by Segment:		
Indirect	$ 57,249	$ 54,174
Direct	44,141	30,828
Total	$101,390	$ 85,002

	Thirteen Weeks Ended	
	April 30, 2011 (unaudited)	May 1, 2010 (unaudited)
Percentage of Net Revenues by Segment:		
Indirect	56.5%	63.7%
Direct	43.5%	36.3%
Total	100.0%	100.0%
Store Data(1):		
Total stores open at end of period	43	29
Comparable-store sales increase (2)	22.1%	22.5%
Total gross square footage at end of period	82,728	53,708
Average net revenues per gross square foot (3)	$ 189	$ 146

(1) These data include 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.

(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 April 30, 2011, Compared to Thirteen Weeks Ended May 1, 2010

Net Revenues

For the thirteen weeks ended April 30, 2011, net revenues increased $16.4 million, or 19.3%, to $101.4 million, from $85.0 million in the comparable prior-year period.

Indirect. For the thirteen weeks ended April 30, 2011, net revenues increased $3.1 million, or 5.7%, to $57.2 million, from $54.2 million in the comparable prior-year period, due primarily to increased offerings and sales of special collection (or non-Signature Collection) products, including our new line of rolling luggage.

Direct. For the thirteen weeks ended April 30, 2011, net revenues increased $13.3 million, or 43.2%, to $44.1 million, from $30.8 million in the comparable prior-year period. This growth resulted from a $6.1 million increase in revenues related to the opening of new stores, a $4.4 million increase in e-commerce revenues due primarily to greater traffic from marketing initiatives, a comparable-store sales increase of $1.8 million, or 22.1%, and an increase of $1.1 million in outlet-sale revenues due to the timing of the sale. In the current year, each day of the outlet sale occurred during the first fiscal quarter, whereas in the prior year, one day of the outlet sale occurred during the second fiscal quarter. Overall, revenues generated by our outlet sale decreased from $11.4 million in fiscal 2011 to $11.1 million in the current year. The aggregate number of our full-price and outlet stores grew from 29 at May 1, 2010, to 43 at April 30, 2011.

Gross Profit

For the thirteen weeks ended April 30, 2011, gross profit increased $7.6 million, or 15.6%, to $56.4 million, from $48.8 million in the comparable prior-year period. As a percentage of net revenues, gross profit decreased to 55.7% for the thirteen weeks ended April 30, 2011, from 57.4% in the comparable prior-year period. The decrease in gross margin resulted primarily from higher input and other costs, offset in part by an overall revenue mix shift toward higher margin, Direct segment net revenues.

Selling, General, and Administrative Expenses

For the thirteen weeks ended April 30, 2011, SG&A expenses increased $6.1 million, or 18.0%, to $40.0 million, from $33.9 million in the comparable prior-year period. As a percentage of net revenues, SG&A expenses were 39.4% and 39.9% for the fiscal quarters ended April 30, 2011, and May 1, 2010, respectively.

For the thirteen weeks ended April 30, 2011, selling expenses increased $5.6 million, or 31.7%, to $23.1 million, from $17.5 million in the comparable prior-year period. As a percentage of net revenues, selling expenses were 22.8% and 20.6% for the fiscal quarters ended April 30, 2011, and May 1, 2010, respectively. The increase in selling expenses was due primarily to higher store operational expenses resulting from our increased store count and to costs associated with our market entry into Japan.

For the thirteen weeks ended April 30, 2011, advertising, marketing, and product development expenses decreased $0.4 million, or 4.8%, to $7.0 million, from $7.4 million in the comparable prior-year period. As a percentage of net revenues, advertising, marketing, and product development expenses were 6.9% and 8.7% for the fiscal quarters ended April 30, 2011, and May 1, 2010, respectively. The decrease in these expenses resulted primarily from a decline in the number of catalogs and direct mailers we distributed on behalf of our independent retailers, offset in part by increased spending on non-co-op advertising.

For the thirteen weeks ended April 30, 2011, administrative expenses increased $0.9 million, or 9.9%, to $9.9 million, from $9.0 million in the comparable prior-year period. As a percentage of net revenues, administrative expenses were 9.7% and 10.6% for the fiscal quarters ended April 30, 2011, and May 1, 2010, respectively. The increase in administrative expenses was due primarily to higher corporate personnel and other costs necessary to support our growth, offset in part by a decline in professional fees as a result of our IPO-readiness efforts in the prior year. Administrative expenses for the thirteen weeks ended April 30, 2011, included $0.5 million of costs related to a secondary offering of our common stock by certain shareholders in April 2011.

Other Income

For the thirteen weeks ended April 30, 2011, other income increased $0.2 million, or 9.6%, to $2.6 million, from $2.4 million in the comparable prior-year period, due to increased reimbursement of our advertising expenses by our independent retailers.

Operating Income

For the thirteen weeks ended April 30, 2011, operating income increased $1.8 million, or 10.2%, to $19.1 million, from $17.3 million in the comparable prior-year period. As a percentage of net revenues, operating income was 18.8% and 20.4% for the thirteen weeks ended April 30, 2011, and May 1, 2010, respectively. This decrease as a percentage of net revenues was primarily the result of the decline in gross margin and the costs associated with our market entry into Japan, as previously discussed.

Operating income for our business segments is provided below. Certain prior-year amounts have been reclassified to conform to the current-year presentation.

($ in millions)

	Thirteen Weeks Ended			
	April 30, 2011	May 1, 2010	$ Change	% Change
Operating Income				
Indirect	$ 21.7	$ 22.5	$ (0.8)	(3.5)%
Direct	12.4	9.7	2.6	27.1%
Total	34.1	32.3	1.8	5.7%
Less:				
Corporate unallocated	(15.0)	(15.0)	(0.1)	0.6%
	$ 19.1	$ 17.3	$ 1.8	10.2%

Indirect. For the thirteen weeks ended April 30, 2011, operating income decreased $0.8 million, or 3.5%. This decrease resulted primarily from a decline in gross margin, as previously discussed.

Direct. For the thirteen weeks ended April 30, 2011, operating income increased $2.6 million, or 27.1%, due to an increase in gross profit, offset in part by increased selling expenses related to store operational costs and our market entry into Japan, as previously discussed.

Corporate Unallocated. For the thirteen weeks ended April 30, 2011, unallocated expenses increased $0.1 million, or 0.6%, due primarily to an increase in administrative expenses, partially offset by an increase in other income and a decrease in advertising, marketing, and product development expenses, as previously discussed.

Interest Expense, Net

Net interest expense was $0.3 million for each period presented, with lower average borrowing rates offsetting higher average borrowing levels during the thirteen weeks ended April 30, 2011, relative to the thirteen weeks ended May 1, 2010.

Income Tax Expense

Our effective tax rate for the thirteen weeks ended April 30, 2011, was 40.1%, compared to 1.2% for the thirteen weeks ended May 1, 2010. The increase in the effective tax rate resulted primarily from our conversion to a “C” Corporation in connection with our initial public offering in October 2010.

The effective tax rate for the thirteen weeks ended April 30, 2011, was negatively impacted by the non-deductibility of expenses related to the April 2011 secondary offering and by the net operating loss incurred by our recently formed Japanese subsidiary, for which no tax benefit was recorded. The non-deductibility of the secondary offering expenses increased the effective tax rate by approximately 1.0%, which was recorded as a discrete event for the thirteen weeks ended April 30, 2011. The valuation allowance recorded against the deferred tax asset arising from the net operating loss of our Japanese subsidiary also increased the effective tax rate by 1.0% for the thirteen weeks ended April 30, 2011.

Liquidity and Capital Resources

General

Our business relies on cash flows from operating activities as our primary source of liquidity. We also have access to additional liquidity, if needed, through borrowings under our $125 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, debt repayments, operational equipment, information technology, and quarterly shareholder distributions to cover estimated tax payments. The most significant components of our working capital are cash and cash equivalents, merchandise inventories, accounts receivable, accounts payable, and other current liabilities. We do not believe that the expansion of our Direct business will materially alter the nature and levels of our accounts receivable and inventories, or require materially increased borrowings under our amended and restated credit agreement, in the near future. Further, as a result of our conversion to a “C” Corporation, we no longer make tax distributions to shareholders, but we now are required to make quarterly income tax payments to various taxing authorities.

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, including expansion of our Direct business, 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	
	April 30, 2011	May 1, 2010
Net cash provided by (used in) operating activities	$ (2,011)	$ 3,684
Net cash used in investing activities	(2,680)	(2,100)
Net cash used in financing activities	(4,944)	(6,743)

Net Cash Provided by (Used in) Operating Activities

Operating activities consist 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 used in operating activities for the thirteen weeks ended April 30, 2011, was $2.0 million, compared to net cash provided by operating activities of $3.7 million for the thirteen weeks ended May 1, 2010. The $5.7 million decrease in cash provided by operating activities was due primarily to the $5.6 million decrease in net income, which resulted from increased income tax expense as a result of our conversion to a “C” Corporation.

Net Cash Used in Investing Activities

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

Net cash used in investing activities was $2.7 million and $2.1 million for the thirteen weeks ended April 30, 2011, and May 1, 2010, respectively. The $0.6 million increase in capital expenditures was due primarily to increased investments in new stores, including the opening of four stores during the thirteen weeks ended April 30, 2011, compared to two stores during the thirteen weeks ended May 1, 2010, and to investments related to our market entry into Japan, offset in part by reduced spending on information technology assets.

Capital expenditures for fiscal 2012 are expected to be approximately $15.0 million.

Net Cash Used in Financing Activities

Financing activities consist primarily of borrowings and repayments under our credit agreement and, prior to our conversion to a “C” Corporation in October 2010, tax distributions to our shareholders.

Net cash used in financing activities was $4.9 million for the thirteen weeks ended April 30, 2011, resulting primarily from $5.0 million of net repayments of borrowings under our amended and restated credit agreement.

Net cash used in financing activities was $6.7 million for the thirteen weeks ended May 1, 2010, resulting primarily from $13.3 million of distributions to our shareholders to fund tax liabilities due to our “S” Corporation status, offset in part by net borrowings of $4.8 million under our credit agreement.

Credit Agreement

On October 4, 2010, Vera Bradley Designs, Inc. entered into an amended and restated 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 the Company’s assets. The credit agreement is also guaranteed by Vera Bradley, Inc. and its subsidiaries (other than Vera Bradley Designs, Inc.). The credit agreement requires the Company 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. The Company was in compliance with these covenants as of April 30, 2011.

Borrowings under the 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 the Company’s leverage ratio. In addition, the Company is 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 April 30, 2011, the interest rate on outstanding

borrowings under the credit agreement was 1.5%. The Company had borrowing availability of $63.3 million under the agreement as of April 30, 2011.

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 January 29, 2011.

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" section beginning on page 42 of the Company's Annual Report on Form 10-K for the fiscal year ended January 29, 2011. As discussed in Note 7 to the consolidated financial statements in this Quarterly Report, in March 2011, the Company granted restricted stock units with an aggregate fair value of $4.4 million to certain employees and non-employee directors. As a result of these awards, the Company's accounting for stock-based compensation relating to equity awards granted subsequent to its initial public offering – that is, public-company equity and incentive grants – became a critical accounting policy. Previously, the Company's accounting for stock-based compensation relating to equity awards granted prior to its initial public offering – that is, private-company equity and incentive grants – was a critical accounting policy. As of April 30, 2011, other than this change, there was no significant change to any of the critical accounting policies and estimates described in the Annual Report.

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. This expense, net of estimated forfeitures, is recognized on a straight-line basis over the requisite service period.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As of April 30, 2011, there was no material change to the market risks described in "Quantitative and Qualitative Disclosures About Market Risk" on page 45 of the Company's Annual Report on Form 10-K for the fiscal year ended January 29, 2011.

ITEM 4. CONTROLS AND PROCEDURES

At the end of the period covered by this Quarterly Report on Form 10-Q, the Company carried out an evaluation, under the supervision and with the participation of the Company's Disclosure Committee and management, including the Chief Executive Officer and the Chief Financial and Administrative Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-15 of the Securities Exchange Act of 1934. Based on that evaluation, the Chief Executive Officer and Chief Financial and Administrative Officer concluded that the Company's disclosure controls and procedures were effective as of April 30, 2011.

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

PART II. OTHER INFORMATION

ITEM 1A. RISK FACTORS

There has been no material change to our risk factors as previously disclosed beginning on page 16 of our Annual Report on Form 10-K for the fiscal year ended January 29, 2011.

ITEM 6. EXHIBITS

a. Exhibits

Exhibit No.	Description
10.1	Description of 2012 Annual Incentive Plan (Incorporated by reference to response to Item 5.02 of Form 8-K filed March 31, 2011, File No. 001-34918)
10.2	2011 Restricted Stock Unit Terms And Conditions for Employees
10.3	2011 Restricted Stock Unit Terms And Conditions for Non-Employee Directors
10.4	Lease Agreement, dated as of March 28, 2011, by and between Vera Bradley Designs, Inc., as tenant, and Great Dane Realty, LLC, as landlord
10.5	Lease Extension, dated April 19, 2011, by and between Vera Bradley, Inc., as tenant, and Milburn, LLC, as landlord
10.6	Underwriting Agreement, dated April 13, 2011, with Robert W. Baird & Co. Incorporated, Piper Jaffray & Co. and the underwriters named therein
31.1	CEO Section 302 Certification
31.2	CFO Section 302 Certification
32.1	Section 906 Certifications*

* Furnished, not filed.

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 14, 2011

/s/ Jeffrey A. Blade
Jeffrey A. Blade
Executive Vice President – Chief Financial and Administrative Officer (duly authorized officer and principal financial officer)

EXHIBIT INDEX

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31.1	CEO Section 302 Certification
31.2	CFO Section 302 Certification
32.1	Section 906 Certifications*

* Furnished, not filed.

Exhibit 10.2

Vera Bradley, Inc.
2010 Equity and Incentive Plan

2011 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 distribution of a Share if and when the Restricted Stock Unit vests.

(b) One-third of the 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 all of the Restricted Stock Units vest, his or her right to receive the Shares underlying 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 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 awarded under this document, 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 later of (i) the occurrence of a Change in Control and (ii) the Participant's termination of Service by the Company or its Affiliates other than for Cause during the time period beginning three months prior to the public announcement of a proposed Change in Control and ending twelve months after a Change in Control.

For purposes hereof, a "Change in Control" shall mean the occurrence of any one or more of the following: (a) the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person or group (within the meaning of the Exchange Act and the rules of the Securities and Exchange Commission as in effect on the date of this Award), other than (i) Barbara Baekgaard, Patricia Miller, Jill Nichols, Michael Ray and Kim Colby and their respective heirs and descendants and any trust established for the benefit of such Persons, (ii) the Company or a corporation owned directly or indirectly by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company, or (iii) any employee benefit plan (or related trust) sponsored or maintained by the Company or any Affiliate, of securities of the Company representing more than twenty-five percent (25%) of the combined voting power of the Company's then outstanding securities; (b) the occupation of a majority of the seats (other than vacant seats) on the Board by Persons who 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 clause 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 as soon as administratively feasible after its associated Restricted Stock Unit vests. Shares will be credited to an account established for the benefit of the Participant with the Company's administrative agent. The Participant will have full legal and beneficial ownership with respect to the Shares at that time.

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

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

8. Securities Law Requirements.

(a) The Restricted Stock Units are subject to the further requirement that, if at any time the Committee determines in its 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 that person is an affiliate of the Company (within the meaning of the rules and regulations of the Securities and Exchange Commission under the Securities Act), sell the Shares, unless the offer and sale is made pursuant to (i) an effective registration statement under the Securities Act, which is current and includes the Shares to be sold, or (ii) an appropriate exemption from the registration requirements of the Securities Act, such as that set forth in Rule 144 promulgated under the Securities Act. With respect to individuals subject to Section 16 of the Exchange Act, transactions under this Award are intended to comply with all applicable conditions of Rule 16b-3, or its successors under the Exchange Act. To the extent any provision of the Award or action by the Committee fails to so comply, the Committee may determine, to the extent permitted by law, that the provision or action will be null and void.

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

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

11. Participant to Have No Rights as a Stockholder. Except as provided in Section 3 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 Restricted Stock Unit 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 10.3

Vera Bradley, Inc.
2010 Equity and Incentive Plan

2011 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 distribution of a Share if and when the Restricted Stock Unit vests.

(b) One-third of the 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 all of the Restricted Stock Units vest, his or her right to receive the Shares underlying 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 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 awarded under this document, 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, Jill Nichols, Michael Ray and Kim Colby and their respective heirs and descendants and any trust established for the benefit of such Persons, (ii) the Company or a corporation owned directly or indirectly by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company, or (iii) any employee benefit plan (or related trust) sponsored or maintained by the Company or any Affiliate, of securities of the Company representing more than twenty-five percent (25%) of the combined voting power of the Company's then outstanding securities; (b) the occupation of a majority of the seats (other than vacant seats) on the Board by Persons who 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 clause 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 as soon as administratively feasible after its associated Restricted Stock Unit vests. Shares will be credited to an account established for the benefit of the Participant with the Company's administrative agent. The Participant will have full legal and beneficial ownership with respect to the Shares at that time.

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

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

8. Securities Law Requirements.

(a) The Restricted Stock Units are subject to the further requirement that, if at any time the Committee determines in its 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 that person is an affiliate of the Company (within the meaning of the rules and regulations of the Securities and Exchange Commission under the Securities Act), sell the Shares, unless the offer and sale is made pursuant to (i) an effective registration statement under the Securities Act, which is current and includes the Shares to be sold, or (ii) an appropriate exemption from the registration requirements of the Securities Act, such as that set forth in Rule 144 promulgated under the Securities Act. With respect to individuals subject to Section 16 of the Exchange Act, transactions under this Award are intended to comply with all applicable conditions of Rule 16b-3, or its successors under the Exchange Act. To the extent any provision of the Award or action by the Committee fails to so comply, the Committee may determine, to the extent permitted by law, that the provision or action will be null and void.

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

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

11. Participant to Have No Rights as a Stockholder. Except as provided in Section 3 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 Restricted Stock Unit 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 10.4

LEASE AGREEMENT

THIS LEASE AGREEMENT ("Lease") made this 28 day of March, 2011, by and between Great Dane Realty, LLC, an Indiana limited liability company (hereinafter referred to as "Landlord"), and Vera Bradley Designs, Inc., an Indiana corporation (hereinafter referred to as "Tenant").

WITNESSETH:

FOR AND IN CONSIDERATION of the full and faithful compliance by the parties hereto with each and all of the terms, covenants and conditions herein contained to be complied with by them, Landlord does hereby lease, let and demise unto Tenant and Tenant does hereby lease from Landlord the real estate described in Exhibit "A" attached hereto and made a part hereof, together with the improvements constructed thereon, including, but not limited to, a commercial manufacturing, warehousing and office building containing approximately 39,249 square feet of rentable space, and all appurtenances thereto (the "Leased Premises"). The Leased Premises shall include the office equipment and furnishings shown on the personal property inventory attached hereto and incorporated herein by reference as Exhibit "B." The Leased Premises shall not include Landlord's warehouse and other equipment located upon the Leased Premises, and Landlord covenants and agrees to remove such equipment from the Leased Premises prior to and as a condition to the Delivery Date as provided in Article V of this Lease; provided, however, it is hereby understood and agreed that Landlord shall have the right to continue to store Landlord's boxed files currently located at the Leased Premises during the Term of this Lease.

ARTICLE I
TERM

1.1 The lease term, subject to all of the provisions and conditions herein contained, shall be for a period of three (3) years ("Term") commencing the first day of the month following the date which is thirty (30) days following the Delivery Date as defined in Article V of this Lease (the "Commencement Date"), and terminating on the third anniversary of the Commencement Date, unless sooner terminated as provided herein (the "Expiration Date").

1.2 Within ten (10) days of the Commencement Date, Landlord and Tenant shall execute and deliver to each other a confirmation of the Commencement Date, the Expiration Date and the Base Rent in the form attached hereto and incorporated herein by reference as Exhibit "C."

1.3 Landlord and Tenant agree that the Term shall be automatically extended for successive periods of one (1) year each (each, a "Renewal Period") from and after the Expiration Date unless and until either Landlord or Tenant notifies the other that the Lease shall expire on the Expiration Date next occurring at least ninety (90) days prior to the next occurring Expiration Date. All of the terms and conditions of this Lease shall remain in full force and effect during any extension of the Term pursuant to this Section 1.3 except that the Base Rent for each Renewal Period will be equal to an amount equal to the Base Rent in effect immediately prior to the commencement date of such Renewal Period (an "Adjustment Date") multiplied by a

fraction having as its numerator the CPI Index for the Comparison Month and having as its denominator the CPI Index for the Base Month (as such terms are defined below). As used herein, the term “CPI Index” shall mean the United States Department of Labor, Bureau of Labor Statistics, Consumer Price Index, All Urban Consumers Index (CPI-U), 1982-84 =100. If at any time the CPI Index is no longer published, then Landlord will substitute an official index published by the Bureau of Labor Statistics, or successor or similar agency then in existence, which is, in Landlord’s reasonable opinion, most comparable to the CPI Index. The term “Comparison Month” shall mean the last full calendar month preceding the Adjustment Date. The “Base Month” shall mean the calendar month which is twelve (12) months prior to the Comparison Month. In no event shall the annual Base Rent in a given year be less than the annual base rent for the immediately preceding year.

ARTICLE II
USE AND OCCUPANCY

2.1 Tenant covenants that the Leased Premises shall, during the term of this Lease, be used for manufacturing, warehousing and office purposes, for such other allied purposes as may be incidental thereto, and for no other purpose without the prior written consent of Landlord, which consent Landlord agrees shall not be unreasonably withheld, conditioned or delayed.

2.2 Tenant agrees not to use or suffer or permit any person to use, in any manner whatsoever, the Leased Premises for any purpose calculated to injure the reputation of the Leased Premises or to impair the value of the Leased Premises, nor for any purpose or use in violation of any federal, state, county or municipal law or ordinance. Tenant will neither commit nor permit waste upon the Leased Premises.

ARTICLE III
RENTAL

3.1 Tenant shall pay as base rent for said Leased Premises, without setoff, deduction, counterclaim except as otherwise specifically set forth herein or relief from valuation or appraisement laws, the sum of One Hundred Seventy-Six Thousand Six Hundred Twenty and 50/100 ($176,620.50) per annum, payable in monthly installments of Fourteen Thousand Seven Hundred Eighteen and 38/100 Dollars ($14,718.38). Base Rent shall be payable in advance on the first day of each calendar month throughout the term hereof to the attention of Landlord at 3010 Butler Ridge Parkway, Fort Wayne, Indiana 46808, or such other place as Landlord may from time to time designate in writing. Base Rent shall be adjusted as provided in Section 5.1 of this Lease. Any base rent or other amounts owing hereunder by Tenant that are not paid within five (5) days of the date when due shall be subject to a late charge equal to five percent (5%) of the amount owed.

3.2 It is the purpose and intent of Landlord and Tenant that the rental as herein provided shall be absolutely net to Landlord, so that this Lease shall yield to Landlord the rent specified herein above and accordingly that all taxes, insurance, maintenance and other expense of any type or nature shall be solely the responsibility of Tenant unless otherwise specifically provided herein.

ARTICLE IV
REAL ESTATE TAXES

4.1 Tenant agrees that it shall pay, in addition to all other sums agreed to be paid by it in this Lease, all real property taxes and assessments against the real estate and improvements constituting the Leased Premises which fall due during the term of this Lease. Such taxes and assessments shall be prorated for any partial lease years. Tenant shall pay each installment of principal and interest on or before the last day on which payment may be made without penalty. Tenant shall have the right to protest taxes either in its own name or in the name of Landlord and Landlord shall cooperate to whatever extent necessary to protest said taxes, all at the sole expense of Tenant. In contesting any such taxes, Tenant shall obtain such bonds or take such other action as may be necessary to assure that liens or lien rights do not attach to the Leased Premises.

4.2 Tenant shall be solely responsible and shall pay for all personal property taxes on all personal property, inventory and fixtures owned by it or located in or about the Leased Premises which accrue during the term of this Lease.

4.3 It is expressly agreed, however, that Tenant shall not be obligated to pay any capital levy or corporate franchise tax levy imposed upon Landlord or any estate, inheritance, succession or transfer tax upon the passing of Landlord's interest in the Leased Premises, or any income tax, profits tax, excise tax or other tax or charge that may be payable or chargeable to Landlord under any present or future law of the United States or State of Indiana or imposed by any political or taxing subdivision thereof, or any governmental agency, upon or with respect to the rent received by Landlord under this Lease.

ARTICLE V
IMPROVEMENTS, MAINTENANCE AND REPAIRS

5.1 Tenant shall construct improvements to the Leased Premises in a timely manner ("Improvements") which such Improvements shall be paid for by Landlord at Landlord's sole cost and expense pursuant to invoices submitted to Landlord by Tenant during the construction of said Improvements in accordance with plans and specifications approved by Landlord and Tenant in writing and identified on Exhibit "D" attached hereto and incorporated herein by reference. The plans and specifications shall include a construction cost budget and a construction schedule. Landlord and Tenant agree that the plans and specifications including the construction cost budget and construction schedule may only be altered through a written change order executed by both Landlord and Tenant identifying the change to the plans and specifications and providing any appropriate adjustments to the construction cost of the Improvements and the construction schedule. Within ten (10) days after the date set forth in the construction schedule for completion ("Delivery Date"), Tenant shall provide to Landlord a written certification of the total costs of the Improvements together with invoices and receipts in support thereof. Landlord shall have a period of ten (10) days from the receipt of Tenant's certification to review the same to determine that the Tenant's written certification is in compliance with Exhibit D to this Lease. If Tenant's written certification is not in compliance with Exhibit D, Landlord shall provide written notice to Tenant and Tenant shall revise the written certification to comply with Exhibit D within ten (10) days of Landlord's written notice.

Tenant agrees that the base rent shall be increased in an amount equal to the cost of construction shown on Landlord's written certification of costs of the Improvements amortized over the three (3) year term of the Lease using an assumed interest rate of five percent (5%). In the event the cost to complete the Improvements exceeds the construction budget amount or a change order results in the addition of an item of cost not included in the plans and specifications (each such amount an "Addition"), Tenant shall have the option to either a) increase the base rent by an amount equal to the cost of the Addition amortized over the three (3) year Term of the Lease using an assumed interest rate of five percent (5%) or b) pay to Landlord the cost of the Addition in cash within thirty (30) days of the Commencement Date. Tenant agrees to commence construction of the Improvements promptly in accordance with the construction schedule after the approval of plans and specifications and substantially complete construction of the Improvements as promptly as possible thereafter but no later than the Delivery Date. Tenant shall obtain all necessary insurance, permits and licenses in connection with the Improvements and shall obtain a valid certificate of occupancy and provide evidence thereof to Landlord. All work will be performed by qualified contractors that meet Landlord's reasonable insurance requirements and are otherwise approved by Landlord which approval shall not be unreasonably withheld, conditioned or delayed. Tenant's construction shall be free of defects in materials or workmanship and in compliance with all applicable laws, regulations, codes and ordinances. Tenant shall be responsible for any defects in materials or workmanship in the construction of the Improvements during the Term of the Lease. Tenant shall direct and control the Improvements and cause the same to be completed in a timely, first class and workmanlike manner. Tenant agrees that the Improvements shall be complete and the Leased Premises shall be ready for occupancy upon the Delivery Date. From and after the date hereof, Landlord shall provide Tenant with possession and access to the Leased Premises solely for construction of the Improvements, it being understood that all of the monetary and non-monetary of obligations Tenant pursuant to the Lease, other than the obligation to pay Base Rent and the real estate taxes set forth in subparagraph 4.1 hereof (which such amounts shall be due and owing as of the Commencement Date of the Lease as further set forth herein) shall apply during the period that Tenant is constructing the Improvements.

5.2 Except as otherwise specifically set forth herein, Tenant shall, at its sole cost and expense, maintain and repair the Leased Premises in as good a condition as exists as of the Commencement Date, reasonable wear and tear and damage caused by insured casualty excepted Tenant's obligations shall include all maintenance and repair of the Leased Premises including maintenance, repair and replacement of all interior portions of the Leased Premises, including routine maintenance of mechanical systems, plumbing systems, electrical systems and HVAC systems serving the Leased Premises ("collectively, the "Building Systems") together with exterior maintenance and repair of the Leased Premises and the removal of snow and ice removal from the parking lots, driveways and walkways located on the Leased Premises. Landlord shall be responsible for maintenance, repair and replacement of the structure, walls, roof and foundation of the Leased Premises and all capital maintenance, repairs and replacements to the Building Systems. For purposes of this Lease, the terms "capital maintenance repair or replacements" shall mean capital expenditures with reference to generally accepted accounting principles that exceed One Thousand and No/100 Dollars ($1,000.00). In the event any repairs or replacements are covered by insurance, the same are to be paid for by the insurance proceeds.

5.3 If Tenant refuses and neglects to repair promptly the Leased Premises as required in Section 5.2 hereof, in a reasonable time after written demand by Landlord, then Landlord may make such repairs without liability to Tenant for any loss or damage that may occur to Tenant's merchandise, fixtures and/or other property, or to the loss of business occasioned by reason thereof, and Tenant shall reimburse Landlord for the cost thereof within thirty (30) days of a written notice thereof.

5.4 Tenant shall not make any structural alterations, additions or leasehold improvements to the Leased Premises or make any contract therefor without first procuring Landlord's written consent which consent Landlord agrees shall not be unreasonably withheld, conditioned or delayed. All alterations, additions and/or leasehold improvements made by Tenant to or upon the Leased Premises, except Tenant's trade fixtures, signs, equipment, cases and counters shall at once when made or installed be deemed to have attached to the freehold and to have become the property of Landlord. Tenant shall be responsible for any damages occasioned by removal of its personal property and other trade fixtures.

5.5 Any alterations made by Tenant shall be at Tenant's cost and expense. Tenant agrees to conform to and comply with all laws, ordinances, rules and regulations of federal, state, county and municipal authorities in making such alterations or repairs, and shall at all times keep the Leased Premises free from claims of mechanics' liens. All work will be performed by qualified contractors that meet Landlord's reasonable insurance requirements and are otherwise approved by Landlord which approval shall not be unreasonably withheld, conditioned or delayed.

5.6 Landlord and its agents shall have free access to the Leased Premises during all reasonable and regular business hours for the purpose of examining the same and to make reasonable repairs which Landlord may desire to make hereunder.

ARTICLE VI
INSURANCE AND INDEMNITY

6.1 Tenant agrees to indemnify and save harmless Landlord from and against all claims, liabilities, losses, demands, damages or expenses of whatever nature, except those resulting from the gross negligence of Landlord or its agents, contractors, or employees, arising from any act, omission or negligence of Tenant, or Tenant's agents, contractors, or employees, or arising from any accident, injury or damage whatsoever caused to any person, or to the property of any person, occurring during the term hereof in or about the Leased Premises or for Tenant's failure to comply with the terms of this Lease. Landlord, from the commencement of Tenant's occupancy, agrees to indemnify and save harmless Tenant from and against all claims of whatever nature, except those resulting from the negligent or intentional acts of Tenant, its agents, contractors or employees, arising from the gross negligence or willful misconduct of Landlord or for Landlord's failure to comply with the terms of this Lease. This indemnity and hold harmless agreement shall include indemnity against all costs, expenses, attorney fees and/or liabilities in, or connected with, any such claim or proceeding brought thereon in defense thereof.

6.2 Tenant shall provide and maintain during the term hereof, for the benefit of Landlord and Tenant, public liability and property damage insurance in the usual form for the

protection of itself and Landlord against injury caused to persons or property by reason of its occupancy of the Leased Premises, with limits of not less than TWO MILLION DOLLARS ($2,000,000.00) per personal injury and ONE MILLION DOLLARS ($1,000,000.00) for property damage, and, in addition, in like amounts covering Tenant's contractual liability under the aforesaid hold harmless clause as provided in Section 6.1 above.

6.3 From and after the commencement date of the Lease and throughout the residue of the term of the Lease, Tenant shall procure and pay for windstorm, fire and extended coverage insurance, insuring the building upon the Leased Premises of not less than the full replacement value thereof in a responsible insurance company authorized to do business in the State of Indiana. Such insurance policies shall insure against loss or damage from fire, windstorm, tornado, hail, disaster, earthquake, vandalism, riot, malicious mischief (and including boiler insurance and war risk insurance if then available), insurance against flood if required by the Federal Flood Disaster Protection Act of 1973 and Regulations issued thereunder, and such other insurance as commonly maintained by those whose business, improvement to and use of the Leased Premises is similar to that of Tenant. Such insurance shall contain the so-called Replacement Cost or Restoration Endorsement, and a provision to the effect that the waiver of subrogation rights by the insured does not void the coverage. Said insurance policies shall be issued in the joint names of Landlord and Tenant as the insured, and any mortgagee of Landlord, if so requested. Tenant shall also provide and keep in place such insurance as may be required by law, including, without limitation, worker's compensation insurance.

6.4 Each of the insurance policies shall be in a form reasonably satisfactory to Landlord and shall carry an endorsement that before changing or canceling any policy the insurance company issuing the same shall give Landlord at least ten (10) days prior written notice, and Tenant shall be required to furnish Landlord with an acceptable replacement policy before the effective date of any such cancellation. Duplicate originals or certificates of all such insurance policies shall be delivered to Landlord. The first policy shall be issued prior to or on the Commencement Date, and all renewals thereof shall be issued at least ten (10) days prior to the expiration of the then existing policies.

6.5 Tenant agrees that all leasehold improvements and personal property of any type or nature owned by it, in, on or about the Leased Premises shall be at the sole risk and hazard of Tenant. Without intending hereby to eliminate the generality of the foregoing, Tenant agrees that Landlord shall not be liable or responsible for any loss of or damage to Tenant, or anyone claiming under or through Tenant, or otherwise, whether caused by or resulting from any peril required to be insured hereunder, or from water, steam, gas, leakage, plumbing, electricity or electrical apparatus, pipe or apparatus of any kind, the elements or other similar or dissimilar causes, and whether or not originating in the Leased Premises or elsewhere, provided such damage or loss is not the result of any negligent or intentional act of Landlord.

6.6 Whenever (a) any loss, cost, damage or expense resulting from fire, explosion or any other casualty or occurrence is incurred by either of the parties to this Lease or anyone claiming by, through or under them in connection with the Leased Premises and (b) such party is then either covered in whole or in part by insurance with respect to such loss, cost, damage or expenses (or is required under this Lease to be so insured), then the party so insured (or so required) hereby releases the other party from any liability said other party may have on

account of such loss, cost, damage or expense to the extent of any amount recovered by reason of such insurance (or which could have been recovered had insurance been carried as so required) and waives any right of subrogation which might otherwise exist in or accrue to any person on account thereof, provided that such release of liability and waiver of the right of subrogation shall not be operative in any case if the effect thereof is to invalidate such insurance coverage or increase the cost thereof (provided that in the case of increased cost, the other party shall have the right, within thirty (30) days following written notice, to pay such increased cost thereon, thereupon keeping such release and waiver in full force and effect).

ARTICLE VII
SIGNS AND ADVERTISING

7.1 Tenant may, at its expense, install identification signage to the exterior of the building located upon the Leased Premises with the prior written consent of Landlord, which consent shall not be unreasonably withheld, conditioned or delayed.

7.2 Tenant shall maintain said signage in good order and condition. Upon termination of this Lease, Tenant shall remove such signage located upon the building and shall be responsible for any damage occasioned thereby.

7.3 Signage by Tenant shall comply with all applicable laws, regulations, codes and ordinances.

ARTICLE VIII
DESTRUCTION OF PREMISES

8.1 Subject to Section 8.3 below, if the Leased Premises shall be damaged or destroyed by any cause during the term of this Lease, this Lease shall remain in full force and effect and Landlord shall as promptly and as reasonably practical, subject to the receipt of adequate insurance proceeds therefor, repair and restore the Leased Premises prior to such damage or destruction and in accordance with plans and specifications mutually agreed upon at that time; or if such plans cannot be agreed upon, then in accordance with the original plans and specifications; provided, however, Landlord shall only be obligated to expend the insurance proceeds actually received by it and shall not be obligated to expend any of its own funds to complete restoration of the Leased Premises . The work of restoration or rebuilding shall be in full compliance with all laws and regulations and governmental ordinances applicable thereto. .

8.2 Should the Leased Premises or any part thereof be made untenantable as a result of such fire, damage or destruction, the rental payable by Tenant shall abate in proportion to the amount of the Leased Premises rendered untenantable as a result of such fire, damage or destruction until said damage is repaired as provided in Section 8.1.

8.3 If the Leased Premises are damaged to such extent that they cannot be repaired within ninety (90) days of such occurrence, or in the event such damage occurs within the last twelve (12) months of the lease term, this Lease may be cancelled at the option of either Landlord or Tenant upon written notice given within thirty (30) days from the date of such occurrence, and in such event, all rent shall be prorated to the date of such occurrence and Landlord shall be entitled to and Tenant shall assign to Landlord all proceeds received from the

fire and extended coverage insurance. In the event that there are any amounts owed for the construction of the Improvements pursuant to Section 5.1 of this Lease, Landlord shall be responsible for the payment of those costs, notwithstanding said damage or destruction, and shall indemnify and hold Tenant harmless from and against liability for those costs.

ARTICLE IX
EMINENT DOMAIN

9.1 If not more than Fifteen Percent (15%) of the building located upon the Leased Premises or not more than Twenty-Five Percent (25%) of the parking area located upon the Leased Premises shall be taken under the power of eminent domain, then the term of this Lease shall cease only on the part so taken from the date possession shall be taken for any public purpose, and the minimum rent shall be paid up to that date. If in such event any part of the Leased Premises is taken, Landlord shall rebuild and restore said Leased Premises to the extent of the condemnation award actually received by Landlord but in all events to an architectural whole, and Tenant shall be entitled to an equitable abatement of the fixed minimum rent until the Leased Premises are restored, and thereafter said rent shall be equitably reduced on account of any area taken by such eminent domain proceedings.

9.2 If more than Fifteen Percent (15%) of the building located upon the Leased Premises or more than Twenty-Five Percent (25%) of the parking area located upon the Leased Premises shall be taken under the power of eminent domain, then from that date Tenant shall have either the right to terminate this Lease as of the date possession of the part condemned is so taken, by written notice to Landlord within thirty (30) days after such date, or to continue in possession of the Leased Premises under all of the terms, covenants and conditions of this Lease, except that the fixed rent shall be proportionately and equitably reduced.

9.3 Each party may, as permissible by applicable law, prosecute at their option their respective claims, against the public or private bodies designated as the taking authority, on the account of any taking or appropriation of the Leased Premises. For the purpose of this paragraph, acquisition of all or part of the Leased Premises by governmental or quasi-governmental authority by means of voluntary negotiations and contracts in lieu of condemnation shall be deemed to be acquisition by the exercise of the power of eminent domain.

ARTICLE X
QUIET ENJOYMENT

10.1 Landlord covenants and agrees that if Tenant shall pay and otherwise perform and do all the things and matters herein provided for to be done by Tenant, Tenant shall peaceably and quietly have, hold, possess, use, occupy and enjoy the said Leased Premises during the term of this Lease.

ARTICLE XI
ASSIGNMENT AND SUBLETTING

11.1 Tenant may not assign or sublet the Leased Premises without Landlord’s prior written consent which consent Landlord agrees shall not be unreasonably withheld, conditioned or delayed. In the event that Tenant shall at any time, during the term of this Lease,

sublet all or any part of said Leased Premises or assign this Lease, it is hereby mutually agreed that Tenant shall nevertheless remain fully liable under all of the terms, covenants and conditions of this Lease. If this Lease be assigned or if the Leased Premises or any part thereof be subleased or occupied by anybody other than Tenant, Landlord may collect from the assignee, sublessee or occupant any rent or other charges payable by Tenant under this Lease, and apply the amount collected to the rent and other charges herein reserved, but such collection by Landlord shall not be deemed a release of Tenant from the performance by Tenant under this Lease.

11.2 Tenant may assign this Lease without the prior written consent of Landlord to:

(a) an entity controlled by Tenant, an entity controlling Tenant or an entity under common control with Tenant; or,

(b) an entity which acquires all or substantially all of business operations conducted by Tenant upon the Leased Premises.

ARTICLE XII
UTILITIES

12.1 Tenant shall be solely responsible for and shall promptly pay all charges for gas, heat, electricity and any other utilities or services used or furnished to the Leased Premises.

ARTICLE XIII
MORTGAGE SUBORDINATION/ESTOPPEL CERTIFICATES

13.1 Upon written request or notice by Landlord, Tenant agrees to subordinate its rights under this Lease to the liens of any mortgages or deeds of trust that may hereafter be placed upon the building and the Leased Premises, and to any and all advances to be made thereunder, and all renewals, replacements and extensions thereof. Tenant agrees to execute such subordination, non-disturbance and attornment agreements requested by such mortgagees provided that Tenant’s rights pursuant to this Lease shall be honored and its possession of the Leased Premises shall not be disturbed so long as Tenant is not in default pursuant to this Lease.

13.2 Upon written request from Landlord, Tenant shall execute estoppel certificates certifying that this Lease is in full force and effect and free from default and stating that rent has not been paid more than thirty (30) days in advance to the extent the same shall be true as of the date of the request and certifying such other factual matters relating to this Lease as Landlord may reasonably request. The estoppel certificates shall be in a form approved by Tenant which approval Tenant agrees shall not be unreasonably withheld, conditioned or delayed.

ARTICLE XIV
DEFAULT

14.1 If Tenant shall be in default in the payment of rental or any other charges provided for herein and such default shall continue for a period of five (5) days after written notice from Landlord to Tenant, or if Tenant shall be in default in the performance of any of the other covenants, promises or agreements herein contained for Tenant to be kept and performed and such default shall continue for thirty (30) days after Landlord shall have notified Tenant in writing of the existence of such default, or if Tenant is adjudicated a bankrupt, or if a receiver is appointed for Tenant's property, including Tenant's interest in the Leased Premises, and such receiver is not removed within thirty (30) days after appointment, or if, whether voluntarily or involuntarily, Tenant takes advantage of any debtor relief proceeding under present or future law whereby the rent, or any part thereof, is or is proposed to be reduced or payment thereof deferred, or if Tenant makes an assignment for the benefit of creditors, or if the Leased Premises or Tenant's effects or interest therein shall be levied upon or attached under process against Tenant, not satisfied or dissolved within thirty (30) days from such levy or attachment, or if Tenant abandons the Leased Premises, then, and in any or all said events, Tenant shall be deemed to have breached this Lease and Landlord shall have the right at its option, without limitation of any other rights available to Landlord at law or in equity to:

(a) Enter upon and take possession of the Leased Premises as Tenant's agent without terminating this Lease, and use commercially reasonable efforts to re-let the Leased Premises upon such rental and for such term as Landlord deems proper. Tenant shall obligated to pay Landlord all sums due and owing up to the time of such re-letting and upon the reletting shall further become immediately liable and indebted to Landlord and shall then upon demand promptly pay to Landlord the costs and expenses of such reletting, including any alterations or decorations required in connection therewith, plus the difference between the amount of the rent actually collected and received from the Leased Premises and the rental due under this Lease for the residue of the term herein provided remaining after the taking of possession by Landlord; or

(b) Forthwith cancel and terminate this Lease by notice in writing to Tenant; and if such notice shall be given, all rights of Tenant to the use and occupancy of said Leased Premises shall terminate as of the date set forth in such notice and Tenant will at once surrender possession of the Leased Premises to Landlord and remove all of Tenant's effects therefrom, and Landlord may forthwith re-enter the premises and repossess itself thereof, and Landlord shall be entitled to receive as liquidated damages and not as a penalty a sum equal to all rent and other sums then due and owing together with all sums which would fall due hereunder through the balance of the lease term had this Lease not been terminated reduced by the fair market rental value of the Leased Premises for the same period. No termination of this Lease prior to the normal expiration thereof shall affect Landlord's right to collect rent for the period prior to the termination thereof.

14.2 Landlord shall be entitled to collect from Tenant reasonable attorney fees and court costs incurred in enforcing any obligation of Tenant under this Lease.

14.3 If Landlord shall be in default of any term or covenant of this Lease and said default shall continue for a period of thirty (30) days after written notice thereof from Tenant to Landlord, then Landlord shall be in default of the terms and conditions of this Lease and Tenant have such rights as are available under applicable law upon such a default and, in addition, the right, but not the obligation, to cure said defaults on Landlord's behalf at Landlord's cost. In the event Tenant incurs any cost or expense in performing any obligation on Landlord's behalf Landlord shall, within thirty (30) days of such demand pay such sums to Tenant. Notwithstanding the above, Tenant shall not have the right to terminate this Lease upon a default by Landlord.

ARTICLE XV
SURRENDER OF POSSESSION

15.1 Whenever the said term herein demised shall be terminated, whether by lapse of time, forfeiture or in any other way, Tenant covenants and agrees that it will at once surrender and deliver up said Leased Premises peaceably, free of all of Tenant's property, in broom-clean condition and in as good of condition as when Tenant took possession, ordinary wear and tear and any damage caused by perils covered by insurance excepted. If Tenant fails to return possession of the Premises to Landlord in this condition, Tenant shall reimburse Landlord for the costs incurred by Landlord to put the Leased Premises in the condition required under this Paragraph 15.1. Tenant's property left behind in the Leased Premises after the end of the Term will be considered abandoned and Landlord may move, store, retain or dispose of these items at Tenant's sole cost and expense. Tenant's obligation hereunder shall survive the expiration or termination of this Lease.

15.2 If Tenant shall hold over after any termination of this Lease, the same shall create no more than a month-to-month tenancy at the rent herein set forth and under all other applicable conditions herein provided, which such tenancy shall be terminable by either party upon thirty (30) days prior written notice to the other.

ARTICLE XVI
MECHANICS' LIENS

16.1 Nothing in this Lease shall authorize Tenant to do any act which shall in any way encumber the title of Landlord in and to the Leased Premises, nor shall the interest of Landlord in the Leased Premises be subject to any lien arising from any act or omission of Tenant.

16.2 If any mechanics' lien or liens shall be filed against the Leased Premises for work done or materials furnished to Tenant, Tenant shall within ninety (90) days after it has actual notice of such lien, at its own expense, cause such lien or liens to be discharged by payment of such claims or by filing of bond pursuant to statute.

16.3 Should Tenant fail to pay any such lien or post bond therefor, Landlord may, but it shall not be required to do so, discharge such mechanics' lien or liens by payment

thereof, and the amount paid by Landlord together with Landlord's costs and expenses shall be due and payable from Tenant forthwith on demand, together with interest at the rate of Six Percent (6%) per annum.

ARTICLE XVII
NOTICES

17.1 All notices, demands and requests hereunder shall be in writing and given by United States registered or certified mail, or by a nationally recognized air courier:

In the case of Landlord to:	Great Dane Realty, LLC 3010 Butler Ridge Parkway Fort Wayne, Indiana 46808
In the case of Tenant to:	Vera Bradley Designs, Inc. 2208 Production Road Fort Wayne, Indiana 46808

17.2 Each party from time to time may change its address for purpose of notice under this Article by giving to the other party notice of such change of address. Any notice, demand or request given by the United States, registered or certified mail, as provided herein, shall be deemed served on the date it is deposited in the United States mail or with a nationally recognized air courier properly addressed and with postage fully prepaid.

ARTICLE XVIII
ENVIRONMENTAL REPRESENTATIONS, WARRANTIES AND INDEMNIFICATION

18.1 During the Term, Tenant shall comply with all applicable federal, state and local laws, regulations and ordinances relating to protection of human health and the environment ("Environmental Laws"), which are applicable to the Leased Premises and/or the conduct of Tenant's business at the Leased Premises.

18.2 Tenant represents and warrants that during the term hereof it shall not construct, deposit, store, dispose, place or locate upon the Leased Premises any material, element, compound, solution compound, mixture, substance or other matter of any kind, including solid, liquid or gaseous material, that constitutes a Hazardous Material, as hereafter defined. Notwithstanding the above, Tenant may store, utilize and properly dispose de minimis amounts of Hazardous Material as hereafter defined, provided the same are reasonably required for Tenant's normal business operations upon the Leased Premises, and provided further that such Hazardous Material is stored, processed, utilized and disposed of in compliance with all applicable federal, state and local laws, regulations, codes and ordinances.

18.3 For purposes of this Article XVIII, Hazardous Material shall mean any material or substance:

(a) defined as a “Hazardous Substance” or “Hazardous Material” pursuant to the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. § 9601 et. seq.) and amendments thereto and regulations promulgated thereunder or under other applicable Environmental Law;

(b) containing gasoline, oil, diesel fuel or other petroleum products;

(c) defined as a “Hazardous Waste” pursuant to the Federal Resources Conservation and Recovery Act and all regulations promulgated thereunder;

(d) containing Polychlorinated Biphenyls (PCB);

(e) containing Asbestos;

(f) which is radioactive;

(g) the presence of which requires investigation or remediation under any federal, state or local statute, regulation, ordinance or policy, or which is, or becomes defined as “Hazardous Waste” or as “Hazardous Substance” under any federal, state or local statute, regulation, ordinance or policy or any toxic, explosive, corrosive or other hazardous substance, material or waste, that is or becomes, regulated by any federal, state or local governmental authority or which causes a nuisance on the Leased Premises or any portion thereof.

18.4 Tenant agrees to protect, defend, indemnify and save harmless Landlord from and against all liabilities, obligations, claims, damages, penalties, causes of action, response and clean up costs, and other costs and expenses (including, without limitation, reasonable attorney fees, paralegal fees, the cost of any remedial action, consultant fees, investigation and laboratory fees, court costs and litigation expenses), imposed upon or incurred by or asserted against Landlord by reason of Tenant’s violation of Environmental Laws or as a result of, or in connection with, claims arising from the presence, use, storage, transportation, treatment, disposal, release or other handling, on or about or beneath the Leased Premises, of any Hazardous Substance, Hazardous Material or Hazardous Waste introduced or permitted on or about or beneath the Leased Premises by any act or omission of Tenant or its agents, officers, employees, contractors, invitees or licensees during the Term.

18.5 Landlord agrees to protect, defend, indemnify and save harmless Tenant from and against all liabilities, obligations, claims, damages, penalties, causes of action, response and clean up costs, and other costs and expenses (including, without limitation, reasonable attorney fees, paralegal fees, the cost of any remedial action, consultant fees, investigation and laboratory fees, court costs and litigation expenses), imposed upon or incurred by or asserted against Tenant by reason of the presence of Hazardous Material or Hazardous Waste upon the Leased Premises as of the Commencement Date or by reason of violations of Environmental Law which occurred on the Leased Premises prior to the Term of this Lease.

18.6 The representations, warranties and indemnification of Tenant pursuant to this Article XVIII shall survive the expiration or termination of this Lease.

ARTICLE XIX
MISCELLANEOUS

19.1 Each term and provision of this instrument performable by Tenant and Landlord shall be construed to be both a covenant and a condition.

19.2 Time is and shall be of the essence of this Lease and of each term or provision hereof.

19.3 If any term or provision of this Lease or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such term or provision to persons or circumstances other than those to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Lease shall be valid and be enforceable to the fullest extent permitted by law.

19.4 The headings of the articles of this instrument are for convenience and reference only and the words contained therein shall in no way be held to explain, modify, amplify or aid in the interpretation, construction or meaning of the provisions of this Lease.

19.5 Nothing in this Lease shall cause Landlord in any way to be construed as a partner, joint venturer or associated in any way with Tenant in the operation of said Leased Premises, or subject Landlord to any obligation, loss, charge or expense connected with or arising from the operation or use of said Leased Premises or any part thereof. The obligations of each individual tenant hereunder shall be joint and several.

19.6 This Lease shall not be recorded and, in lieu thereof, a memorandum of lease and right of first refusal shall be executed, acknowledged and recorded in the form attached hereto as Exhibit “E.”.

19.7 This Lease shall be governed by the laws of the State of Indiana.

ARTICLE XX
RIGHT OF FIRST REFUSAL

20.1 In the event Landlord shall receive a bona fide offer for the purchase of the Leased Premises, or any part thereof, whether or not in conjunction with any other property, which Landlord desires to accept, Landlord shall give written notice thereof (hereinafter called “Offering Notice”) to Tenant. Said Offering Notice shall contain the following:

(a) The name and address of the proposed purchaser (“Third Party”);

(b) The terms and conditions of said offer; and

(c) An offer to sell the Leased Premises to Tenant upon the same terms and conditions of the aforesaid offer made by the Third Party.

20.2 Tenant shall be entitled to purchase such Leased Premises offered by giving written notice thereof to Landlord within fifteen (15) days after receipt of the Offering Notice. If Tenant fails to agree, in writing, to purchase such Leased Premises within the time aforesaid, Landlord shall have the right to complete the sale to the Third Party who shall then become the owner of the Leased Premises.

20.3 In the event of a change in the identity of the Third Party or a substantial change in the terms and conditions of the Offering Notice, notice thereof and opportunity to Tenant shall again be given by Landlord to Tenant in accordance with the terms hereof. Provided, however, if the proposed purchaser is an affiliate or assignee of Third Party, then such change in the proposed purchaser shall not constitute a change in the identity of the Third Party for purposes of this paragraph.

20.4 Exercise of the right to purchase the Leased Premises, by Tenant, shall require that closing on the sale occur (between Landlord and Tenant) under the same terms and conditions as the Offering Notice.

20.5 In the event that Tenant shall exercise its rights to purchase the Leased Premises pursuant to this Article, then the term of this Lease shall be automatically extended, if necessary, to the date of Closing and, upon Closing, this Lease shall terminate and be of no further force or effect.

20.6 In the event that Tenant shall not exercise its rights to purchase the Leased Premises pursuant to this Article, then this Lease shall continue in full force and effect upon the Closing.

ARTICLE XXI
OPTION TO PURCHASE

21.1 Certain terms used in this Article XXI are defined in this Section 1; other terms are defined within the text of this Lease.

(a) “Closing” shall mean the consummation of the purchase and sale of the Premises in accordance with the terms of this Lease upon exercising the option and completion of all conditions precedent herein required.

(b) “Leased Premises” shall mean the Leased Premises pursuant to this Lease constituting that certain parcel of real property located in Allen County, Indiana, as presently identified by legal description on Exhibit “A” attached hereto and made a part hereof. The full legal description of the Leased Premises shall be noted on the survey to be provided by Landlord as hereinafter required. Said Leased Premises include all buildings, improvements, fixtures, tenements, hereditaments and appurtenances belonging or in any wise appertaining to such real property, and all of Landlord’s right, title and interest, if any, in and to (i) any land lying in the bed of any street, road or avenue, open or

proposed, in front of or adjoining such real property to the center line thereof to the extent included in the legal description of the Leased Premises, but subject to public rights-of-way and easements; (ii) any strips and gores of land adjacent to, abutting or used in connection with such real property; (iii) any easements and rights, if any, inuring to the benefit of such real property or to Landlord in connection therewith; and (iv) any and all rights in and to any leases, licenses or other assets of any type or nature pertaining to the use of such real property. Notwithstanding the legal descriptions as attached hereto, it is agreed that the Leased Premises shall be deemed to include all right, title and interest of Landlord in and to the land and improvements, including such interests to be hereafter acquired as a condition hereof. The legal description shall be reformed according to survey to include all such interests.

(c) "Purchase Price" shall mean the Purchase Price for the Leased Premises as determined in accordance with Section 21.3 of this Lease.

(d) "Title Commitment" shall mean the Commitment issued by an ALTA approved title insurance company ("Title Company") approved by the Tenant in which the title insurance company commits itself to issue to Tenant an Owner's Policy of Title Insurance upon demand, with its general exceptions deleted, in the full amount of the Purchase Price, setting forth the state of the title to the Premises and subject only to those "permitted exceptions" hereinafter described.

21.2 Option to Purchase. Landlord hereby grants, bargains and sells to Tenant the exclusive option to purchase the Leased Premises ("Option") commencing as of the Commencement Date and expiring as of the Expiration Date. Tenant may exercise the Option by giving notice to Landlord as provided in the Lease before expiration of the Option. Notice shall be deemed to have been given if in writing and made in such manner provided for the giving of notices specified in this Lease. In the event of exercise, Landlord shall sell to Tenant and Tenant shall purchase from Landlord the Leased Premises in accordance with the terms and conditions hereinafter set forth.

21.3 Purchase Price for Leased Premises. Landlord and Tenant may agree in writing upon the Purchase Price within thirty (30) days of the date Tenant exercises the Option. In the event Landlord and Tenant do not agree in writing upon the Purchase Price within thirty (30) days of the date Tenant exercises the Option, then Landlord and Tenant shall each appoint an appraiser licensed in Indiana with an MAI designation and with at least ten (10) years' experience in preparing appraisals of commercial real estate in the county in which the Leased Premises are located. The appraisers shall then appoint a third appraiser with the same qualifications. Each appraiser shall then prepare an independent appraisal of the Leased Premises and submit a report of each appraisal to Landlord and Tenant. The appraisers shall each determine a) the fair market value of the Leased Premises; and, b) the fair market value of the Leased Premises without the Improvements described in Section 15.1 of this Lease (as if the Improvements had not been constructed). The fair market value of the Leased Premises shall be the mathematical average of the appraisers' determinations. The fair market value of the Leased Premises without the Improvements shall be the mathematical average of the appraisers'

determinations. The Purchase Price shall be the greater of a) the fair market value of the Leased Premises; or b) the fair market value of the Leased Premises without the Improvements increased by the unamortized principal remaining pursuant to the amortization described in Section 5.1 of this Lease as of the Date of Closing. Landlord shall be responsible for the cost of the appraisal prepared by the appraiser appointed by Landlord. Tenant shall be responsible for the cost of the appraisal performed by the appraiser appointed by Tenant. Landlord and Tenant shall share equally the cost of the third appraisal. The Purchase Price subject to such adjustments, credits, deductions and prorations, if any, as herein required, shall be paid in cash at Closing.

21.4 Survey of Premises. Within thirty (30) days of the date of Tenant's exercise of the Option, Tenant shall order and procure, at the expense of Tenant, a boundary survey of the Leased Premises with all easements (including utility easements), available utility services, encroachments, rights-of-way and other matters (whether or not of record) pertaining to or affecting the Leased Premises plotted thereon, and showing the location, area and dimensions of all improvements, easements, streets, roads, railroad spurs, flood hazard areas and alleys on or abutting said Leased Premises, and providing a legal description of the Leased Premises. Such survey shall be dated or re-dated at a date not more than thirty (30) days prior to the Closing, and unless otherwise approved by Tenant, shall (a) be made in accordance with the "Minimum Standard Detail Requirements for ALTA/ACSM Land Title Surveys."

21.5 Title to Premises.

(a) State of Title to be Conveyed. At the Closing, Landlord shall convey to Tenant, its nominees, successors or assigns, by special warranty deed, wherein Landlord warrants title to Tenant against all claimants claiming by, through or under Landlord, good and merchantable and insurable fee simple title to the Leased Premises, free from all liens, encumbrances, restrictions, rights-of-way and other matters, excepting only the "permitted exceptions" described as follows: (i) the lien of general real estate taxes not yet due and payable, subject to proration of taxes as hereinafter provided; (ii) liens or encumbrances of a definite or ascertainable amount and which will be paid and discharged in full by or for Landlord at or prior to the Closing; (iii) matters or title created or suffered by Tenant during the Term of this Lease; and (iv) zoning ordinances, easements of record and other documents or restrictions, if any, which do not prevent or materially interfere with Tenant's use of the Premises.

(b) Title Insurance Commitment and Policy. Within thirty (30) days of Tenant's exercise of the Option, Tenant shall order and procure the Title Commitment, at the initial expense of Tenant (but subject to reimbursement as a credit at Closing). At the Closing, a Policy of Title Insurance or an endorsement to the Title Commitment shall be issued to Tenant insuring Tenant's fee simple interest in the Leased Premises in the state required by Section 20.5(a) above, with all general exceptions deleted, and subject only to the "permitted exceptions". Landlord shall pay for, or Tenant shall receive a credit therefor at the Closing, all charges and costs of such Title Insurance Policy.

(c) Objections to State of Title. If title to the Leased Premises is not in the state required by Section 20.5(a) above, Tenant shall give written notice to Landlord within thirty (30) business days after the date it receives the Title Commitment and survey, specifying its objection(s) to the state of title to the Premises. Landlord shall thereupon have a period of thirty (30) days in which it shall use commercially reasonable efforts to remedy the objection(s) or to induce the Title Company to issue an endorsement to the Title Commitment satisfactory to Tenant insuring over or removing such objection(s). If Tenant's objection(s) to the state of title to the Leased Premises are not remedied by Landlord within such thirty (30) day period, or such further period as Tenant may, in its sole discretion, grant, then Tenant shall have the right, within thirty (30) days thereafter, to give written notice to Landlord that Tenant waives such title defects or objections and elects to proceed to acquire the Leased Premises without any abatement of the Purchase Price and to take title to the Leased Premises subject to such defects or objections; otherwise, this Lease shall be automatically cancelled and rescinded.

21.6 Conditions to Closing. Tenant and Landlord agree that the sale and purchase of the Leased Premises is subject to the satisfaction of the following contingencies and conditions within sixty (60) days of Tenant's exercise of the Option, and if not so satisfied this Tenant may cancel and rescind the exercise of the Option and this Lease shall continue in full force and effect. Notwithstanding the foregoing, Tenant may, at its option, waive any of the conditions or contingencies set forth in this Section 21.6 and proceed to purchase the Leased Premises from Landlord.

(a) The Leased Premises and all buildings and improvements located thereon will at Closing be in the same state of condition and repair as of the date of exercise of the Option.

(b) That Tenant shall have approved the form and content of the Title Commitment and the Survey in accordance with Sections 20.4 and 20.5. Premises shall have remained in the state reflected by the Title Commitment and the Survey, as approved by Buyer, through the date of the Closing.

(c) That Tenant shall have approved the form and content of the special warranty deed conveying the Leased Premises to Tenant, the vendor's affidavit, the non-foreign certificate, the closing statement covering the purchase and sale of the Leased Premises, and all other documents and instruments required to effect the sale of the Leased Premises and the agreements of the parties herein set forth; and Landlord shall prepare such documents and instruments promptly upon notification by Tenant that all conditions precedent above set forth have been performed or waived. Landlord shall also furnish to Tenant such proof of authority as requested by Tenant or the Title Company authorizing Landlord to enter into and consummate this transaction.

21.7 Proration of Real Estate Taxes. Tenant shall pay all real property taxes and any general and/or special assessments which are due and payable, if any, on or before the date of the Closing, or which otherwise constitute a lien upon the Premises as of the date of the

Closing pursuant to Section 4.1. Current taxes assessed for the year in which the Closing takes place shall be equitably prorated through the date of the Closing on the basis of the latest available tax bills covering the Leased Premises. If, at the Closing, the Leased Premises or any part thereof shall be subject to any assessment(s) which are or may become payable in annual installments of which the first installment is then due or has been paid, then for the purposes of this Lease all the unpaid installments of any such assessment, including those which are to become due and payable after the delivery of the deed to the Leased Premises, shall be deemed to be due and payable at the Closing and to be liens upon the Leased Premises and shall be paid and discharged by the Tenant at or prior to the Closing.

21.8 Closing.

(a) Provided all conditions set forth in Section 20.6 hereof or elsewhere in this Paragraph 21 herein have been satisfied or waived, within the time period therein required, the Closing shall take place at such time and date within thirty (30) days thereafter as agreed between Tenant and Landlord, unless extended in writing by mutual agreement of the parties hereto. The Term of the Lease shall be deemed automatically extended to the Date of Closing. The Closing shall occur at the offices of the Title Company. Tenant and Landlord agree to deposit with Title Company not later than the date of the Closing all executed documents required in connection with this transaction, including such documents as requested by the Title Company issuing the Title Policy. Upon receipt of all necessary documents, and when the Title Company is in a position to issue to Tenant a Policy of Title Insurance, Title Company shall on the date of the Closing, upon instructions from Tenant and Landlord, cause the deed to the Leased Premises and any other necessary or appropriate instruments to be filed for record. In the event all the conditions precedent to be performed by Landlord have not been satisfied within ninety (90) days of the date Tenant exercises the Option, the exercise of the Option may be cancelled, at the option of Tenant, without obligation or liability to Landlord and this Lease shall continue in full force and effect.

(b) Landlord hereby agrees that it shall be solely liable for and shall pay (or provide a credit to Tenant at Closing) for: (i) the premium charged for the issuance of said ALTA owner’s title policy issued pursuant to said commitment, and (ii) attorneys, brokerage, engineering and other professional fees of Landlord. Landlord hereby further agrees that it shall be solely liable for and shall pay any and all taxes as may be legally required for the conveyance of the property being sold hereunder, so as to convey to Tenant the fee simple title to the Leased Premises, free of all encumbrances, except as herein stated, or except as may be mutually agreed upon by the parties hereto. Tenant shall pay all recording fees necessary to effectuate the transfer of the Leased Premises as contemplated herein. Buyer and Seller shall bear equally the title company’s closing fees, with Seller bearing the cost of the title company’s title search and examination fees relating to the Leased Premises. Each party shall be responsible for its other costs and expenses in accordance with the obligations or conditions to be performed by each respective party hereto. At the time of Closing, Landlord

and Tenant shall execute and deliver a closing statement setting forth said Purchase Price, with such closing adjustments thereto as may be applicable.

21.9 Remedies Upon Default. In the event Tenant breaches or defaults under any of the terms of the Option, Landlord shall be entitled to terminate the Option and recover the actual, out of pocket fees or expenses incurred by Landlord in connection with Tenant's execution of the Option and any Tenant default in connection therewith, including, without limitation, brokerage, engineering and other professional fees of Landlord which shall be its sole remedy at law or in equity. In the event Seller breaches or defaults under any of the terms of this Lease, Tenant shall have the right to cancel and rescind the exercise of the Option or, in the alternative, the right to compel specific performance of the Option and the right to recover Tenant's costs and expenses incurred in enforcing the terms and conditions of the Option, including but not limited to Tenant's reasonable attorney fees and court costs. Notwithstanding any provision of this Lease to the contrary, in no event shall either Landlord or Tenant be liable for consequential, indirect, special damages or punitive damages arising from a default under this Paragraph 21.

21.10 Brokerage Commission. Landlord and Tenant each warrant and represent that there are no finders or brokers entitled to fees or commissions which may be due from the introduction of the Landlord and Tenant and/or the purchase and sale of the Leased Premises.

21.11 Eminent Domain. In the event that, prior to the date of the Closing, Landlord acquires knowledge of any pending or threatened claim, suit or proceeding to condemn or take all or any part of the Leased Premises under the power of eminent domain, then Landlord shall immediately give notice thereof to Tenant, and Tenant shall have the right to cancel and rescind the exercise of the Option by delivering notice thereof to Landlord within thirty (30) days after receiving notice from Landlord of such condemnation or taking, and thereupon the Tenant's exercise of the Option shall be deemed cancelled and rescinded. If Tenant shall not elect to cancel and rescind the exercise of the Option pursuant to this Section 21.11, the parties shall proceed with the Closing in accordance with the terms hereof without abatement of the Purchase Price, but all proceeds of any condemnation award shall be payable solely to Tenant, and Landlord shall have no interest there in.

21.12 Indiana Responsible Property Transfer Law. Tenant and Landlord acknowledge that the transactions contemplated by this Lease may be subject to the provisions of the Indiana Responsible Property Transfer Law (Ind. Code 13-25-3-1, et seq.). Landlord agrees that it shall either (a) comply with the provisions of the Indiana Responsible Property Transfer Law and provide the Tenant and Tenant's Lender, if any, with a "disclosure document" as and when required by the Indiana Responsible Property Transfer Law, or (b) provide the Tenant with a certification acceptable to Tenant on or before Closing that the transactions contemplated by this Lease are not subject to the provisions of the Indiana Responsible Property Transfer Law.

IN WITNESS WHEREOF, Landlord and Tenant have hereunto executed this Lease the day and year first above written.

Landlord:

GREAT DANE REALTY, LLC,
an Indiana limited liability company

By: /s/ Barbara B. Baekgaard

Printed: Barbara B. Baekgaard

Its:

Tenant:

VERA BRADLEY DESIGNS, INC.,
an Indiana corporation

By: /s/ David R. Traylor

Printed: David R. Traylor

Its: Treasurer

EXHIBIT A

Legal Description of Leased Premises

Exhibit A

PART OF THE NORTHEAST QUARTER OF SECTION 20, TOWNSHIP 29 NORTH, RANGE 11 EAST TOGETHER WITH PART OF THE NORTHWEST QUARTER OF SECTION 21, TOWNSHIP 29 NORTH, RANGE 11 EAST OF THE SECOND PRINCIPAL MERIDIAN, IN ALLEN COUNTY, INDIANA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE NORTHEAST CORNER OF SAID NORTHEAST QUARTER; THENCE SOUTH 00 DEGREES 36 MINUTES 12 SECONDS EAST (ASSUMED BEARING AND BASIS OF BEARINGS TO FOLLOW), A DISTANCE OF 71.78 FEET ALONG THE EAST LINE OF SAID NORTHEAST QUARTER TO A 5/8 INCH STEEL REBAR FOUND ON THE SOUTH RIGHT-OF-WAY LINE OF LAFAYETTE CENTER ROAD, SAID POINT ALSO BEING THE POINT OF BEGINNING OF THE HEREIN DESCRIBED TRACT; THENCE SOUTH 89 DEGREES 15 MINUTES 53 SECONDS EAST, A DISTANCE OF 16.50 FEET ALONG SAID SOUTH RIGHT-OF-WAY LINE TO A 5/8 INCH STEEL REBAR WITH "KARST FIRM #0073" IDENTIFICATION CAP SET ON THE EAST RIGHT-OF-WAY LINE OF THE VACATED ZUBRICK ROAD; THENCE SOUTH 00 DEGREES 36 MINUTES 12 SECONDS EAST, A DISTANCE OF 1111.21 FEET ALONG SAID EAST RIGHT-OF-WAY LINE AND PARALLEL WITH THE EAST LINE OF SAID NORTHEAST QUARTER TO A 5/8 INCH STEEL REBAR WITH "KARST FIRM #0073" IDENTIFICATION CAP SET; THENCE NORTH 89 DEGREES 09 MINUTES 37 SECONDS WEST, A DISTANCE OF 33.00 FEET TO A 5/8 INCH STEEL REBAR WITH "KARST FIRM #0073" IDENTIFICATION CAP SET ON THE WEST RIGHT-OF-WAY LINE OF SAID VACATED ZUBRICK ROAD; THENCE SOUTH 65 DEGREES 31 MINUTES 31 SECONDS WEST, A DISTANCE OF 70.16 FEET ALONG THE NORTHERLY RIGHT-OF-WAY LINE OF SILVERADO DRIVE TO A 5/8 INCH STEEL REBAR WITH "KARST FIRM #0073" IDENTIFICATION CAP SET ON THE NORTH RIGHT-OF-WAY LINE OF SAID SILVERADO DRIVE; THENCE NORTH 89 DEGREES 09 MINUTES 37 SECONDS WEST, A DISTANCE OF 514.99 FEET ALONG SAID NORTH RIGHT-OF-WAY LINE TO A 5/8 INCH STEEL REBAR WITH "KARST FIRM #0073" IDENTIFICATION CAP SET ON THE EASTERLY RIGHT-OF-WAY LINE OF ZUBRICK ROAD; THENCE NORTH 44 DEGREES 39 MINUTES 18 SECONDS WEST, A DISTANCE OF 71.33 FEET ALONG SAID EASTERLY RIGHT-OF-WAY LINE TO A 5/8 INCH STEEL REBAR WITH "KARST FIRM #0073" IDENTIFICATION CAP SET ON THE EAST RIGHT-OF-WAY LINE OF SAID ZUBRICK ROAD; THENCE NORTH 00 DEGREES 50 MINUTES 23 SECONDS EAST, A DISTANCE OF 1101.52 FEET ALONG SAID EAST RIGHT-OF-WAY LINE TO A 5/8 INCH STEEL REBAR WITH "KARST FIRM #0073" IDENTIFICATION CAP SET ON THE SOUTH RIGHT-OF-WAY LINE OF SAID LAFAYETTE CENTER ROAD; THENCE SOUTH 87 DEGREES 42 MINUTES 36 SECONDS EAST, A DISTANCE OF 502.98 FEET ALONG SAID SOUTH RIGHT-OF-WAY LINE TO A 5/8 INCH STEEL REBAR FOUND; THENCE SOUTH 89 DEGREES 58 MINUTES 48 SECONDS EAST, A DISTANCE OF 97.25 FEET ALONG SAID SOUTH RIGHT-OF-WAY LINE TO A 5/8 INCH STEEL REBAR FOUND; THENCE NORTH 88 DEGREES 48 MINUTES 18 SECONDS EAST, A DISTANCE OF 17.76 FEET ALONG SAID SOUTH RIGHT-OF-WAY LINE TO THE POINT OF BEGINNING, CONTAINING 16.962 ACRES, MORE OR LESS.

EXCEPT:

A PART OF THE NORTH HALF OF THE NORTHEAST QUARTER OF SECTION 20, TOWNSHIP 29 NORTH, RANGE 11 EAST, ALLEN COUNTY, INDIANA, DESCRIBED AS FOLLOWS:

BEGINNING ON THE EAST LINE OF SAID SECTION SOUTH 1 DEGREE 12 MINUTES 58 SECONDS EAST 352.67 FEET FROM THE NORTHEAST CORNER OF SAID SECTION; THENCE SOUTH 1 DEGREE 12 MINUTES 58 SECONDS EAST 199.43 FEET ALONG SAID EAST LINE; THENCE SOUTH 88 DEGREES 47 MINUTES 02 SECONDS WEST 16.50 FEET TO THE WEST BOUNDARY OF ZUBRICK ROAD; THENCE SOUTH 88 DEGREES 50 MINUTES 56 SECONDS WEST 11.14 FEET; THENCE NORTH 1 DEGREE 09 MINUTES 04 SECONDS WEST 56.67 FEET; THENCE NORTHWESTERLY 262.95 FEET ALONG AN ARC TO THE LEFT AND HAVING A RADIUS OF 170.00 FEET AND SUBTENDED BY A LONG CHORD HAVING A BEARING OF NORTH 45 DEGREES 27 MINUTES 43 SECONDS WEST AND A LENGTH OF 237.51 FEET; THENCE SOUTH 86 DEGREES 20 MINUTES 52 SECONDS WEST 295.63 FEET; THENCE NORTHWESTERLY 392.70 FEET ALONG AN ARC TO THE RIGHT AND HAVING A RADIUS OF 250.00 FEET AND SUBTENDED BY A LONG CHORD HAVING A BEARING OF NORTH 44 DEGREES 46 MINUTES 23 SECONDS WEST AND A LENGTH OF 353.55 FEET; THENCE NORTH 0 DEGREES 13 MINUTES 37 SECONDS EAST 39.50 FEET; THENCE NORTH 43 DEGREES 45 MINUTES 57 SECONDS WEST 48.81 FEET TO THE SOUTH BOUNDARY OF LAFAYETTE CENTER ROAD; THENCE NORTH 0 DEGREES 11 MINUTES 55 SECONDS EAST 25.01 FEET TO THE NORTH LINE OF SAID SECTION; THENCE SOUTH 89 DEGREES 48 MINUTES 05 SECONDS EAST 160.01 FEET ALONG SAID NORTH LINE; THENCE SOUTH 0 DEGREES 11 MINUTES 55 SECONDS WEST 25.01 FEET TO THE SOUTH BOUNDARY OF SAID LAFAYETTE CENTER ROAD; THENCE SOUTH 36 DEGREES 48 MINUTES 09 SECONDS WEST 43.82 FEET; THENCE SOUTH 0 DEGREES 13 MINUTES 37 SECONDS WEST 39.50 FEET; THENCE SOUTHEASTERLY 235.62 FEET ALONG AN ARC TO THE LEFT AND HAVING A RADIUS OF 150.00 FEET AND SUBTENDED BY A LONG CHORD HAVING A BEARING OF SOUTH 44 DEGREES 46 MINUTES 23 SECONDS EAST AND A LENGTH OF 212.13 FEET; THENCE SOUTH 85 DEGREES 53 MINUTES 38 SECONDS EAST 295.63 FEET; THENCE SOUTHEASTERLY 201.79 FEET ALONG AN ARC TO THE RIGHT AND HAVING A RADIUS OF 230.00 FEET AND SUBTENDED BY A LONG CHORD HAVING A BEARING OF SOUTH 64 DEGREES 38 MINUTES 19 SECONDS EAST AND A LENGTH OF 195.38 FEET TO THE WEST BOUNDARY OF SAID ZUBRICK ROAD; THENCE NORTH 88 DEGREES 47 MINUTES 02 SECONDS EAST 17.05 FEET TO THE POINT OF BEGINNING AND CONTAINING 1.958 ACRES, MORE OR LESS. THE PORTION OF THE ABOVE-DESCRIBED REAL ESTATE WHICH IS NOT ALREADY EMBRACED WITHIN PUBLIC RIGHTS OF WAY CONTAINS 1.789 ACRES, MORE OR LESS.

ALSO EXCEPT:

ALL THAT PORTION OF THE AFOREDESCRIBED 16.962 ACRES WHICH DOES NOT LIE WITHIN SECTION 20, TOWNSHIP 29 NORTH, RANGE 11 EAST, BEING THE EAST PART OF ZUBRICK ROAD, LYING ADJACENT TO THE EASTERN BOUNDARY OF SAID 16.962 ACRES.

ALSO EXCEPT:

THAT PORTION OF THE 16.962 ACRES LYING WITHIN THE 0.130 ACRES CONVEYED TO THE BOARD OF COMMISSIONERS OF THE COUNTY OF ALLEN IN THAT CERTAIN CORPORATE DEED RECORDED AS INSTRUMENT NUMBER 206002656 DESCRIBED AS FOLLOWS:

A PART OF THE NORTHEAST QUARTER OF SECTION 20, TOWNSHIP 29 NORTH, RANGE 11 EAST LOCATED IN LAFAYETTE TOWNSHIP, ALLEN COUNTY, INDIANA BEING BOUNDED AS FOLLOWS:

COMMENCING AT THE NORTHEAST CORNER OF THE NORTHEAST QUARTER OF SECTION 20, TOWNSHIP 29 NORTH, RANGE 11 EAST; THENCE SOUTH 01 DEGREES 21 MINUTES 36 SECONDS EAST (ASSUMED BEARING) 352.67 FEET ALONG THE EAST LINE OF SAID NORTHEAST QUARTER TO THE NORTHERN RIGHT-OF-WAY LINE OF RELOCATED ZUBRICK ROAD, THE FOLLOWING SIX (6) COURSES ARE ALONG THE NORTHERN RIGHT-OF-WAY LINE OF ZUBRICK ROAD: 1) THENCE SOUTH 88 DEGREES 38 MINUTES 24 SECONDS WEST 17.05 FEET TO A POINT ON A NON-TANGENT CURVE CONCAVE TO THE SOUTHWEST, SAID POINT BEING NORTH 50 DEGREES 21 MINUTES 06 SECONDS EAST 230.00 FEET FROM THE RADIUS POINT OF SAID CURVE; 2) THENCE NORTHWESTERLY AND WESTERLY 201.79 FEET ALONG SAID CURVE TO A POINT BEING NORTH 00 DEGREES 05 MINUTES 00 SECONDS EAST 230.00 FEET FROM THE RADIUS POINT OF SAID CURVE; 3) THENCE NORTH 86 DEGREES 02 MINUTES 26 SECONDS WEST 295.63 FEET TO A POINT ON A NON-TANGENT CURVE CONCAVE TO THE NORTHEAST, SAID POINT BEING SOUTH 00 DEGREES 05 MINUTES 00 SECONDS WEST 150.00 FEET FROM THE RADIUS POINT OF SAID CURVE; 4) THENCE WESTERLY AND NORTHWESTERLY 110.82 FEET ALONG SAID CURVE TO A POINT BEING SOUTH 42 DEGREES 24 MINUTES 55 SECONDS WEST 150.00 FEET FROM THE RADIUS POINT OF SAID CURVE AND TO THE POINT OF BEGINNING OF THIS DESCRIPTION; 5) THENCE NORTHWESTERLY AND NORTHERLY 124.79 FEET ALONG SAID CURVE TO THE POINT OF TANGENCY OF SAID CURVE, SAID POINT OF TANGENCY BEING NORTH 89 DEGREES 55 MINUTES 01 SECONDS WEST 150.00 FEET FROM THE RADIUS PONT OF SAID CURVE; 6) THENCE NORTH 00 DEGREES 04 MINUTES 59 SECONDS EAST 39.50 FEET TO THE SOUTHERN RIGHT-OF-WAY LINE OF LAFAYETTE CENTER ROAD; THENCE SOUTH 88 DEGREES 28 MINUTES 00 SECONDS EAST 49.00 FEET ALONG THE SOUTHERN RIGHT-OF-WAY LINE OF LAFAYETTE CENTER ROAD TO A POINT BEING NORTH 00 DEGREES 04 MINUTES 59 SECONDS EAST (PERPENDICULAR TO THE SOUTH LINE OF THE NORTH HALF OF SAID NORTHEAST QUARTER) OF THE POINT OF BEGINNING; THENCE SOUTH 00 DEGREES 04 MINUTES 59 SECONDS WEST 149.15 FEET PERPENDICULAR TO THE SOUTH LINE OF THE NORTH HALF OF SAID NORTHEAST QUARTER TO THE POINT OF BEGINNING, CONTAINING 0.130 ACRES, MORE OR LESS.

EXHIBIT B

Personal Property Inventory

Baekgaard/Silverado Road Building Inventory
3/9/2011

Main Lobby
4-orange barrel chairs
1-striped ottoman
1-silver floor lamp
1-reception desk chair - Kimball wish - red color

Main Conference Room
1-9' dk laminate wood conference table
8- lime green vinyl high back 4 leg chairs
3-pictures - 2 b/w prints, 1- red plant
1- LG 50"flat screen on wall
1-5' dk wood credenza

Hallway outside conference room
1- b/w print of trees
1- ss under counter kitchenaid refrigerator

Office area outside private offices
4-Kimball workstations w/overhead storage
4-Kimball wish desk chairs -teal,orange,red,purple
4-Kimball 3 drawer lateral files
1-Kimball 7' workstation top with sliding storage
1-Kimball L shaped reception work station

Private Offices
#1 - National 500 executive desk w/ L-hand return

#2 - Kimball U shaped executive desk
1- desk lamp
1- white executive leather chair
2-lime green high back 4 leg side chairs
1- 36" LG flat screen on wall

#3 - Corner office
1-Kimball double pedestal executive desk
1-white leather executive chair
1-Kimball 2-drawer lateral file
1-Kimball 6' credenza
2-white vinyl side chairs
1-dk wood 3' round table
1- 36" LG flat screen on the wall
1- desk lamp

2nd office area
1-kimball benching system for 4 people
2-Kimball rolling file cabinets-orange

File Room
3-HON 4 drawer grey vertical files
3-Modern Steelcraft 4 drawer grey vertical files
1-HON 4 drawer brown vertical file cabinet
1-?? Beige 4 drawer vertical file cabinet
1- ?? Black 2 drawer file cabinet

3rd office Area
6-kimball workstations w/ overhead storage
5-Kimball wish desk chairs -red,green,orange,purple
1-older national executive desk w/R-hand return
1-lime green Kimball wish desk chair

4th Back Office Area
1-10' white conference table
10-lime green vinyl high back 4 leg chairs
4-Kimball wish chairs - 2 teal,1 purple, green
1- 6' white OCH desk
1- Kimball white leather executive chair
2-Vera Bradley red paisley side chairs

Training room
12 - 8'X2' training tables
48 - plastic sled base stackable chairs

Cafeteria
5 -48" round tables
20 - plastic sled base stackable chairs
1- 42' LG flat screen on wall

Warehouse offices
2- kimball workstations w/ overhead storage
1- kimball L-shaped desk
3-old black desk chairs

EXHIBIT C

Confirmation Agreement

CONFIRMATION AGREEMENT

THIS CONFIRMATION AGREEMENT ("Confirmation Agreement") dated this _____ day of _____, 2011, is entered into by and between Great Dane Realty, LLC, an Indiana limited liability company ("Landlord") and Vera Bradley Designs, Inc., an Indiana corporation ("Tenant").

WHEREAS, Landlord and Tenant entered into that certain Lease Agreement dated March ____, 2011, wherein Landlord leased to Tenant and Tenant leased from Landlord certain premises located in Allen County, Indiana, as more particularly described therein (the "Lease"); and

WHEREAS, Landlord and Tenant execute this Confirmation Agreement pursuant to Section 2.1 of the Lease.

NOW THEREFORE, Landlord and Tenant, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, do hereby confirm and agree as follows in accordance with the terms and conditions of the Lease:

1. Landlord and Tenant confirm that the base rent pursuant to Article III of the Lease shall be _____ and ____/100 Dollars ($_____) per annum and _____ and ____/100 Dollars ($_____) per month.

2. Landlord and Tenant confirm that the Commencement Date is _____ ____, 2011 and that the Lease shall expire on _____ ____, 2014, unless sooner terminated or extended.

3. The Lease remains in full force and effect as confirmed hereby.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Confirmation Agreement effective as of the date first written above.

GREAT DANE REALTY, LLC,
an Indiana limited liability company

By _____

Title: _____

Date: _____

"LANDLORD"

VERA BRADLEY DESIGNS, INC.,
an Indiana corporation

By _____

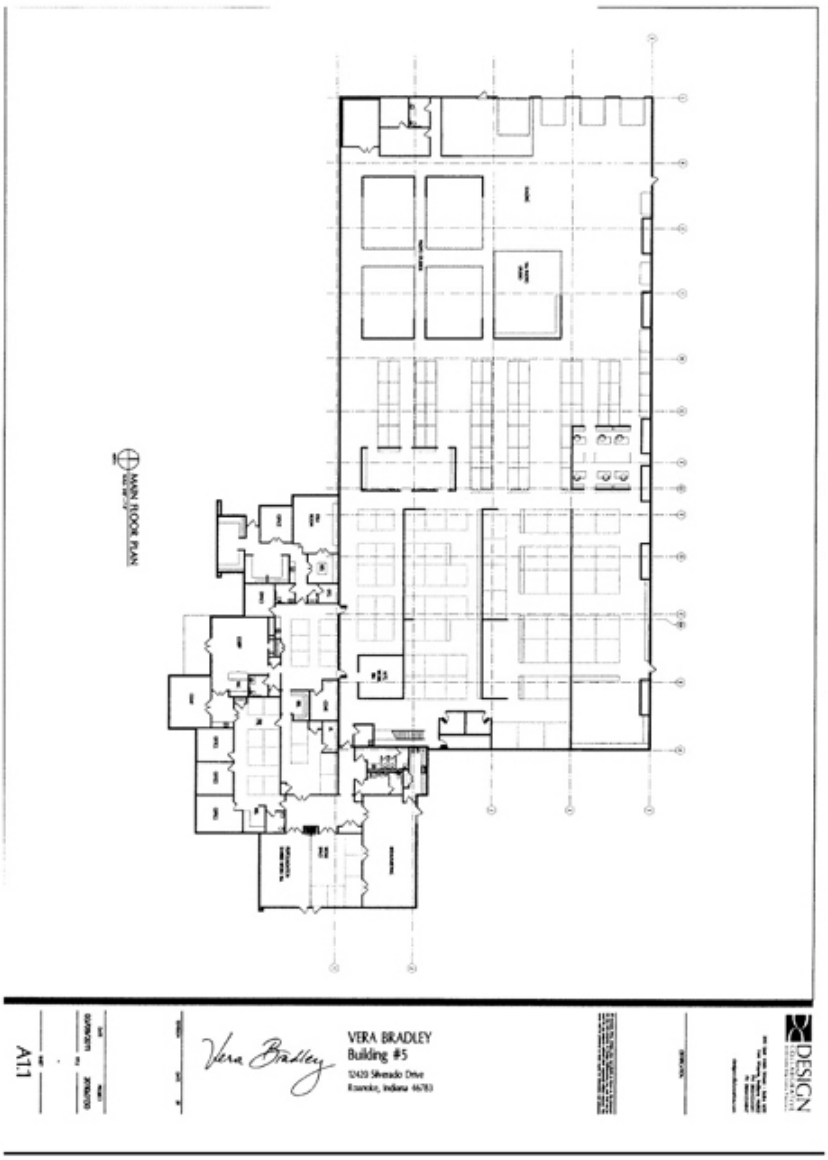
Title: _____

Date: _____

"TENANT"

EXHIBIT D

Construction Terms



STATEMENT
OF
ESTIMATED CONSTRUCTION COSTS
prepared by
Design Collaborative, Inc.

Project:	**Vera Bradley Building #5 Renovation**	**Total Cost:**	**$997,750**
Architect:	Design Collaborative	**Total SF:**	**38,650**
Date:	December 2, 2010	**Total Cost per SF:**	**$25.82**

Summary	
Site work	$75,000
Selective Demolition	$8,000
Concrete	$0
Masonry	$0
Metals	$0
Woods and Plastics	$33,000
Thermal & Moisture Protection	$5,000
Doors & Windows	$64,000
Finishes	$125,000
Specialties (Lab Casework)	$0
Equipment	$0
Furnishings	$0
Conveying Systems	$0
Fire Protection	$0
Plumbing	$0
Mechanical	$360,000
Electrical	$110,000
Contractors Overhead & Profit 7%	$55,000
General Conditions 3%	$23,000
Contingency 10%	$78,000
Total Construction Cost:	**$936,000**
Other Project Costs (Soft Costs)	
Professional fees (fixed)	$55,000
Soil Borings	$0
Permits/Printing	$750
Soft Costs Contingency 10%	$6,000
Total Other Project Costs:	**$61,750**
Total Project Costs:	**$997,750**

ESTIMATED CONSTRUCTION COSTS

prepared by

Design Collaborative, Inc.

Project: **Vera Bradley Building #5 Renovation**
Architect: Design Collaborative
Date: December 2, 2010

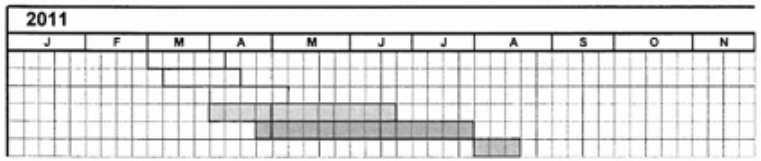
Category	Quantity or Units	Unit Price		Totals
200 SITEWORK				
Site work	1 ls	$75,000.00	$75,000	
Miscellaneous site costs	0 ls	$0.00	$0	
Total Site work				**$75,000**
200 SELECTIVE DEMOLITION				
Selective demolition	1 ls	$7,500.00	$7,500	
Misc. demolition	0 ls	$0.00	$0	
Total Selective Demolition				**$8,000**
300 CONCRETE				
Concrete	0 ls	$0.00	$0	
Misc. concrete	0 ls	$0.00	$0	
Total Concrete				**$0**
400 MASONRY				
Masonry	0 ls	$0.00	$0	
Precast	0 ls	$0.00	$0	
Total Masonry				**$0**
500 METALS				
Structural Steel + Erection	0 ls	$0.00	$0	
Misc. steel	0 ls	$0.00	$0	
Total Metals				**$0**
600 WOOD & PLASTICS				
Cabinets / cubbies	95 lf	$300.00	$28,500	
Misc. wood & plastic	1 ls	$4,000.00	$4,000	
Total Wood & Plastics				**$33,000**
700 THERMAL & MOISTURE PROTECTION				
Thermal & Moisture Protection	0 ls	$0.00	$0	
Misc. thermal & moisture protection	1 ls	$5,000.00	$5,000	
Total Thermal & Moisture Protection				**$5,000**
800 DOORS & WINDOWS				
Doors	2 ea	$1,000.00	$2,000	
Windows in warehouse	22 ea	$2,800.00	$61,600	
Misc. doors & windows	0 ls	$0.00	$0	
Total Doors & Windows				**$64,000**

500 FINISHES				
Walls				
3-5/8" MTL Stud + Drywall	11,000 sf	$2.50	$27,500	
Flooring				
Flooring	14,650 sf	$3.50	$51,275	
Base				
Rubber Base	800 lf	$1.25	$1,000	
Painting				
Painting	10,500 ls	$1.25	$13,125	
Ceilings				
Acoustical ceilings / clouds	10,000 sf	$2.25	$22,500	
Misc. finish				
Misc. finish	1 ls	$10,000.00	$10,000	
Total Finishes				**$125,000**
1000 SPECIALTIES				
Specialties	0 ls	$0.00	$0	
Misc. specialties	0 ls	$0.00	$0	
Total Equipment				**$0**
1100 EQUIPMENT				
Moving/Removing Existing Racks	1 ls	$0.00	$0	
Misc. equipment	0 ls	$0.00	$0	
Total Equipment				**$0**
1200 FURNISHINGS				
Systems Furniture Workstations	0 ea	$0.00	$0	
Misc. furnishings	0 ls	$0.00	$0	
Total Furnishings				**$0**
1300 SPECIAL CONSTRUCTION				
Total Special Construction				**$0**
1400 CONVEYING SYSTEMS				
Elevator	0 ea.	$0.00	$0	
Misc. Elevator	0 ls	$0.00	$0	
Total Conveying Systems				**$0**
2100 FIRE PROTECTION SYSTEMS				
Fire Protection	0 ls	$0.00	$0	
Misc. fire protection	0 ls	$0.00	$0	
Total Fire Protection Systems				**$0**
2200 PLUMBING SYSTEMS				
Plumbing	0 ls	$0.00	$0	
Misc. plumbing	0 ls	$0.00	$0	
Total Plumbing				**$0**
2300 MECHANICAL SYSTEMS				
Mechanical Systems	30,000 sf	$12.00	$360,000	
Balancing	0 ls	$0.00	$0	
Controls	0 ls	$0.00	$0	
Total Mechanical				**$360,000**
2600 ELECTRICAL				
Electrical	14,650 sf	$7.50	$109,875	
Misc. electrical	0 ls	$0.00	$0	
Total Electrical				**$110,000**
Subtotal				**$780,000**
Contractors Overhead & Profit 7%				**$55,000**
General Conditions 3%				**$23,000**
Contingency 10%				**$78,000**
TOTAL COST				**$936,000**

DESIGN COLLABORATIVE

Client: **Vera Bradley**
Project: **Baekgaard Building**
Date: 3/8/11

Project Phase:	Start:	End:	Duration
Schematic / Design Development	3/8/11	4/4/11	4 Week(s)
Site Package	3/14/11	4/11/11	4 Week(s)
Construction Drawings	4/4/11	5/2/11	4 Week(s)
Site Construction	4/9/11	6/20/11	10 Week(s)
Interior Construction	4/25/11	7/25/11	13 Week(s)
FFE Installation	8/1/11	8/15/11	2 Week(s)



Week of:	Activity:
3/14/2011	Meet w/ Departments
3/21/2011	Meet w/ Departments & Barb
3/28/2011	Finalize Design Development plans
4/4/2011	**Hire general contractor**
4/11/2011	Site package complete
4/18/2011	Pre-Order long lead items
4/25/2011	Building interior demolition begins
5/2/2011	**Construction drawings complete, to State**
5/9/2011	Site improvements begin
5/16/2011	Interior framing begins
5/23/2011	
5/30/2011	
6/6/2011	Interior wall framing complete
6/13/2011	MEP rough-ins complete
6/20/2011	
6/27/2011	Overhead lighting / ductwork complete
7/4/2011	Interior finishes begin
7/11/2011	
7/18/2011	
7/25/2011	**Interior finishes complete, punch lists**
8/1/2011	Furniture delivery & installation
8/8/2011	Furniture installation
8/15/2011	**Move-in/Occupancy**

EXHIBIT E

Memorandum of Lease, Right of First Refusal and Option to Purchase

MEMORANDUM OF LEASE AGREEMENT, RIGHT OF FIRST REFUSAL AND OPTION TO PURCHASE

THIS MEMORANDUM OF LEASE AGREEMENT, RIGHT OF FIRST REFUSAL AND OPTION TO PURCHASE is entered into by and between the parties hereto to evidence the existence of a Lease Agreement dated March ___, 2011 (the "Lease"), made by GREAT DANE REALTY, LLC, an Indiana limited liability company ("Landlord"), and VERA BRADLEY DESIGNS, INC., an Indiana corporation ("Tenant").

1. The real property subject to the Lease (the "Premises") is located in Allen County, Indiana, and is more particularly described by the legal description on Exhibit "A", attached hereto and made a part hereof. The Leased Premises include all improvements located upon the real property of any type or nature and the tenements, hereditaments and appurtenances belonging or in anywise appertaining to such real property.

2. The term of the Lease commenced _____ ___, 2011, and shall expire, unless sooner terminated or extended, at 11:59 p.m. EST, on _____ ___, 2014.

3. Pursuant to the terms of the Lease, Landlord has granted to Tenant a right of first refusal to purchase the Premises. The right of first refusal may be exercised in accordance with the terms provided in the Lease.

4. Pursuant to the Terms of the Lease, Landlord has granted to Tenant the Option to Purchase the Leased Premises. the Option may be exercised in accordance with the terms provided in the Lease.

5. The Lease is binding upon and inures to the benefit of Landlord, Tenant and their respective heirs, legal representatives, administrators, successors and assigns.

6. All other terms, covenants and agreements as set forth in the Lease, an executed counterpart of which is in the possession of each party thereto, are incorporated herein by reference hereto and are made a part hereof.

IN WITNESS WHEREOF, the parties hereto have executed this Memorandum of Lease, Right of First Refusal and Option to Purchase, this _____ day of _____ 2011.

GREAT DANE REALTY, LLC,
an Indiana limited liability company

By:_____

Printed:_____

Its:_____

"Landlord"

STATE OF INDIANA)
)SS:
COUNTY OF _____)

Personally appeared before me, the undersigned, a Notary Public in and for said County and State, _____, the _____ of Great Dane Realty, LLC, an Indiana limited liability company, and acknowledged the execution of the above and foregoing Memorandum of Lease Agreement, Right of First Refusal and Option to Purchase.

IN WITNESS WHEREOF, I have hereunto set my hand and Notarial Seal, this _____ day of _____, 20___.

_____
Notary Public

_____
(Printed Signature)

My Commission Expires:
_____

Resident of:_____

VERA BRADLEY DESIGNS,. INC.,
an Indiana corporation

By:_____

Printed:_____

Its:_____

"Tenant"

STATE OF INDIANA)
)SS:
COUNTY OF _____)

Personally appeared before me, the undersigned, a Notary Public in and for said County and State, _____, the _____ of Vera Bradley Designs, Inc., an Indiana corporation, and acknowledged the execution of the above and foregoing Memorandum of Lease Agreement , Right of First Refusal and Option to Purchase.

IN WITNESS WHEREOF, I have hereunto set my hand and Notarial Seal, this _____ day of _____, 20___.

_____
Notary Public

_____
(Printed Signature)
Resident of:_____

My Commission Expires:

_____

THIS DOCUMENT PREPARED BY Jon A. Bomberger, Attorney at Law, Baker & Daniels, 111 E. Wayne Street, Suite 800, Fort Wayne, Indiana 46802.

I affirm, under the penalties for perjury, that I have taken reasonable care to redact each Social Security number in this document, unless required by law. Jon A. Bomberger

Exhibit 10.5

LEASE EXTENSION

This Lease Extension is entered into as of March 1, 2011 by and between MILBURN, LLC ("Landlord") and VERA BRADLEY, INC. (successor in interest to VERA BRADLEY DESIGNS, INC.) ("Tenant").

Landlord and Tenant agree that the attached Lease for the real estate commonly known as 2208 Production Road, Fort Wayne, IN 46808 is extended upon the same terms and conditions for two (2) years from March 1, 2011 to February 28, 2013.

Dated: April 19, 2011 in Fort Wayne, Indiana.

MILBURN, LLC

By: /s/ P. Michael Miller
P. Michael Miller
Member

"LANDLORD"

VERA BRADLEY, INC.

By: /s/ David R. Traylor
David R. Traylor
Treasurer

"TENANT"

Exhibit 10.6

April 13, 2011

ROBERT W. BAIRD & CO. INCORPORATED
PIPER JAFFRAY & CO.
As Representatives of the Several Underwriters
Identified in Schedule II Annexed Hereto
c/o Robert W. Baird & Co. Incorporated
777 East Wisconsin Avenue
Milwaukee, Wisconsin 53202

Ladies and Gentlemen:

Certain shareholders of Vera Bradley, Inc., an Indiana corporation (the "**Company**"), named in Schedule I hereto (the "**Selling Shareholders**"), acting severally and not jointly, propose to sell to the several Underwriters named in Schedule II hereto (the "**Underwriters**"), subject to the terms and conditions stated herein, an aggregate of 6,039,525 shares (the "**Firm Shares**") of the common stock, without par value, of the Company (the "**Common Stock**"), each Selling Shareholder selling the number of Firm Shares set forth opposite such Selling Shareholder's name in Schedule I hereto.

The Selling Shareholders, acting severally and not jointly, also propose to sell to the Underwriters, subject to the terms and conditions stated herein, up to an additional 905,929 shares of common stock, without par value, of the Company in the aggregate (the "**Additional Shares**"), each Selling Shareholder selling up to the number of Additional Shares set forth opposite such Selling Shareholder's name in Schedule I hereto, if and to the extent that Robert W. Baird & Co. Incorporated ("**Baird**") and Piper Jaffray & Co. (together with Baird, the "**Representatives**"), as representatives of the several Underwriters, shall have determined to exercise, on behalf of the Underwriters, the right to purchase such shares of common stock granted to the Underwriters in Section 3 hereof. The Firm Shares and the Additional Shares are hereinafter collectively referred to as the "**Shares**."

The Company has prepared and filed, in accordance with the Securities Act of 1933, as amended (the "**Securities Act**"), and the rules and regulations thereunder, with the Securities and Exchange Commission (the "**Commission**") a registration statement on Form S-1 (registration no. 333-173277), including a form of prospectus, relating to the public offering of the Shares (the "**Offering**"). The effective date of such registration statement was accelerated by the Commission and such registration statement became effective on April 8, 2011 pursuant to Rule 461 under the Securities Act. Such registration statement was amended by post-effective amendment no. 1 thereto filed with the Commission on the date of this Agreement and the registration statement as so amended became effective on such date pursuant to Rule 462(d) under the Securities Act. The registration statement, as amended at the time it last became effective, including the exhibits and documents filed as part

thereof and information contained in the prospectus filed as part of the registration statement pursuant to Rule 424 or otherwise deemed to be part of the registration statement pursuant to Rule 430A or 430C under the Securities Act, is hereinafter referred to as the "**Registration Statement**." If the Company files an abbreviated registration statement to register additional shares of Common Stock pursuant to Rule 462(b) under the Securities Act (the "**Rule 462 Registration Statement**"), then any reference herein to the term "**Registration Statement**" shall be deemed to include the Rule 462 Registration Statement. The Company also has filed with, or transmitted for filing to, or shall promptly after the date of this Agreement file with or transmit for filing to, the Commission pursuant to Rule 424(b) under the Act a final prospectus (in the form first used to confirm sales of the Shares (or in the form first made available to the Underwriters by the Company to meet requests of purchasers pursuant to Rule 173 under the Securities Act), the "**Prospectus**") that meets the requirements of Section 10(a) of the Securities Act. The term "**Preliminary Prospectus**," as of any time, means any preliminary form of prospectus included in the Registration Statement immediately prior to such time, or filed with the Commission pursuant to Rule 424(a) under the Securities Act at such time, or furnished to the Underwriters for delivery to prospective investors at such time, that omits certain information as permitted by Rule 430A(a). The "Preliminary Prospectus" without reference to a time means such Preliminary Prospectus immediately prior to the Time of Sale (as defined below).

For purposes of this Agreement, "**free writing prospectus**" has the meaning set forth in Rule 405 under the Securities Act; "**Time of Sale Prospectus**" means the Preliminary Prospectus, together with the free writing prospectuses, if any, each identified in Schedule III hereto (each, a "**Permitted Free Writing Prospectus**"), and other information conveyed to purchasers of the Shares at or prior to the Time of Sale as set forth in Schedule III hereto; "**Time of Sale**" means 10:30 p.m. (Central Time) on the date of this Agreement; and "**road show**" has the meaning set forth in Rule 433(h)(4) under the Securities Act.

1. *Representations and Warranties of the Company*. The Company represents and warrants to and agrees with each of the Underwriters on the date hereof, on the Closing Date and on each Option Closing Date, if any, that:

(a) The Registration Statement became effective on the date of this Agreement under the Securities Act; no stop order suspending the effectiveness of the Registration Statement or preventing or suspending the use of the Preliminary Prospectus or the Prospectus is in effect, and no proceedings for such purpose are pending before or, to the knowledge of the Company, threatened by the Commission.

(b) The Preliminary Prospectus filed as part of the Registration Statement or pursuant to Rule 424 under the Securities Act, when so filed, complied in all material respects with the Securities Act and the rules and regulations thereunder (including, without limitation, Rule 424, 430A or 430C).

(c) (i) The Registration Statement did not contain and, as amended or supplemented, if applicable, will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; (ii) the Registration Statement complies and, as amended or supplemented, if applicable, will comply in all material respects with the Securities Act and the rules and regulations thereunder; (iii) the Preliminary Prospectus did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (iv) the Preliminary Prospectus furnished to the Underwriters for delivery to prospective investors complied in all material respects with the Securities Act (including without limitation the requirements of Section 10 of the Securities Act); (v) the Time of Sale Prospectus does not, and, at the Time of Sale, at the Closing Date (as defined in Section 5) and, if applicable, at each Option Closing Date (as defined in Section 3), the Time of Sale Prospectus, as then amended or supplemented, if applicable, will not, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (vi) each Permitted Free Writing Prospectus does not conflict in any material respect with the information contained in the Registration Statement, the Preliminary Prospectus, the Time of Sale Prospectus or the Prospectus and was accompanied or preceded by the then-most recent Preliminary Prospectus, to the extent required by Rule 433; (vii) each road show, when considered together with the Time of Sale Prospectus, does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and (viii) the Prospectus, as of the date it is filed with the Commission pursuant to Rule 424(b), at the Closing Date and at each Option Closing Date, if any, will comply in all material respects with the Securities Act (including without limitation Section 10(a) of the Securities Act) and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that the representations and warranties set forth in this Section 1(c) do not apply to statements or omissions in the Registration Statement, the Time of Sale Prospectus, the Preliminary Prospectus, any Permitted Free Writing Prospectus, any road show or the Prospectus or any amendments or supplements thereto based upon information relating to any Underwriter furnished to the Company in writing by such Underwriter through the Representatives expressly for use therein, it being agreed that the only information furnished by the Underwriters to the Company expressly for use therein are the name of each Underwriter and the number of Shares each Underwriter has agreed to purchase as set forth in the table following the first paragraph, the third sentence of the third paragraph, the second and third sentences of the sixth paragraph, the seventh paragraph, the twelfth through the eighteenth paragraph, the twenty-fifth paragraph and the first sentence of the twenty-sixth paragraph, in each case in the "Underwriting" section of the Preliminary Prospectus and the Prospectus (the "**Underwriters' Information**").

(d) The accountants who certified the financial statements and supporting schedules included in the Registration Statement are an independent registered public accounting firm as required by the Securities Act and related regulations.

(e) Prior to the execution of this Agreement, the Company has not, directly or indirectly, offered or sold any Shares by means of any "prospectus" (within the meaning of the Securities Act) or used any "prospectus" (within the meaning of the Securities Act) in connection with the offer or sale of the Shares, in each case other than the Preliminary Prospectus and/or the Permitted Free Writing Prospectuses; the Company has not, directly or indirectly, prepared, used or referred to any free writing prospectuses, without the prior written consent of the Representatives, other than the Permitted Free Writing Prospectuses and road shows furnished or presented to the Representatives before first use. Each Permitted Free Writing Prospectus has been prepared, used or referred to in compliance with Rules 164 and 433 under the Securities Act; assuming that such Permitted Free Writing Prospectus is so sent or given after the Registration Statement was filed with the Commission (and after such Permitted Free Writing Prospectus was, if required pursuant to Rule 433(d) under the Securities Act, filed with the Commission), the sending or giving, by any Underwriter, of any Permitted Free Writing Prospectus will satisfy the provisions of Rule 164 and Rule 433; the conditions set forth in Rule 433(b)(2) under the Securities Act are satisfied, and the Registration Statement relating to the offering of the Shares contemplated hereby, as initially filed with the Commission, includes a prospectus that, other than by reason of Rule 433 or Rule 431 under the Act, satisfies the requirements of Section 10 of the Act, including a price range where required by rule; neither the Company nor the Underwriters are disqualified, by reason of subsection (f) or (g) of Rule 164 under the Act, from using, in connection with the offer and sale of the Shares, free writing prospectuses pursuant to Rules 164 and 433 under the Act; and each Permitted Free Writing Prospectus that the Company has filed, or is required to file, pursuant to Rule 433(d) under the Securities Act or that was prepared by or behalf of or used or referred to by the Company complies or will comply in all material respects with the requirements of the Securities Act.

(f) The Company was not an "ineligible issuer" (as defined in Rule 405 under the Securities Act) as of the eligibility determination date for purposes of Rules 164 and 433 under the Act with respect to the offering of the Shares contemplated by the Registration Statement.

(g) The Shares are listed, and admitted and authorized for trading, on The Nasdaq Global Select Market (the "**Exchange**"), and the Company has not received any notice from the Exchange regarding the delisting of such shares from the Exchange. To the Company's knowledge, there are no affiliations or associations between (i) any member of the Financial Industry Regulatory Authority ("**FINRA**") and (ii) the Company or any of its subsidiaries or any of their officers, directors or 5% or greater security holders or any beneficial owner of the Company's or any of its subsidiaries' unregistered equity securities that were acquired at any time on or after the 180th day immediately preceding the date that

the Registration Statement was initially filed with the Commission, except as disclosed in the Registration Statement (excluding the exhibits thereto), the Time of Sale Prospectus and the Prospectus.

(h) The Company has been duly incorporated, is validly existing and in good standing under the laws of the State of Indiana, has the corporate power and authority to own its property and to conduct its business as described in the Time of Sale Prospectus and is duly qualified to transact business and in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or to be in good standing would not (i) have a material adverse effect on the assets, business, condition (financial or otherwise) or results of operations of the Company and its subsidiaries, taken as a whole, or (ii) prevent or materially interfere with consummation of any of the transactions contemplated hereby or result in the delisting of shares of Common Stock from the Exchange (the occurrence of any such effect, prevention, interference or result described in the foregoing clause (i) or (ii) being herein referred to as a "**material adverse effect**").

(i) Each subsidiary of the Company has been duly organized, is validly existing and in good standing under the laws of the jurisdiction of its organization, has the power and authority to own its property and to conduct its business as described in the Time of Sale Prospectus and is duly qualified to transact business and in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or to be in good standing would not have a material adverse effect; all of the issued equity securities of each subsidiary of the Company have been duly and validly authorized and issued, are fully paid and non-assessable and are owned directly by the Company, free and clear of all liens, encumbrances, equities or claims, except for such liens, encumbrances, equities and claims imposed by or pursuant to the Amended and Restated Credit Agreement dated as of October 4, 2010 among Vera Bradley Designs, Inc., certain lenders party thereto, and JPMorgan Chase Bank, National Association, as Administrative Agent, filed as Exhibit 10.6 to the Registration Statement (the "**Credit Agreement**").

(j) This Agreement has been duly authorized, executed and delivered by the Company.

(k) The authorized capital stock of the Company consists of 5,000,000 shares of preferred stock, without par value, and 200,000,000 shares of Common Stock and conforms and will conform to the description thereof contained in the Time of Sale Prospectus and the Prospectus. Immediately after giving effect to the sales contemplated by this Agreement, the outstanding capital stock of the Company will be as set forth in the Time of Sale Prospectus and as will be set forth in the Prospectus and will consist of 40,506,670 shares of Common Stock.

(l) All of the shares of Common Stock outstanding (including Shares to be sold by the Selling Shareholders) are duly authorized, validly issued, fully paid

and non-assessable, issued in compliance with applicable securities laws and not issued in violation of or subject to any preemptive or similar rights.

(m) Neither the execution and delivery by the Company of, nor the performance by the Company of its obligations under, this Agreement or any of the transactions contemplated by this Agreement will conflict with, contravene, result in a breach or violation of, or imposition of any lien, charge or encumbrance upon any assets of the Company or any of its subsidiaries pursuant to, or constitute a default under: (i) any statute, law, rule, regulation, judgment, order or decree of any governmental body, regulatory or administrative agency or court having jurisdiction over the Company or any subsidiary, if any such breach, violation, lien, charge, encumbrance or default would be material in any respect; (ii) the charter or bylaws (or other organizational documents) of the Company or any of its subsidiaries; or (iii) any contract, agreement, obligation, covenant or instrument to which the Company or any of its subsidiaries (or any of their respective assets) is subject or bound, except where a breach or other violation of any such contract, agreement, obligation, covenant or instrument would have no material adverse effect.

(n) No approval, authorization, consent or order of or filing with any federal, state, local or foreign governmental or regulatory commission, board, body, authority or agency, or of or with any self-regulatory organization or other non-governmental regulatory authority (including, without limitation, the Exchange), or approval of the Company's shareholders, is required in connection with the consummation of the transactions contemplated hereby, other than (i) registration of the Shares under the Securities Act, which has been effected (or, with respect to any Rule 462 Registration Statement, will be effected in accordance Rule 462(b) under the Securities Act), (ii) any necessary qualification under the securities or "blue sky" laws of the various jurisdictions in which the Shares are being offered by the Underwriters or (iii) under the FINRA Conduct Rules.

(o) There are no actions, suits, claims, investigations or proceedings pending or, to the Company's knowledge, threatened or contemplated to which the Company or any of its subsidiaries or any of their respective directors or officers is or would be a party or of which any of their respective properties is or would be subject at law or in equity, before or by any federal, state, local or foreign governmental or regulatory commission, board, body, authority or agency, or before or by any self-regulatory organization or other non-governmental regulatory authority (including, without limitation, the Exchange) (i) other than any such action, suit, claim, investigation or proceeding accurately described in the Time of Sale Prospectus that, if resolved adversely to the Company or any of its subsidiaries, would not, individually or in the aggregate, have a material adverse effect or (ii) that are required to be described in the Time of Sale Prospectus and are not so described. There are no statutes or regulations that are required by law to be described in the Registration Statement or the Prospectus or to be filed as exhibits to the Registration Statement that are not described or filed as required.

(p) The Company and its subsidiaries are not, and, after giving effect to the offering and sale of the Shares and the application of the proceeds thereof as

described in the Prospectus, none of them will be, required to register as an "investment company" as such term is defined in the Investment Company Act of 1940, as amended.

(q) The financial statements included or incorporated by reference in the Registration Statement, the Time of Sale Prospectus and the Prospectus, together with the related notes and schedules, present fairly in all material respects the consolidated financial position of the Company and its subsidiaries as of the dates indicated, and the consolidated results of operations, cash flows and changes in shareholders' equity of the Company and its subsidiaries for the periods specified and have been prepared in all material respects in compliance with the requirements of the Securities Act and the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), and conform in all material respects with U.S. generally accepted accounting principles applied on a consistent basis during the periods involved; the other financial data regarding the Company and its subsidiaries contained or incorporated by reference in the Registration Statement, the Time of Sale Prospectus and the Prospectus are accurately and fairly presented in all material respects and are prepared on a basis consistent with the financial statements and books and records of the Company and its subsidiaries to which such data relate; there are no financial statements (historical or pro forma) that are required to be included or incorporated by reference in the Registration Statement, the Time of Sale Prospectus or the Prospectus that are not included or incorporated by reference as required; and the Company and its subsidiaries do not have any material liabilities or obligations, direct or contingent (including any off-balance sheet obligations), not described in the Time of Sale Prospectus and the Prospectus.

(r) All statistical or market-related data included or incorporated by reference in the Time of Sale Prospectus, the Prospectus and the Permitted Free Writing Prospectuses are based on or derived from sources that the Company reasonably believes to be reliable and accurate, and the Company has obtained the written consent to the use of such data from such sources to the extent required. Each "forward-looking statement" (within the meaning of Section 27A of the Securities Act or Section 21E of the Exchange Act) contained or incorporated by reference in the Registration Statement, the Time of Sale Prospectus, the Prospectus and the Permitted Free Writing Prospectuses has been made or reaffirmed with a reasonable basis and in good faith. The projections included in the Registration Statement, the Time of Sale Prospectus and the Prospectus (the "**Projections**") were made by the Company with a reasonable basis and in good faith and reflect the Company's good faith best estimate of the matters described therein. The Projections were prepared by the Company based on reasonable assumptions, including, among other things, (i) the Company's anticipated future performance after the consummation of the Offering and (ii) general business and economic conditions. The Projections are based upon an analysis of the data available to the Company, after due inquiry, at the time of the Projections.

(s) The Company and its subsidiaries (i) are in compliance with any and all applicable foreign, federal, state and local laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic

substances or wastes, pollutants or contaminants ("**Environmental Laws**"), (ii) have received all permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses and (iii) are in compliance with all terms and conditions of any such permit, license or approval, except where such noncompliance with Environmental Laws, failure to receive required permits, licenses or other approvals or failure to comply with the terms and conditions of such permits, licenses or approvals would not have a material adverse effect. There are no costs or liabilities associated with Environmental Laws (including, without limitation, any capital or operating expenditures required for clean-up, closure of properties or compliance with Environmental Laws or any permit, license or approval, any related constraints on operating activities or any potential liabilities to third parties) that would have a material adverse effect.

(t) Except as disclosed in the Time of Sale Prospectus, there are no contracts, agreements or understandings between the Company and any person granting such person the right to require the Company to file a registration statement under the Securities Act with respect to any securities of the Company or to require the Company to include such securities with the Shares registered pursuant to the Registration Statement.

(u) There are no contracts or documents that are required by law to be described in the Registration Statement or the Prospectus or to be filed as exhibits to the Registration Statement and that have not been so described or filed as required.

(v) Subsequent to the respective dates as of which information is given in each of the Registration Statement, the Time of Sale Prospectus and the Prospectus, (i) there has not occurred any material adverse change in, or any development of which the Company is aware that could reasonably be expected to have a material adverse effect on, the assets, business, condition (financial or otherwise), management, operations or earnings of the Company and its subsidiaries, taken as a whole, (ii) the Company and its subsidiaries have not incurred any material liability or obligation, direct or contingent, nor entered into any material transaction, (iii) the Company has not purchased any of its outstanding capital stock, nor declared, paid or otherwise made any dividend or distribution of any kind on its capital stock other than ordinary and customary dividends, and (iv) there has not been any material change in the capital stock, short-term debt or long-term debt of the Company and its subsidiaries, in each case except as described in the Registration Statement, the Time of Sale Prospectus and the Prospectus.

(w) The Company and its subsidiaries have good and marketable title in fee simple to all real property and good and marketable title to all personal property owned by them that is material to the business of the Company and its subsidiaries, in each case free and clear of all liens, encumbrances and defects except (i) such as are described in the Time of Sale Prospectus or (ii) such as arise under the Credit Agreement or otherwise and do not materially affect the value of such property and do not interfere with the use made and proposed to be made of such property by

the Company and its subsidiaries; and any real property and buildings held under lease by the Company and its subsidiaries are held by them under valid, subsisting and enforceable leases with such exceptions as are not material and do not interfere with the use made and proposed to be made of such property and buildings by the Company and its subsidiaries, in each case except as described in the Time of Sale Prospectus.

(x) Each of the Company and its subsidiaries owns or possesses all inventions, patent applications, patents, trademarks (both registered and unregistered), trade names, service names, copyrights, trade secrets and other proprietary information described in the Registration Statement, the Time of Sale Prospectus and the Prospectus as being owned or licensed by it or that is necessary for the conduct of, or material to, its businesses (collectively, the "**Intellectual Property**"), and the Company is unaware of any claim to the contrary or any challenge by any other person to the rights of the Company or any of its subsidiaries with respect to the Intellectual Property, except for claims and challenges disclosed in writing to the Representatives or that would not have a material adverse effect and, if and to the extent material, disclosed in the Time of Sale Prospectus. Neither the Company nor any of its subsidiaries has received notice of a claim by any other person that the Company or any of its subsidiaries has infringed or is infringing the intellectual property of such other person, except for notices disclosed in writing to the Representatives or that would not have a material adverse effect and, if and to the extent material, as disclosed in the Time of Sale Prospectus.

(y) No material labor dispute with the employees of the Company or any of its subsidiaries exists, except as described in the Time of Sale Prospectus, or, to the knowledge of the Company, is imminent; and the Company is not aware of any existing, threatened or imminent labor disturbance by the employees of any of its principal suppliers, manufacturers or other contractors that, if it came to fruition, would have a material adverse effect. Neither the Company nor any of its subsidiaries is in violation of any provision of the Employee Retirement Income Security Act of 1974, as amended, or the rules and regulations promulgated thereunder, except for such violations as would have no material adverse effect.

(z) The Company and each of its subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are adequate in the businesses in which they are engaged; and neither the Company nor any of its subsidiaries has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not have a material adverse effect.

(aa) Except as otherwise would not, individually or in the aggregate, have a material adverse effect, the buildings, structures and equipment owned or used by the Company and its subsidiaries are in good operating condition and repair and have been reasonably maintained consistent with standards generally followed in the industry (giving due account to the age and length of use, ordinary

wear and tear excepted), are adequate and suitable for their present uses and, in the case of buildings and other structures, are structurally sound.

(bb) The Company and its subsidiaries possess all certificates, authorizations and permits issued by the appropriate federal, state or foreign regulatory authorities necessary to conduct their respective businesses, and neither the Company nor any of its subsidiaries has received any notice of proceedings relating to the revocation or modification of any such certificate, authorization or permit that, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would have a material adverse effect.

(cc) No subsidiary of the Company is subject to any material direct or indirect prohibition on paying any dividends to the Company, on making any other distribution on such subsidiary's capital stock, on repaying to the Company any loans or advances to such subsidiary from the Company or on transferring any of such subsidiary's property or assets to the Company or any other subsidiary of the Company, except as provided in the Credit Agreement and described in the Time of Sale Prospectus.

(dd) The Company maintains "internal control over financial reporting" (as defined in Rules 13a-15 and 15d-15 under the Exchange Act) in compliance in all material respects with the requirements of the Exchange Act. The Company's internal control over financial reporting has been designed by the Company's principal executive officer and principal financial officer, or under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance in all material respects with generally accepted accounting principles. Except as described in the Time of Sale Prospectus, since the end of the Company's most recent audited fiscal year there has been (i) no significant deficiency or material weakness in the design or operation of the Company's internal control over financial reporting (whether or not remediated) that is reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information and (ii) no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

(ee) The Company maintains "disclosure controls and procedures" (as such term is defined in Rules 13a-15 and 15d-15 under the Exchange Act); such disclosure controls and procedures are designed to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to the Company's principal executive officer and principal financial officer by others within those entities.

(ff) The Company complies in all material respects with all provisions of the Sarbanes-Oxley Act of 2002 and all rules and regulations promulgated thereunder or implementing the provisions thereof (the "**Sarbanes-Oxley-Act**") with which the Company is required to comply as of the date of this Agreement. The Company is actively taking steps to ensure that it will be in compliance in all

material respects with provisions of the Sarbanes-Oxley Act that will become applicable to the Company after the date of this Agreement.

(gg) Neither the Company nor any of its subsidiaries has sent or received any communication regarding termination of, or intent not to renew, any of the contracts or agreements referred to or described in the Time of Sale Prospectus or the Prospectus, or referred to or described in, or filed as an exhibit to, the Registration Statement that are material to the Company and its subsidiaries, taken as a whole, and no such termination or non-renewal has been threatened by the Company or any of its subsidiaries or, to the Company's knowledge, any other party to any such contract or agreement.

(hh) There are no business relationships or related party transactions involving the Company or any subsidiary or any other person required to be described in the most recent Preliminary Prospectus or the Prospectus that have not been described as required.

(ii) All tax returns required to be filed by the Company or any of its subsidiaries have been timely filed through the date hereof, and all taxes and other assessments of a similar nature (whether imposed directly or through withholding) including any interest, additions to tax or penalties applicable thereto due or claimed to be due from such entities have been timely paid, other than those being contested in good faith and for which adequate reserves have been provided and other than those the payment of which would not have a material adverse effect.

(jj) Neither the Company nor any of its subsidiaries nor, to the knowledge of the Company, any director, officer, agent, employee or affiliate of the Company or any of its subsidiaries is aware of or has taken any action, directly or indirectly, that would result in a violation by any such person of the Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder; and the Company and its subsidiaries have instituted and maintain policies and procedures designed to ensure continued compliance therewith, including, without limitation, a system of internal accounting controls sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management's general or specific authorization, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity in all material respects with U.S. generally accepted accounting principles and to maintain accountability for assets, (iii) access to assets is permitted only in accordance with management's general or specific authorization, and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(kk) The operations of the Company and its subsidiaries are and have been conducted at all times in compliance with the Currency and Foreign Transactions Reporting Act and the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (commonly known as the USA PATRIOT Act) and with all other applicable domestic and foreign financial recordkeeping and reporting requirements, money

laundering statutes and all rules, regulations and guidelines issued, administered or enforced by any governmental agency thereunder (collectively, the "**Money Laundering Laws**"), and no action, suit or proceeding by or before any court or governmental agency or any arbitrator involving the Company or any of its subsidiaries with respect to the Money Laundering Laws is pending or, to the best knowledge of the Company, threatened.

(ll) None of the Company, any of its subsidiaries or, to the knowledge of the Company, any director, officer or affiliate of the Company or any of its subsidiaries is currently subject to any sanctions administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury ("**OFAC**"); and the Company will not directly or indirectly use the proceeds of the Offering, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other individual or entity, for the purpose of financing the activities of any person currently subject to any U.S. sanctions administered by OFAC.

(mm) Neither the Company nor any of its subsidiaries has sold, offered, offered to sell, offered for sale or solicited an offer to buy any shares of Common Stock or other equity securities during the six-month period immediately preceding the date hereof, other than (i) such offers and solicitations as may have been effected by any Underwriter on behalf of the Company in connection with the Offering, (ii) such offers and solicitations as may have been effected by any Underwriter on behalf of the Company in connection with the Company's initial public offering and (iii) such offers, solicitations and sales as have been disclosed under Item 15 in Part II of the Registration Statement or the Time of Sale Prospectus.

(nn) Neither the Company nor any of its subsidiaries nor any of their respective directors, officers, affiliates or controlling persons has taken, directly or indirectly, any action that will constitute, or has constituted, or designed to cause or result in, or that might reasonably be expected to cause or result in, the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Shares.

(oo) Except as disclosed in the Registration Statement and the Prospectus, the Company has no lending or other business relationship with any bank or with any lending affiliate of any Underwriter.

2. *Representations and Warranties of the Selling Shareholders.* Each Selling Shareholder, severally and not jointly with the other Selling Shareholders, represents and warrants to and agrees with each of the Underwriters on the date hereof, on the Closing Date and on each Option Closing Date, if any, that:

(a) This Agreement has been duly authorized, executed and delivered by or on behalf of such Selling Shareholder.

(b) Neither the execution and delivery by such Selling Shareholder of, nor the performance by such Selling Shareholder of its obligations under, this Agreement, the Custody Agreement signed by such Selling Shareholder and Wells Fargo Bank, N.A., as Custodian, relating to the deposit of the Shares to be sold by such Selling Shareholder (the "**Custody Agreement**") and the Power of Attorney appointing certain individuals as such Selling Shareholder's attorneys-in-fact to the extent set forth therein, relating to the transactions contemplated hereby and by the Registration Statement (the "**Power of Attorney**"), will conflict with, contravene, result in a breach or violation of, or the imposition of any lien, charge or encumbrance upon any assets of such Selling Shareholder pursuant to, or constitute a default under, (i) any statute, law, rule, regulation, judgment, order or decree of any governmental body, regulatory or administrative agency or court having jurisdiction over such Selling Shareholder if any such breach, violation, lien, charge, encumbrance or default would be material in any respect, provided that no representation, warranty or agreement is made in this clause (i) with respect to the antifraud provisions of federal and state securities laws, (ii) the charter or bylaws (or other organizational documents) of such Selling Shareholder, if the Selling Shareholder is other than a natural person, or (iii) any contract, agreement, obligation, covenant or instrument to which such Selling Shareholder (or any of her, his or its assets) is subject or bound, except, in the case of this clause (iii), for such conflicts, breaches, violations, impositions or defaults that would not reasonably be expected to impair in any material respect the consummation of such Selling Shareholder's obligations under this Agreement, the Custody Agreement or the Power of Attorney; and no consent, approval, authorization or order of, or qualification with, any governmental body or agency is required for the performance by such Selling Shareholder of her, his or its obligations under this Agreement or the Custody Agreement or Power of Attorney of such Selling Shareholder, except such as (i) may be required by the securities or "blue sky" laws of the various jurisdictions in connection with the offer and sale of the Shares and (ii) may have previously been made or obtained. Such attorneys-in-fact have been authorized pursuant to the Power of Attorney to execute and deliver this Agreement on behalf of such Selling Shareholder, and the Custodian has been authorized to receive and acknowledge receipt of the proceeds of sale of the Shares to be sold by such Selling Shareholder against delivery thereof and otherwise act on behalf of such Selling Shareholder.

(c) All of the Shares to be sold by such Selling Shareholder pursuant to this Agreement are held of record by such Selling Shareholder and are represented by certificated securities in registered form of Common Stock. Such Selling Shareholder is the beneficial owner of the number of shares of Common Stock disclosed under "Principal and Selling Shareholders" in the Time of Sale Prospectus and to be disclosed under that caption in the Prospectus as being shares of capital stock of the Company owned beneficially by such Selling Shareholder immediately prior to the Offering. Such Selling Shareholder will have on the Closing Date and on each Option Closing Date, if any, valid and marketable title to the number of Shares to be sold by such Selling Shareholder under this Agreement, free and clear of all security interests, claims, liens, equities or other encumbrances, except as provided in subsection (e) of this Section. Such Selling Shareholder has on the date

hereof, and will have on the Closing Date and on each Option Closing Date, if any, the legal right and power, and all authorization and approval required by law, to enter into this Agreement, the Custody Agreement and the Power of Attorney and to sell, transfer and deliver the Shares to be sold by such Selling Shareholder under this Agreement.

(d) The Custody Agreement and the Power of Attorney have been duly authorized, executed and delivered by such Selling Shareholder and are the legal, valid and binding agreements of such Selling Shareholder. A copy of each of the Custody Agreement and Power of Attorney has been delivered to Baird.

(e) Not later than the close of business on the day after the date of this Agreement, such Selling Shareholder will deposit in custody with the Custodian, under the Custody Agreement, certificates in negotiable form evidencing such Selling Shareholder's shares of Common Stock to be sold as Shares by such Selling Stockholder pursuant to this Agreement. Such Shares to be sold by such Selling Stockholder are subject to the interests of the Company, the Underwriters and the other Selling Shareholders; the arrangements made for such custody, and the appointment of the Agent pursuant to the Power of Attorney, are to that extent irrevocable; and the obligations of such Selling Shareholder hereunder and under the Power of Attorney and the Custody Agreement shall not be terminated except as provided in this Agreement, the Power of Attorney or the Custody Agreement by any act of such Selling Shareholder, by operation of law, whether, in the case of an individual Selling Shareholder, by the death or incapacity of such Selling Shareholder, or, in the case of a trust or an estate, by the death of the trustee or trustees or the executor or executors or the termination of such trust or estate, or, in the case of a partnership, corporation or limited liability company, by the dissolution, winding-up or other event affecting the legal life of such entity, or by the occurrence of any other event. If such Selling Shareholder is an individual and if such Selling Shareholder should die or become incapacitated, or if any such trustee or executor should die or become incapacitated, or if any such trust, estate, partnership, corporation or limited liability company should be terminated, or if any other event should occur before the delivery of such Selling Shareholder's Shares hereunder, then the documents evidencing such Selling Shareholder's Shares then on deposit with the Custodian shall be delivered by the Custodian in accordance with the terms and conditions of this Agreement as if such death, incapacity, termination or other event had not occurred, regardless of whether or not the Custodian shall have received notice thereof.

(f) Upon payment for the Shares to be sold by such Selling Shareholder pursuant to this Agreement, delivery of such Shares, as directed by the Underwriters, to Cede & Co. ("**Cede**") or such other nominee as may be designated by The Depository Trust Company ("**DTC**"), registration of such Shares in the name of Cede or such other nominee and the crediting of such Shares on the books of DTC to securities accounts of the Underwriters (assuming that neither DTC nor any such Underwriter has notice of any "adverse claim" (within the meaning of Section 8-102 of the Uniform Commercial Code in effect in the State of New York (the "**UCC**") to such Shares), (i) DTC shall be a "protected

purchaser" of such Shares (within the meaning of Section 8-303 of the UCC), (ii) under Section 8-501 of the UCC, the Underwriters will acquire a valid security entitlement in respect of such Shares, and (iii) no action based on any "adverse claim" (within the meaning of 8-102 of the UCC) to such Shares may be asserted against the Underwriters with respect to such security entitlement; for purposes of this representation, warranty and agreement, such Selling Shareholder may assume that, when such payment, delivery and crediting occur, (w) the Selling Shareholders' Shares will have been registered in the name of Cede or another nominee designated by DTC, in each case on the Company's share registry in accordance with its charter, bylaws and applicable law, (x) DTC will be registered as a "clearing corporation" (within the meaning of Section 8-102 of the UCC), and (y) appropriate entries to the accounts of each of the Underwriters on the records of DTC will have been made pursuant to the UCC and (z) DTC's jurisdiction for purposes of Section 8-110 of the UCC is the State of New York.

(g) Such Selling Shareholder has not, before the execution of this Agreement, offered or sold any Shares by means of any "prospectus" (within the meaning of the Securities Act) or used any "prospectus" (within the meaning of the Securities Act) in connection with the offer or sale of the Shares, in each case other than the then most recent Preliminary Prospectus.

(h) If such Selling Shareholder is a beneficial owner of 5% or more of the outstanding common stock or of any other unregistered equity securities of the Company or any of its subsidiaries acquired at any time on or after the 180th day immediately preceding the date that the Registration Statement was initially filed with the Commission, then such Selling Shareholder does not have any association or affiliation with a member of FINRA.

(i) Such Selling Shareholder has not, directly or indirectly, taken any action that will constitute, or has constituted, or designed to cause or result in, or that might reasonably be expected to cause or result in, the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Shares.

(j) Such Selling Shareholder has reviewed the Registration Statement and the Time of Sale Prospectus and, to the knowledge of such Selling Shareholder, neither the Registration Statement, when it became effective under the Securities Act, nor the Time of Sale Prospectus as then amended or supplemented, if applicable, at the Closing Date, contained or will contain, respectively, any untrue statement of a material fact or omitted or will omit, respectively, to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. Such Selling Shareholder confirms the accuracy of the information concerning the undersigned (i) contained in the Selling Shareholder's questionnaire furnished by the undersigned to the Company for purposes of filings with FINRA and (ii) as set forth in the Registration Statement and the Time of Sale Prospectus under the caption "Principal and Selling Shareholders."

(k) Except as disclosed in the Registration Statement and the Time of Sale Prospectus and as will be disclosed in the Prospectus, such Selling Shareholder does not have any contractual or other rights to have any securities registered for sale by the Company under the Securities Act.

(l) Such Selling Shareholder has not prepared or had prepared on its behalf, or used or referred to, any free writing prospectus and has not distributed any written materials in connection with the Offering.

3. *Agreements to Sell and Purchase*. Each Selling Shareholder, severally and not jointly, hereby agrees to sell the number of Shares set forth opposite such Selling Shareholder's name in Schedule I hereto to the Underwriters, severally and not jointly, at a price of $41,434 per share (the "**Purchase Price**"), and each Underwriter, upon the basis of the representations and warranties herein contained, but subject to the conditions herein set forth, hereby agrees, severally and not jointly, to purchase from each Selling Shareholder, at the Purchase Price, the number of Firm Shares set forth opposite the name of such Underwriter in Schedule II hereto (such Underwriter's "**Several Commitment**") that bears the same proportion to the number of Firm Shares to be sold by each such Selling Shareholder as the Underwriter's Several Commitment bears to the total number of Firm Shares, subject, in each case, to such adjustments as Baird in its sole discretion shall make to eliminate any sales or purchases of fractional shares.

Moreover, the Selling Shareholders, severally and not jointly, hereby agree to sell up to an aggregate of 905,929 Additional Shares to the Underwriters, severally and not jointly (each Selling Shareholder hereby agreeing to sell up to the number of Additional Shares set forth opposite such Selling Shareholder's name in Schedule I hereto), at the Purchase Price, and the Underwriters, upon the basis of the representations and warranties contained herein, but subject to the terms and conditions herein set forth, shall have the right (but not the obligation) to purchase, severally and not jointly, up to the Additional Shares, at the Purchase Price. The Representatives may exercise this right on behalf of the Underwriters in whole or from time to time in part by giving written notice not later than 30 days after the date of this Agreement. Any exercise notice shall specify the number of Additional Shares to be purchased by the Underwriters and the date on which such shares are to be purchased. Each purchase date must be at least one business day after the written notice is given and may not be earlier than the Closing Date (as defined in Section 5) or later than ten business days after the date of such notice. Additional Shares may be purchased by the Underwriters solely for the purpose of covering over-allotments made in connection with the offering of the Firm Shares. On each day, if any, that Additional Shares are to be purchased (an "**Option Closing Date**"), each Underwriter agrees, severally and not jointly, to purchase the number of Additional Shares that bears the same proportion to the total number of Additional Shares to be purchased on such Option Closing Date as the Underwriter's Several Commitment bears to the total number of Firm Shares, subject, in each case, to such adjustments as Baird in its sole discretion shall make to eliminate any sales or purchases of fractional shares.

Each Selling Shareholder agrees to comply with the terms and conditions of the Lock-Up Agreement that it has executed and delivered to the Representatives on or before the date hereof, which Lock-Up Agreement was executed in substantially the form of Exhibit D hereto.

Each Selling Shareholder agrees to advise the Representatives promptly, and, if requested by the Representatives, to confirm such advice in writing, so long as delivery of a prospectus relating to the Shares by an underwriter or dealer may be required under the Securities Act, of any change in information contained in the Registration Statement, the Time of Sale Prospectus or the Prospectus that relates to such Selling Shareholder.

4. *Terms of Public Offering*. The Selling Shareholders are advised by the Representatives that the Underwriters propose to make a public offering of their respective portions of the Shares as soon after this Agreement has become effective as in the Representatives' judgment is advisable. The Selling Shareholders are further advised by the Representatives that the Shares are to be offered to the public initially at $43.50 per share (the "**Public Offering Price**") and to certain dealers selected by the Representatives at a price that represents a concession not in excess of $1.24 per share under the Public Offering Price, and that any Underwriter may allow, and such dealers may re-allow, a concession, not in excess of $0.10 per share, to any Underwriter or to certain other dealers.

5. *Payment and Delivery*. Payment for the Firm Shares to be sold by each Selling Shareholder shall be made to such Selling Shareholder (or to accounts otherwise designated by such Selling Shareholder and agreed to by the Underwriters) in Federal or other funds immediately available in Chicago against delivery of such Firm Shares for the respective accounts of the several Underwriters at 10:00 a.m., Central Time, on April 19, 2011 or at such other time on the same or such other date as shall be agreed to by the parties hereto in writing. The time and date of such payment are hereinafter referred to as the "**Closing Date**."

Payment for any Additional Shares to be sold by each Selling Shareholder shall be made to such Selling Shareholder (or to accounts otherwise designated by such Selling Shareholder and agreed to by the Underwriters) in Federal or other funds immediately available in Chicago against delivery of such Additional Shares for the respective accounts of the several Underwriters at 10:00 a.m., Central Time, on the date specified in the corresponding notice described in Section 3 or at such other time on the same or on such other date, in any event not later than May 13, 2011, as shall be designated in writing by the Representatives.

The Firm Shares and Additional Shares shall be registered in such names and in such denominations as the Representatives shall request in writing not later than one full business day prior to the Closing Date or the applicable Option Closing Date, as the case may be. The Firm Shares and Additional Shares shall be delivered to the Representatives on the Closing Date or an Option Closing Date, as the case may be, for the respective accounts of the several Underwriters, with any transfer

taxes payable in connection with the transfer of the Shares to the Underwriters duly paid, against payment of the Purchase Price therefor.

6. *Conditions to the Underwriters' Obligations*. The several obligations of the Underwriters are subject to the condition that all representations and warranties on the part of the Company and each Selling Shareholder contained in this Agreement are, on the date hereof, on the Closing Date and on each Option Closing Date, if any, true and correct, the condition that the Company and the Selling Shareholders have performed their respective obligations required to be performed prior to the Closing Date or the Option Closing Date, as the case may be, and the following further conditions:

(a) Subsequent to the execution and delivery of this Agreement and prior to the Closing Date and each Option Closing Date there shall not have occurred any adverse change, or any development involving a prospective adverse change, in the assets, business, condition (financial or otherwise), management, operations or earnings of the Company and its subsidiaries, taken as a whole, from that set forth in the Time of Sale Prospectus that makes it, in Baird's judgment, impracticable or inadvisable to offer or sell the Shares on the terms and in the manner contemplated in the Time of Sale Prospectus.

(b) The Underwriters shall have received on the Closing Date and each Option Closing Date, if any, a certificate, dated the Closing Date or such Option Closing Date, as the case may be, and signed by the Chief Executive Officer and Chief Financial Officer of the Company, to the effect that the representations and warranties of the Company contained in this Agreement are true and correct as of the Closing Date or such Option Closing Date, as the case may be, and that the Company has complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied hereunder on or before the Closing Date or such Option Closing Date, as the case may be. The delivery of the certificate provided for in this Section 6(b) shall constitute a representation and warranty of the Company as to the statements made in such certificate.

(c) The Underwriters shall have received on the Closing Date and each Option Closing Date, if any, a certificate, dated the Closing Date or such Options Closing Date, as the case may be, and signed by each Selling Shareholder (or such Selling Shareholder's attorney-in-fact), to the effect that the representations and warranties of such Selling Shareholder contained in this Agreement are true and correct as of the Closing Date or such Option Closing Date, as the case may be, and that such Selling Shareholder has complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied hereunder on or before the Closing Date or such Option Closing Date, as the case may be. The delivery of the certificate provided for in this Section 6(c) shall constitute a representation and warranty of each Selling Shareholder as to the statements made in such certificate.

(d) The Underwriters shall have received on the Closing Date and each Option Closing Date, if any, an opinion letter of Winston & Strawn LLP, counsel

for the Company, dated the Closing Date or such Option Closing Date, as the case may be, in form and substance reasonably satisfactory to counsel for the Underwriters and to the effect set forth in Exhibit A-1 hereto. In rendering such opinion, such counsel may rely as to matters of fact (but not as to legal conclusions), to the extent it deems proper, on certificates of responsible officers of the Company and its subsidiaries and of public officials. The opinion of such counsel shall be rendered to the Underwriters at the request of the Company and shall so state therein.

(e) The Underwriters shall have received on the Closing Date and each Option Closing Date, if any, an opinion of Ice Miller LLP, counsel for the Company, dated the Closing Date or such Option Closing Date, as the case may be, in form and substance reasonably satisfactory to counsel for the Underwriters and to the effect set forth in Exhibit A-2 hereto. In rendering such opinion, such counsel may rely as to matters of fact (but not as to legal conclusions), to the extent it deems proper, on certificates of responsible officers of the Company and its subsidiaries and of public officials. The opinion of such counsel shall be rendered to the Underwriters at the request of the Company and shall so state therein.

(f) The Underwriters shall have received on the Closing Date and each Option Closing Date, if any, opinions of counsel for all of the Selling Shareholders, dated the Closing Date or such Option Closing Date, as the case may be, each in form and substance reasonably satisfactory to counsel for the Underwriters and to the effect set forth in Exhibit B hereto. In rendering such opinion, each such counsel may rely as to matters of fact (but not as to legal conclusions), to the extent they deem proper, on certificates of the Selling Shareholders. The opinions of such counsel shall be rendered to the Underwriters at the request of the Selling Shareholders and shall so state therein.

(g) The Underwriters shall have received on the Closing Date and each Option Closing Date, if any, an opinion of Foley & Lardner LLP, counsel for the Underwriters, dated the Closing Date or such Option Closing Date, as the case may be, in form and substance satisfactory to the Underwriters. In rendering such opinion, such counsel may rely as to matters of fact (but not as to legal conclusions), to the extent they deem proper, on certificates of responsible officers of the Company and its subsidiaries and of public officials.

(h) The Underwriters shall have received, on each of the date hereof, the Closing Date and each Option Closing Date, if any, a letter dated the date hereof, the Closing Date or the Option Closing Date, as the case may be, in form and substance satisfactory to the Underwriters and PricewaterhouseCoopers LLP, from PricewaterhouseCoopers LLP, independent public accountants, addressed to the Underwriters and to the Company, containing statements and information of the type ordinarily included in accountants' "comfort letters" to underwriters with respect to the financial statements and certain financial information contained in the Registration Statement, the Time of Sale Prospectus

and the Prospectus, provided that the letter delivered on the Closing Date shall use a "cut-off date" not earlier than the date hereof.

(i) The Registration Statement, including any Rule 462(b) Registration Statement, shall have become effective, and no stop order suspending the effectiveness of the Registration Statement or any post-effective amendment thereto shall have been issued, and no order preventing or suspending the use of any Preliminary Prospectus, the Time of Sale Prospectus or the Prospectus shall have been issued, and no proceedings for any such purpose shall have been instituted or shall be threatened by the Commission; no notice of objection of the Commission to the use of the Registration Statement or any Preliminary Prospectus, the Time of Sale Prospectus or the Prospectus shall have been received; and all requests for additional information on the part of the Commission shall have been complied with to Baird's satisfaction.

(j) The Lock-Up Agreements, each substantially in the form of Exhibit D hereto, between the Representatives, on the one hand, and each of the certain shareholders, executive officers and directors of the Company identified on Schedule IV to this Agreement, on the other hand, relating to sales and certain other dispositions of shares of Common Stock or certain other securities, delivered to the Representatives on or before the date hereof, shall be in full force and effect on the Closing Date.

(k) FINRA shall not have raised any objection with respect to the fairness or reasonableness of the underwriting, or other arrangements of the transactions, contemplated hereby.

7. *Covenants of the Company*. The Company covenants with each Underwriter as follows:

(a) To furnish to Baird, without charge, three signed copies of the Registration Statement (including exhibits thereto) and for delivery to each other Underwriter a conformed copy of the Registration Statement (without exhibits thereto) and to furnish to the Representatives in Milwaukee, Wisconsin, without charge, prior to 10:00 a.m. (Central Time) on the business day next succeeding the date of this Agreement and during the period mentioned in Section 7(f) or 7(g) below, as many copies of the Time of Sale Prospectus, the Prospectus and any supplements and amendments thereto or to the Registration Statement as Baird may reasonably request.

(b) Before amending or supplementing the Registration Statement, the Time of Sale Prospectus or the Prospectus, to furnish to Baird a copy of each such proposed amendment or supplement and not to file any such proposed amendment or supplement to which Baird reasonably objects, and to file with the Commission within the applicable period specified in Rule 424(b) under the Securities Act any prospectus required to be filed pursuant to such Rule.

(c) To furnish to Baird a copy of each proposed free writing prospectus to be prepared by or on behalf of, used by or referred to by the Company and not to use or refer to any proposed free writing prospectus to which Baird reasonably objects.

(d) Not to take any action that would result in an Underwriter or the Company being required to file with the Commission pursuant to Rule 433(d) under the Securities Act a free writing prospectus prepared by or on behalf of the Underwriter that the Underwriter otherwise would not have been required to file thereunder.

(e) To advise Baird promptly of any request by the Commission for amendments or supplements to the Registration Statement, any Preliminary Prospectus or Prospectus or for additional information with respect thereto, or of notice of institution of proceedings for, or the entry of a stop order, suspending the effectiveness of the Registration Statement or preventing or suspending the use of any Preliminary Prospectus, the Time of Sale Prospectus or the Prospectus; and, if the Commission should enter such a stop order, to use its commercially reasonable best efforts to obtain the lifting or removal of such order as soon as possible.

(f) If the Time of Sale Prospectus is being used to solicit offers to buy the Shares at a time when the Prospectus is not yet available to prospective purchasers and any event shall occur or condition exist as a result of which it is necessary to amend or supplement the Time of Sale Prospectus in order to make the statements therein, in the light of the circumstances, not misleading, or if any event shall occur or condition exist as a result of which the Time of Sale Prospectus conflicts with the information contained in the Registration Statement then on file, or if, in the opinion of counsel for the Underwriters, it is necessary to amend or supplement the Time of Sale Prospectus to comply with applicable law, forthwith to prepare, file with the Commission and furnish, at its own expense, to the Underwriters and to any dealer upon request, either amendments or supplements to the Time of Sale Prospectus so that the statements in the Time of Sale Prospectus as so amended or supplemented will not, in the light of the circumstances when delivered to a prospective purchaser, be misleading or so that the Time of Sale Prospectus, as amended or supplemented, will no longer conflict with the Registration Statement, or so that the Time of Sale Prospectus, as amended or supplemented, will comply with applicable law.

(g) If, during such period after the first date of the Offering as in the opinion of counsel for the Underwriters the Prospectus (or, in lieu thereof, the notice referred to in Rule 173(a) under the Securities Act) is required by law to be delivered in connection with sales by an Underwriter or dealer, any event shall occur or condition exist as a result of which it is necessary to amend or supplement the Prospectus in order to make the statements therein, in the light of the circumstances when the Prospectus (or, in lieu thereof, the notice referred to in Rule 173(a) under the Securities Act) is delivered to a purchaser, not misleading, or if, in the opinion of counsel for the Underwriters, it is necessary to amend or supplement the Prospectus to comply with applicable law, forthwith to prepare, file

with the Commission and furnish, at its own expense, to the Underwriters and to the dealers (whose names and addresses the Representatives will furnish to the Company) to which Shares may have been sold by the Representatives on behalf of the Underwriters and to any other dealers upon request, either amendments or supplements to the Prospectus so that the statements in the Prospectus as so amended or supplemented will not, in the light of the circumstances when the Prospectus (or, in lieu thereof, the notice referred to in Rule 173(a) under the Securities Act) is delivered to a purchaser, be misleading or so that the Prospectus, as amended or supplemented, will comply with applicable law.

(h) If, at or after the time this Agreement is executed and delivered, it is necessary or appropriate for a post-effective amendment to the Registration Statement, or a Rule 462 Registration Statement, to be filed with the Commission and become effective before the Shares may be sold, the Company will use commercially reasonable efforts to cause such post-effective amendment or such Registration Statement to be filed and become effective, and will pay any applicable fees in accordance with the Securities Act, as soon as possible; and the Company will advise the Representatives promptly and, if requested by the Representatives, will confirm such advice in writing, (i) when such post-effective amendment or such Registration Statement has become effective and, (ii) if Rule 430A or 430C under the Securities Act is used, when the Prospectus is filed with the Commission pursuant to Rule 424(b) under the Securities Act (which the Company agrees to file in a timely manner in accordance with such Rules).

(i) To file in a timely manner all reports and any definitive proxy or information statements required to be filed by the Company with the Commission pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of the Prospectus for so long as the delivery of a prospectus (or, in lieu thereof, the notice referred to in Rule 173(a) under the Securities Act) is required in connection with the offering or sale of the Shares.

(j) Promptly to furnish such information or to take such action as Baird may request and otherwise to qualify the Shares for offer and sale under the securities or “blue sky” laws of such states and other jurisdictions (domestic and foreign) as Baird shall reasonably request, and to comply with such laws so as to permit the continuance of sales and dealings therein in such jurisdictions for as long as may be necessary to complete the distribution of the Shares; provided, however, that the Company shall not be required to qualify as a foreign corporation or to file a consent to service of process in any jurisdiction (excluding service of process with respect to the offer and sale of the Shares); and to promptly advise Baird of the receipt by the Company of any notification with respect to the suspension of the qualification of the Shares for offer or sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose.

(k) To make generally available to the Company’s security holders and to the Representatives as soon as practicable an earning statement covering a period of at least twelve months beginning after the effective date of the Registration

Statement (as defined in Rule 158(c) under the Securities Act), which shall satisfy the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder.

(l) During the period commencing on the date hereof and ending ninety days after the date of the Prospectus, and without the prior written consent of Baird on behalf of the Underwriters, not to (i) offer, sell, pledge, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock, (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Common Stock, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise, (iii) file any registration statement with the Commission relating to the offering of any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock or (iv) publicly announce an intention to effect any transaction specified in clause (i), (ii) or (iii). The restrictions contained in the preceding sentence shall not apply to (i) the Shares to be sold hereunder, (ii) the grant of options to purchase shares of Common Stock or restricted shares or restricted stock units pursuant to an employee benefit plan under the terms of such plan in effect on the date hereof, provided, in the case of stock options, that the exercise price is not less than fair market value on the grant date, (iii) the issuance by the Company of shares of Common Stock upon the exercise of an option outstanding on the date hereof (and of which the Representatives have been advised in writing before the date hereof), (iv) the filing of a registration statement on Form S-8 relating to shares of Common Stock issued under any employee benefit plan under the terms of such plan in effect on the date hereof or (v) the issuance of shares of Common Stock in connection with the acquisition of another company in an amount not to exceed 10% of the total shares of Common Stock outstanding immediately following such issuance. Notwithstanding the foregoing, if (1) during the last 17 days of the ninety-day restricted period the Company issues an earnings release or announces material news or a material event relating to the Company occurs, or (2) prior to the expiration of the ninety-day restricted period, the Company announces that it will release earnings results during the 16-day period beginning on the last day of the ninety-day restricted period, then the restrictions imposed by this subsection of this Agreement shall continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the announcement of the material news or the occurrence of the material event unless waived by Baird. The Company shall promptly notify Baird of any earnings release, news or event that may give rise to an extension of the initial ninety-day restricted period.

(m) To prepare, if Baird so reasonably requests, a final term sheet relating to the Offering, containing only information that describes the final terms of the Offering in a form consented to by Baird, and to file such final term sheet within the period required by Rule 433(d)(5)(ii) under the Securities Act following the date that the final terms have been established for the Offering.

(n) To comply with Rule 433(d) under the Securities Act (without reliance on Rule 164(b) under the Act) and with Rule 433(g) under the Securities Act.

(o) Not to take, directly or indirectly, any action that will constitute, or has constituted, or designed to cause or result in, or that might reasonably be expected to cause or result in, the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Shares.

(p) Not, at any time at or after the execution of this Agreement, to offer or sell any Shares by means of any "prospectus" (within the meaning of the Securities Act) or use any "prospectus" (within the meaning of the Securities Act) in connection with the offer or sale of the Shares, except in each case other than the Prospectus.

(q) To maintain a transfer agent and, if necessary under the jurisdiction of incorporation of the Company, a registrar for the Common Stock.

8. *Expenses*. Whether or not the transactions contemplated in this Agreement are consummated or this Agreement is terminated, the Company agrees to pay or cause to be paid all expenses incident to the performance of its obligations under this Agreement, including: (i) the fees, disbursements and expenses of the Company's counsel and the Company's accountants in connection with the registration and delivery of the Shares under the Securities Act and all other fees or expenses in connection with the preparation and filing of the Registration Statement, any Preliminary Prospectus, the Time of Sale Prospectus, the Prospectus, any free writing prospectus prepared by or on behalf of, used by or referred to by the Company and amendments and supplements to any of the foregoing, including all printing costs associated therewith, and the mailing and delivering of copies thereof to the Underwriters and dealers, in the quantities hereinabove specified, (ii) all costs and expenses related to the transfer and delivery of the Shares to the Underwriters, including any transfer or other taxes payable thereon, (iii) the cost of printing or producing any securities or "blue sky" memorandum in connection with the offer and sale of the Shares under the securities laws of the jurisdictions in which the Shares may be offered or sold and all expenses in connection with the qualification of the Shares for offer and sale under such securities laws as provided in Section 7(j) hereof, including filing fees and the reasonable fees and disbursements of counsel for the Underwriters, in connection with such qualification and in connection with any Blue Sky or Legal Investment memorandum, (iv) all filing fees and the reasonable fees and disbursements of counsel to the Underwriters incurred in connection with the review and qualification of the offering of the Shares by FINRA, (v) all costs and expenses incident to listing the Shares on the Exchange, (vi) the cost of printing certificates representing the Shares, (vii) the costs and charges of any transfer agent, registrar or depositary, (viii) the costs and expenses of the Company relating to investor presentations on any road show undertaken in connection with the marketing of the Offering, including, without limitation, expenses associated with the preparation or dissemination of any road show, expenses associated with the

production of road show slides and graphics, fees and expenses of any consultants engaged in connection with the road show presentations with the prior approval of the Company and the travel, food and lodging expenses of the representatives and officers of the Company and any such consultants (but not the travel, food and lodging expenses of the Underwriters, except that the Company will pay half of the costs and expenses of any private air travel used on any such road show), (ix) the document production charges and expenses associated with printing this Agreement, (x) all expenses in connection with any offer and sale of the Shares outside of the United States, including filing fees and the reasonable fees and disbursements of counsel for the Underwriters in connection with offers and sales outside of the United States, and (xi) all other costs and expenses incident to the performance of the obligations of the Company hereunder for which provision is not otherwise made in this Section; provided, however, that the liability of the Company for reasonable fees and disbursements of counsel for the Underwriters pursuant to clauses (iii), (iv) and (x) shall not exceed $15,000 in the aggregate.

Whether or not the sale of the Shares provided for herein is consummated, each Selling Shareholder, severally and not jointly, will pay or cause to be paid all costs and expenses incident to the performance of such Selling Shareholder's obligations hereunder that are not otherwise specifically provided for in this Section 8, including (i) any fees and expenses of counsel for and other advisors to such Selling Shareholder and (ii) all expenses and taxes incident to the sale and delivery of the Shares to be sold by such Selling Shareholder to the Underwriters hereunder.

Except as expressly set forth herein, the Underwriters will pay all of their own costs and expenses, including fees and disbursements of their counsel, stock transfer taxes payable on resale of any of the Shares by them and any advertising expenses (including road show expenses incurred by their personnel) connected with any offers they may make. Notwithstanding the above, if the sale of the Shares provided for herein is not consummated because any condition to the obligations of the Underwriters set forth in Section 6 (other than subsection (g) or (l) thereof) is not satisfied or because of any refusal, inability or failure on the part of the Company to perform any obligation or covenant hereunder or to comply with any provision hereof (other than by reason of a default by any of the Underwriters), then the Company will reimburse the Underwriters or such Underwriters as have so terminated this Agreement with respect to themselves, severally, through Baird on demand for all out-of-pocket expenses (including reasonable fees and disbursements of counsel) reasonably incurred by such Underwriters in connection with this Agreement or in furtherance of the Offering.

The provisions of this Section shall not supersede or otherwise affect any agreement that the Selling Shareholders may otherwise have for the allocation of such expenses among themselves.

9. *Indemnity and Contribution*. (a) The Company agrees to indemnify and hold harmless each Underwriter, each person, if any, who controls any Underwriter within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, and each affiliate of any Underwriter within the meaning of Rule 405

under the Securities Act from and against any and all losses, claims, damages and liabilities, including actions and other proceedings in respect thereof and including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such claim, action or other proceeding (any of the foregoing being a "**Loss**"), caused by, arising from or based upon (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any amendment thereof, or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, or (ii) any untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, the Time of Sale Prospectus, any issuer free writing prospectus as defined in Rule 433(h) under the Securities Act, any issuer information that the Company has filed, or is required to file, pursuant to Rule 433(d) of the Securities Act, any road show not constituting a free writing prospectus, or the Prospectus or any amendment or supplement thereto, or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that the Company shall not be liable under this Section 9(a) to the extent that Losses are caused by, arise out of or are based upon any such untrue statement or omission or alleged untrue statement or omission made therein in reliance upon and in conformity with information relating to any Underwriter furnished to the Company in writing by such Underwriter through the Representatives expressly for use therein, it being agreed that the only information furnished by the Underwriters to the Company expressly for use therein is the Underwriters' Information.

(b) Each Selling Shareholder agrees, severally and not jointly, to indemnify and hold harmless each Underwriter, each person, if any, who controls any Underwriter within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, and each affiliate of any Underwriter within the meaning of Rule 405 under the Securities Act from and against any and all Losses caused by, arising from or based upon (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any amendment thereof, or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, or (ii) any untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, the Time of Sale Prospectus, any issuer free writing prospectus as defined in Rule 433(h) under the Securities Act, or any amendment or supplement thereto, or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which there were made, not misleading, in each case to the extent, but only to the extent, that such untrue statement or omission or alleged untrue statement or omission was made therein in reliance upon and in conformity with information relating to such Selling Shareholder furnished in writing by or on behalf of such Selling Shareholder expressly for use therein. The Underwriters and each Selling Shareholder agree that the indemnity agreement contained in this clause (b) shall not apply to amounts paid in settlement of any Loss if such settlement is effected without the consent of

such Selling Shareholder. The liability of each Selling Shareholder under this Section 9(b) shall be limited to an amount equal to the net proceeds (before expenses) from the Offering received by such Selling Shareholder under this Agreement.

(c) Each Underwriter agrees, severally and not jointly, to indemnify and hold harmless the Company, the Selling Shareholders, the directors of the Company, the officers of the Company who sign the Registration Statement and each person, if any, who controls the Company or any Selling Shareholder within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act from and against any and all Losses caused by, arising from or based upon (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any amendment thereof, or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, or (ii) any untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, the Time of Sale Prospectus, any issuer free writing prospectus as defined in Rule 433(h) under the Securities Act, any Company information that the Company has filed, or is required to file, pursuant to Rule 433(d) of the Securities Act, any road show not constituting a free writing prospectus, or the Prospectus or any amendment or supplement thereto, or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which there were made, not misleading, in each case to the extent, but only to the extent, that such untrue statement or omission or alleged untrue statement or omission was made therein in reliance upon and in conformity with information relating to such Underwriter furnished to the Company in writing by such Underwriter through the Representatives expressly for use therein, it being agreed that the only information furnished by the Underwriters to the Company expressly for use therein is the Underwriters' Information.

(d) In case any claim, action or other proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to subsection (a), (b) or (c) of this Section 9, such person (the "**indemnified party**") shall promptly notify the person against whom such indemnity may be sought (the "**indemnifying party**") in writing, and the indemnifying party, upon request of the indemnified party, shall retain counsel satisfactory to the indemnified party to represent the indemnified party and any others the indemnifying party may designate in such proceeding and shall pay the reasonable fees and disbursements of such counsel related to such proceeding. In any such proceeding, any indemnified party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the indemnifying party and the indemnified party shall have agreed to the retention of such counsel or (ii) the named parties to any such proceeding (including any impleaded parties) include both the indemnifying party and the indemnified party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. It is understood that the indemnifying party shall not, in respect of the legal

expenses of any indemnified party in connection with any proceeding or related proceedings in the same jurisdiction, be liable for (i) the fees and expenses of more than one separate law firm (in addition to any local counsel) for all Underwriters and all persons, if any, who control any Underwriter within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act or who are affiliates of any Underwriter within the meaning of Rule 405 under the Securities Act, (ii) the fees and expenses of more than one separate law firm (in addition to any local counsel) for the Company, its directors, its officers who sign the Registration Statement and each person, if any, who controls the Company within the meaning of either such Section and (iii) the fees and expenses of more than one separate law firm (in addition to any local counsel) for all Selling Shareholders and all persons, if any, who control any Selling Shareholder within the meaning of either such Section, and that all such fees and expenses shall be reimbursed as they are incurred. In the case of any such separate law firm for the Underwriters and such control persons and affiliates of any Underwriters, such law firm shall be designated in writing by Baird. In the case of any such separate law firm for the Company, and such directors, officers and control persons of the Company, such law firm shall be designated in writing by the Company. In the case of any such separate law firm for the Selling Shareholders and such control persons of any Selling Shareholders, such law firm shall be designated in writing by the persons named as attorneys-in-fact for the Selling Shareholders under the Powers of Attorney. The indemnifying party shall not be liable for any settlement of any proceeding effected without its written consent, but, if settled with such consent or if there be a final judgment for the plaintiff that is not timely appealed or is not capable of being appealed, then the indemnifying party agrees to indemnify the indemnified party from and against any Loss by reason of such settlement or judgment. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional release of such indemnified party from all liability on Losses that are the subject matter of such proceeding.

(e) To the extent the indemnification provided for in subsections (a), (b) and (c) of this Section 9 is unavailable to an indemnified party or insufficient in respect of any Losses referred to therein, then each indemnifying party under such subsection, in lieu of indemnifying such indemnified party thereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such Losses (i) in such proportion as is appropriate to reflect the relative benefits received by the Company and the Selling Shareholders on the one hand and the Underwriters on the other hand from the Offering or, (ii) if the allocation provided by clause (i) of this subsection (e) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in such clause (i) but also the relative fault of the Company and the Selling Shareholders on the one hand and of the Underwriters on the other hand in connection with the statements or omissions that resulted in such Losses, as well as any other relevant equitable considerations. The relative benefits received by the

Company and the Selling Shareholders on the one hand and the Underwriters on the other hand in connection with the Offering shall be deemed to be in the same respective proportions as the net proceeds from the Offering (before deducting expenses) received by the Company and the Selling Shareholders on the one hand and the total underwriting discounts and commissions received by the Underwriters on the other hand, in each case as set forth in the table on the cover of the Prospectus, bear to the aggregate Public Offering Price of the Shares. The relative fault of the Company and the Selling Shareholders on the one hand and the Underwriters on the other hand shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company and the Selling Shareholders or by the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Underwriters' respective obligations to contribute pursuant to this Section 9 are several, in proportion to the respective number of Shares they have purchased hereunder, and not joint. The liability of each Selling Shareholder under the contribution agreement contained in this subsection shall be limited to an amount equal to the net proceeds (before expenses) from the Offering received by such Selling Shareholder under this Agreement. Notwithstanding the foregoing provisions of this subsection (e), no Selling Shareholder shall be required to contribute unless such Selling Shareholder would have had indemnification obligations pursuant to Section 9(b) above.

(f) The Selling Shareholders and the Underwriters agree that it would not be just or equitable if contribution pursuant to this Section 9 were determined by *pro rata* allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in Section 9(e). Notwithstanding the provisions of this Section 9, no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Shares underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages that such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The remedies provided for in this Section 9 are not exclusive and shall not limit any rights or remedies that may otherwise be available to any indemnified party at law or in equity.

10. *Termination*. Baird, in its absolute discretion, may terminate this Agreement by notice given to the Company and the Selling Shareholders at any time on or before the Closing Date or, with respect to the Additional Shares only, after the Closing Date and on or before an Option Closing Date (a) if trading generally shall have been suspended or materially limited or minimum or maximum prices for trading have been fixed, or maximum ranges for prices have been required, on the New York Stock Exchange or the Exchange, (b) if trading of any securities of the Company shall have been suspended or materially limited by the Commission or the Exchange, (c) if a material disruption in securities settlement, payment or clearance

services in the United States or Europe shall have occurred, (d) if any moratorium or material limitation on commercial banking activities shall have been declared by Federal, Illinois or New York state authorities or (e) if there shall have occurred any outbreak or escalation of hostilities, act of terrorism involving the United States or declaration by the United States of a national emergency or war, or if there shall have occurred any other calamity or crisis or any change in financial, political or economic conditions in the United States or elsewhere, and if the effect of any such event specified in this clause (e) is to make it, in Baird's judgment, impracticable or inadvisable to offer or sell the Shares on the terms and in the manner contemplated in the Time of Sale Prospectus.

11. *Effectiveness; Default by One or More of the Underwriters*. This Agreement shall become effective upon the execution and delivery hereof by the parties hereto.

If, on the Closing Date or an Option Closing Date, as the case may be, any one or more of the Underwriters shall fail or refuse to purchase Shares that it has or they have agreed to purchase hereunder on such date, and the aggregate number of Shares that such defaulting Underwriter or Underwriters agreed but failed or refused to purchase is not more than one-tenth of the aggregate number of the Shares to be purchased on such date, then the other Underwriters shall be obligated severally in the proportions that the number of Firm Shares set forth opposite their respective names in Schedule II bears to the aggregate number of Firm Shares set forth opposite the names of all such non-defaulting Underwriters, or in such other proportions as Baird may specify, to purchase the Shares that such defaulting Underwriter or Underwriters agreed but failed or refused to purchase on such date; provided, however, that, that in no event shall the number of Shares that any Underwriter has agreed to purchase pursuant to this Agreement be increased pursuant to this Section 11 by an amount in excess of one-tenth of such number of Shares without the written consent of such Underwriter. If, on the Closing Date, any Underwriter or Underwriters shall fail or refuse to purchase Firm Shares and the aggregate number of Firm Shares with respect to which such default occurs is more than one-tenth of the aggregate number of Firm Shares to be purchased on such date, and arrangements satisfactory to Baird, the Company and the Selling Shareholders for the purchase of such Firm Shares are not made within 36 hours after such default, then this Agreement shall terminate without liability on the part of any non-defaulting Underwriter, the Company or the Selling Shareholders. In any such case either Baird or the relevant Selling Shareholders shall have the right to postpone the Closing Date, but in no event for longer than seven days, in order that the required changes, if any, in the Registration Statement, in the Time of Sale Prospectus, in the Prospectus and in any other documents or arrangements may be effected. If, on an Option Closing Date, any Underwriter or Underwriters shall fail or refuse to purchase Additional Shares and the aggregate number of Additional Shares with respect to which such default occurs is more than one-tenth of the aggregate number of Additional Shares to be purchased on such Option Closing Date, then the non-defaulting Underwriters shall have the right (but not the obligation) to purchase, in such proportion as may be agreed upon among them, all of the Additional Shares to be sold on such Option Closing Date. If the non-defaulting Underwriters do not exercise their right to purchase the Additional Shares,

then this Agreement shall terminate without liability on the part of any non-defaulting Underwriter, the Company or the Selling Shareholders. Any action taken under this Section shall not relieve any defaulting Underwriter from liability in respect of any default of such Underwriter under this Agreement.

12. *Default by One or More of the Selling Shareholders*. If a Selling Shareholder shall fail or refuse on the Closing Date or an Option Closing Date, as the case may be, to sell and deliver the number of Shares that such Selling Shareholder is obligated to sell hereunder, and if the remaining Selling Shareholders do not exercise the right, hereby granted, to increase, *pro rata* or otherwise, the number of Shares to be sold by them hereunder to the total number to be sold by all Selling Shareholders as set forth in Schedule I hereto, then the Underwriters may, at the option of Baird, by notice from Baird to the Company and the non-defaulting Shareholders, either (i) terminate this Agreement without liability on the fault of any non-defaulting party or (ii) elect to purchase the Shares that the non-defaulting Selling Shareholders have agreed to sell hereunder. In any such case either Baird or the relevant Selling Shareholders shall have the right to postpone the Closing Date or the Option Delivery Date, as the case may be, but in no event for longer than seven days, in order that the required changes, if any, in the Registration Statement, in the Time of Sale Prospectus, in the Prospectus and in any other documents or arrangements may be effected. Any action taken under this Section shall not relieve any defaulting Selling Shareholder from liability in respect of any default of such Selling Shareholder under this Agreement.

13. *Representations and Indemnities to Survive*. All representations, warranties, covenants and other agreements contained in this Agreement or in certificates of officers of the Company or any of its subsidiaries or of the Selling Shareholders or any attorney-in-fact for any of the Selling Shareholders submitted pursuant hereto shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of any Underwriter, any Selling Shareholder or the Company or any of the officers, directors, controlling persons, affiliates or others referred to in Section 9 hereof and will survive delivery of and payment for the Shares. The provisions of this Section 13 and of Sections 1, 8, 9, 19 and 20 hereof shall survive any termination or cancellation of this Agreement.

14. *Intended Beneficiaries*. This Agreement shall inure to the benefit of and be binding upon the Underwriters, the Company and the Selling Shareholders and their respective successors. No purchaser of Shares from any Underwriter shall be deemed to be a successor by reason merely of such purchase. Nothing expressed or mentioned in this Agreement is intended or shall be construed to give any individual or entity, other than the Underwriters, the Company and the Selling Shareholders and their respective successors, and the controlling persons, affiliates, officers and directors referred to in Section 9 and their heirs and legal representatives, any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision herein contained. This Agreement is intended to be for the sole and exclusive benefit of the Underwriters, the Company and the Selling Shareholders and their respective successors, and said controlling persons, affiliates, officers and directors and their heirs and legal representatives, and for the benefit of no one else.

15. *Entire Agreement*. This Agreement evidences the entire agreement between the Company and the Selling Shareholders, on the one hand, and the Underwriters, on the other hand, with respect to the preparation of the Registration Statement, any Preliminary Prospectus, the Time of Sale Prospectus, the Prospectus, the conduct of the Offering and the purchase and sale of the Shares. Any prior agreement among some or all of the parties to this Agreement is superseded by this Agreement to the extent it is inconsistent with this Agreement.

16. *No Advisory or Fiduciary Relationship*. The Company and the Selling Shareholders acknowledge that in connection with the Offering: (i) the Underwriters have acted at arm's length, as principals, are not agents or advisors of and owe no fiduciary duties to the Company, any of its subsidiaries, any Selling Shareholder, any other shareholder or any affiliate, creditor or employee of the Company (irrespective of whether an Underwriter has advised or is currently advising the Company or any other such individual or entity on other matters); (ii) the Underwriters owe the Company and the Selling Shareholders only those duties and obligations set forth in this Agreement; (iii) the Underwriters may have interests that differ from those of the Company and the Selling Shareholders; and (iv) the Underwriters have not provided any legal, accounting, regulatory or tax advice with respect to the Offering and the Company, and each of the Selling Shareholders has consulted its, her or his respective legal, accounting, regulatory and tax advisors to the extent that it, she or he deemed appropriate. Each of the Company and the Selling Shareholders waives, to the full extent permitted by applicable law, any claims it may have against the Underwriters arising from an alleged breach of fiduciary duty in connection with the Offering.

17. *Partial Unenforceability*. The invalidity or unenforceability of any Section, subsection, paragraph, clause or other provision of this Agreement shall not affect the validity or enforceability of any other Section, subsection, paragraph, clause or other provision hereof. If any Section, subsection, paragraph, clause or other provision of this Agreement is for any reason determined to be invalid or unenforceable, then there shall be deemed to be made such minor changes (and only such minor changes) as are necessary to make the remainder of this Agreement valid and enforceable.

18. *Counterparts*. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. A facsimile signature shall, for all purposes, have the same force and legal effect as an original signature on this Agreement.

19. *TRIAL BY JURY*. THE COMPANY (ON ITS BEHALF AND, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ON BEHALF OF ITS SUBSIDIARIES, SHAREHOLDERS AND AFFILIATES), EACH OF THE SELLING SHAREHOLDERS AND EACH OF THE UNDERWRITERS HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING

TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

20. *GOVERNING LAW*. THIS AGREEMENT AND ANY CLAIM, CONTROVERSY OR DISPUTE ARISING UNDER OR RELATED TO THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF ILLINOIS WITHOUT REGARD TO ITS CHOICE OF LAW PROVISIONS.

21. *TIME*. TIME SHALL BE OF THE ESSENCE OF THIS AGREEMENT. EXCEPT AS OTHERWISE SET FORTH HEREIN, SPECIFIED TIMES OF DAY REFER TO CHICAGO TIME.

22. *Headings*. The headings of the sections of this Agreement have been inserted for convenience of reference only and shall not be deemed a part of this Agreement.

23. *Notices.* All communications hereunder shall be in writing and effective only upon receipt shall be delivered, mailed or sent to the parties as follows:

(a) If to the Underwriters, to:

Christopher J. Sciortino
Robert W. Baird & Co. Incorporated
227 West Monroe Street
Suite 2100
Chicago, IL 60606
Fax: (312) 609-4949

(with a copy to)

Legal Department
Robert W. Baird & Co. Incorporated
777 East Wisconsin Avenue
Milwaukee, Wisconsin 53202
Fax: (414) 298-7800

(with a copy, which shall not constitute notice, to)

Patrick Daugherty
Foley & Lardner LLP
321 N. Clark Street
Chicago, IL 60654-5313
Fax: (312) 832-4700

(b) If to the Company, to:

Michael C. Ray
Chief Executive Officer
Vera Bradley, Inc.
2208 Production Road
Fort Wayne, IN 46808
Fax: (800) 975-8372

(with a copy, which shall not constitute notice, to)

Steven J. Gavin
Winston & Strawn LLP
35 West Wacker Drive
Chicago, IL 60601
Fax: (312) 558-5700

(c) If to the Selling Shareholders (other than The Chicago Community Foundation), to each of them by name at:

Vera Bradley, Inc.
2208 Production Road
Fort Wayne, IN 46808
Fax: (800) 975-8372

(with a copy, which shall not constitute notice, to)

Steven J. Gavin
Winston & Strawn LLP
35 West Wacker Drive
Chicago, IL 60601
Fax: (312) 558-5700

(d) If to The Chicago Community Foundation as a Selling Shareholder, to it by name at:

The Chicago Community Foundation
111 East Wacker Drive, Suite 1400
Chicago, IL 60601
Attention: Treasurer
Fax: (312) 616-7955

(with a copy, which shall not constitute notice, to)

David A. Schuette
Mayer Brown LLP
71 South Wacker Drive
Chicago, IL 60606
Fax: (312) 701-7711

Very truly yours,

VERA BRADLEY, INC.

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

The Selling Shareholders named in Schedule I hereto, acting severally

By: /s/ Jeffrey A. Blade
Jeffrey A. Blade
Attorney-in-Fact

Accepted as of the date hereof:

ROBERT W. BAIRD & CO. INCORPORATED
PIPER JAFFRAY & CO.

By: Robert W. Baird & Co. Incorporated
Acting on behalf of the Representatives
and the other several Underwriters
named in Schedule II hereto

By: /s/ Gary R. Placek
Name: Gary R. Placek
Title: Director

SCHEDULE I

Selling Shareholder	Number of Firm Shares To Be Sold	Number of Additional Shares To Be Sold
Barbara B. Baekgaard 2009 Grantor Retained Annuity Trust	2,289,000	343,350
Michael C. Ray	86,700	13,005
C. Roddy Mann	2,600	390
Jill A. Nichols	360,000	54,000
David O. Thompson	4,100	615
David R. Traylor	16,000	2,400
Matthew C. Wojewuczki	5,560	834
Patricia R. Miller	650,484	97,572
Patricia R. Miller 2007 Annuity Trust	927,525	139,129
Patricia R. Miller 2009 Annuity Trust	947,826	142,174
The Chicago Community Foundation	494,730	74,210
Kimberly F. Colby	255,000	38,250
Total:	6,039,525	905,929

SCHEDULE II

Underwriter	Number of Firm Shares To Be Purchased	Number of Additional Shares To Be Purchased
Robert W. Baird & Co. Incorporated	3,019,762	452,965
Piper Jaffray & Co.	1,449,486	217,423
Wells Fargo Securities, LLC	724,743	108,711
KeyBanc Capital Markets Inc.	422,767	63,415
Lazard Capital Markets LLC	422,767	63,415
Total:	6,039,525	905,929

SCHEDULE III

Time of Sale Prospectus

1. Preliminary Prospectus dated April 8, 2011
2. Bona fide electronic road show as defined in Rule 433(h)(5) under the Securities Act
3. The following orally communicated pricing information:

Number of Firm Shares to be Sold by Selling Shareholders: 6,039,525

Number of Additional Shares to be Sold by Selling Shareholders: 905,929

Offering size (Firm Shares only): $262,719,337

Public offering price per share: $43.50

Underwriting discount per share: $2.066

Proceeds, before expenses, to the Selling Shareholders: $41.434 per share

Proceeds, before expenses, to the Selling Shareholders: $250,241,678 in total

Discount by underwriters to dealers (selling concession): $1.24 per share

Discount by dealers to other brokers and dealers (reallowance): $0.10 per share

Time of Sale: 10:30 p.m. (Central Time)

Closing date: April 19, 2011

SCHEDULE IV

Shareholders, Executive Officers and Directors
Subject to Lock-up Agreements

Barbara B. Baekgaard
Barbara B. Baekgaard 2009 Grantor Retained Annuity Trust
Robert J. Hall
John E. Kyees
Edward M. Schmults
Patricia R. Miller
Patricia R. Miller 2007 Annuity Trust
Miller 2007 Dynasty Trust
Patricia R. Miller 2009 Annuity Trust
P. Michael Miller
Michael C. Ray
Michael Ray 2009 Grantor Retained Annuity Trust
Kimberly F. Colby
Colby Gift Trust
Colby 2009 Annuity Trust
Jill A. Nichols
Jeffrey A. Blade
C. Roddy Mann
Matthew C. Wojewuczki
David O. Thompson
David R. Traylor
The Chicago Community Foundation

SUBSTANCE OF LETTER OF WINSTON & STRAWN LLP TO BE DELIVERED PURSUANT TO SECTION 6(D)

1. The Underwriting Agreement has been duly authorized, executed and delivered by the Company.

2. Neither the execution and delivery by the Company of, nor the performance by the Company of its obligations under, the Underwriting Agreement: (a) violates any judgment, order or decree of any governmental body, regulatory or administrative agency or court having jurisdiction over the Company, known to us and applicable to the Company; (b) violates any Illinois or Federal statute, law, rule or regulation applicable to the Company that in our experience is typically applicable to transactions of the type contemplated by the Underwriting Agreement (except we express no opinion as to any law that might be violated by any misrepresentation or omission or fraudulent act); (c) breaches or results in a default under any contract, agreement or instrument filed as an exhibit to the Registration Statement (collectively, the "Applicable Documents"); or (d) causes the creation of any security interest in or lien upon (other than any security interest or lien granted under, or created by, the Underwriting Agreement) any property of the Company or any of its subsidiaries pursuant to any of the Applicable Documents. We express no opinion, however, as to whether the execution and delivery of the Underwriting Agreement by the Company, or the performance by the Company of its obligations thereunder, will breach or result in a default under any covenant, restriction or provision with respect to financial ratios or tests or any aspect of the financial condition or results of operations of the Company or any of its subsidiaries.

3. No approval, authorization, consent or order of or filing with any governmental or regulatory body or authority of the United States of America is required for the execution and delivery of the Underwriting Agreement by the Company or the consummation of the transactions under the Underwriting Agreement, except (a) such as may be required by the securities or "blue sky" laws of the various jurisdictions in which the Shares are being offered by the Underwriters and (b) those that have been obtained or made and are in full force and effect.

4. The statements summarizing or describing legal matters or proceedings included in the Registration Statement, the Time of Sale Prospectus and the Prospectus under the captions "Shares Eligible for Future Sale" and "Certain Material U.S. Federal Income Tax Consequences to Non-U.S. Holders," insofar as they purport to constitute a summary of or describe laws referred to therein, fairly summarize such laws in all material respects.

5. To our knowledge, there are no material actions, suits, claims, investigations or proceedings pending or threatened to which the Company or any of its subsidiaries is or would be a party or to which any of their respective properties is

or would be subject that are required to be described in the Registration Statement or the Prospectus and are not so described therein.

6. The Company is not, and, immediately after giving effect to the offering and sale of the Shares and the application of the proceeds thereof as described in the Prospectus, will not be, required to register as an "investment company" as such term is defined in the Investment Company Act of 1940, as amended.

7. To our knowledge, there are no contracts or documents that are required by law to be described in the Registration Statement or the Prospectus or to be filed as exhibits to the Registration Statement and that have not been so described or filed as required.

8. The Registration Statement, the Time of Sale Prospectus and the Prospectus appear on their face to be appropriately responsive in all material respects to the requirements of the Securities Act and the applicable rules and regulations of the Commission thereunder, except that (a) we express no opinion as to the financial statements, including the notes and schedules thereto, and other financial and statistical data derived therefrom included in the Registration Statement or omitted therefrom and (b) we express no opinion or other assurance as to the accuracy, completeness or fairness of the statements contained in the Registration Statement, the Time of Sale Prospectus and the Prospectus (except to the extent specified in paragraph 4 above and in the paragraph below).

We participated in conferences with representatives of the Company and with representatives of its independent accountants, at which conferences the contents of the Registration Statement, the Time of Sale Prospectus and the Prospectus and any amendment and supplement thereto and related matters were discussed. Although we did not independently verify such information and are not passing upon and do not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Registration Statement, Time of Sale Prospectus or Prospectus (except to the extent specified in paragraph 4 above), on the basis of the foregoing no facts have come to our attention to cause us to believe, nor do we believe, that (1) the Registration Statement (other than the financial statements and related schedules and notes thereto and the other financial and statistical data included therein or omitted therefrom, as to which we express no belief), at the time of its effective date, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (2) the Time of Sale Prospectus (other than the financial statements and related schedules and notes thereto and the other financial and statistical data included therein or omitted therefrom, as to which we express no belief), at the Time of Sale, contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading or (3) the Prospectus (other than the financial statements and related schedules and notes thereto and the other financial and statistical data included therein or omitted therefrom, as to which we express no belief), as of its date and as of the Closing

Date, contained or contains any untrue statement of a material fact or omitted or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

EXHIBIT A-2

SUBSTANCE OF LETTER OF ICE MILLER LLP TO BE DELIVERED PURSUANT TO SECTION 6(E)

(i) The Company is a corporation duly incorporated and validly existing under the laws of the State of Indiana, for which the most recent required biennial report has been filed with the Secretary of State and no Articles of Dissolution with respect thereto appear as filed in the Secretary of State's records;

(ii) The Company has all requisite corporate power and corporate authority under Indiana law to own its property and to conduct its business as described in the Time of Sale Prospectus;

(iii) Either the Company or a subsidiary of the Company is qualified, in good standing and authorized to transact business as a foreign corporation in the states of Alabama, Arizona, California, Colorado, Connecticut, Delaware, Florida, Georgia, Hawaii, Illinois, Indiana, Kansas, Maryland, Massachusetts, Michigan, New Jersey, New York, North Carolina, Ohio, Rhode Island, Tennessee, Texas, Virginia, Washington and Wisconsin;

(iv) The total number of shares of capital stock that the Company has the authority to issue is 205,000,000, of which 200,000,000 are designated as common stock and 5,000,000 are designated as preferred stock. All of the outstanding shares of common stock of the Company have been duly authorized and validly issued and are fully paid and non-assessable, and none of them were issued in violation of any preemptive or similar rights under Indiana law or the Company's Articles of Incorporation or Bylaws or, to our knowledge, any agreement or instrument to which the Company is a party;

(v) The issued and outstanding capital stock of the Company immediately prior to the Offering is as stated in the "Principal and Selling Shareholders" section of the Registration Statement, the Time of Sale Prospectus and the Prospectus;

(vi) The execution and delivery by the Company of the Underwriting Agreement and the performance by the Company of its obligations thereunder will not conflict with or violate or result in a breach of any of the provisions of, or constitute a default under, or result in the creation or imposition of a lien, charge or encumbrance upon any of the properties or assets of the Company pursuant to, any material contract or agreement to which the Company is a party or by which any of its properties is bound. For the purposes of this opinion, "material contract or agreement" means any of the agreements filed by the Company as exhibits to the Registration Statement;

(vii) The execution and delivery by the Company of the Underwriting Agreement do not and the performance by the Company of its obligations

thereunder will not (a) violate any provision of the Articles of Incorporation or Bylaws of the Company, (b) conflict with or violate any judgment, order, writ, injunction or decree known to us that is binding on the, or (c) conflict with or violate any law, rule or regulation of the State of Indiana, presently in effect, which is binding on the Company. The opinion expressed in clause (c) is limited to those laws, rules and regulations that a lawyer exercising customary professional diligence in like transactions would reasonably recognize as being applicable to the Company and the transactions contemplated by the Underwriting Agreement;

(viii) The consummation by the Company of the transactions contemplated by the Underwriting Agreement will not require the Company to obtain the consent or approval of or authorization by, or to make any registration or filing with, any governmental authority or regulatory body of the State of Indiana except (a) any approvals and actions that already have been obtained or taken and (b) those necessary for compliance with Indiana state securities laws; provided, however, that this opinion is exclusive of filings associated with Indiana income tax laws, to the extent required in the Underwriting Agreement, as to which we express no opinion; and

(ix) The statements summarizing or describing legal matters or the Articles of Incorporation or Bylaws of the Company included in the Registration Statement, the Time of Sale Prospectus and the Prospectus under the captions “Risk Factors – Risks Related to the Securities Markets and Ownership of our Common Stock”, “Management – Limitation of Liability and Indemnification of Officers and Directors”, “Certain Relationships and Related Party Transactions – Indemnification Agreements and Directors and Officers Liability Insurance” and “Description of Capital Stock”, insofar as they purport to constitute a summary or describe certain provisions of Indiana law or the Articles of Incorporation or Bylaws of the Company, are accurate in all material respects.

EXHIBIT B

SUBSTANCE OF LETTER OF COUNSEL FOR THE SELLING SHAREHOLDERS TO BE DELIVERED PURSUANT TO SECTION 6(F)

1. The Underwriting Agreement has been duly authorized, executed and delivered by or on behalf of the Selling Shareholders.

2. The execution and delivery of the Underwriting Agreement and the Custody Agreement and the Power of Attorney of each Selling Shareholder (collectively, the "Transaction Documents") and the performance by the Selling Shareholders of their obligations under the Transaction Documents (including, without limitation, the sale of the Selling Shareholders' Shares by the Selling Shareholders pursuant to the Underwriting Agreement) will not, with respect to each Selling Shareholder: (a) violate any judgment, order or decree applicable to such Selling Shareholder and known to us; (b) violate any Illinois or Federal statute, law, rule or regulation applicable to such Selling Shareholder that in our experience is typically applicable to transactions of the type contemplated by the Transaction Documents (except we express no opinion as to any law that might be violated by any misrepresentation or omission or fraudulent act); (c) violate any provision of the charter or bylaws (or other organizational documents) as currently in effect of such Selling Shareholder, if the Selling Shareholder is other than a natural person; or (d) breach or result in a default under any contract, agreement, obligation, covenant or instrument to which such Selling Shareholder (or any of her, his or its assets) is subject or bound and has been identified to us by such Selling Shareholder in the attached Certificate, except, in the case of this clause (d), for such breaches or defaults that would not reasonably be expected to impair in any material respect the consummation of such Selling Shareholder's obligations under the Transaction Documents; and no consent, approval, authorization or order of, or qualification with, any Illinois or Federal governmental body or agency is required for the performance by such Selling Shareholder of her, his or its obligations under the Transaction Documents, except such as (i) may be required by the securities or "blue sky" laws of the various jurisdictions in connection with the offer and sale of the Shares or (ii) may have previously been made or obtained.

3. The Custody Agreement and the Power of Attorney of each Selling Shareholder have been duly authorized, executed and delivered by such Selling Shareholder and constitute valid and binding agreements of such Selling Shareholder in accordance with their terms; and

4. Upon payment for the Selling Shareholders' Shares pursuant to the Underwriting Agreement, delivery of such Shares, as directed by the Underwriters, to Cede or such other nominee as may be designated by DTC, registration of such Shares in the name of Cede or such other nominee and the crediting of such Shares on the books of DTC to securities accounts of the Underwriters (assuming that neither DTC nor any such Underwriter has notice of any "adverse claim" within the meaning of Section 8-102 of the Uniform Commercial Code in effect in the State of

New York (the "UCC") to such Shares), (A) DTC shall be a "protected purchaser" of such Shares within the meaning of Section 8-303 of the UCC, (B) under Section 8-501 of the UCC, the Underwriters will acquire a valid security entitlement in respect of such Shares, and (C) no action based on any "adverse claim" (within the meaning of Section 8-102 of the UCC) to such Shares may be asserted against the Underwriters with respect to such security entitlement; in giving this opinion, such counsel may assume that, when such payment, delivery and crediting occur, (w) the Selling Shareholders' Shares will have been registered in the name of Cede or another nominee designated by DTC, in each case on the Company's share registry in accordance with its charter, bylaws and applicable law, (x) DTC will be registered as a "clearing corporation" within the meaning of Section 8-102 of the UCC, (y) appropriate entries to the accounts of the several Underwriters on the records of DTC will have been made pursuant to the UCC and (z) DTC's jurisdiction for purposes of Section 8-110 of the UCC is the State of New York.

EXHIBIT D

LOCK-UP AGREEMENT

_____, 2011

ROBERT W. BAIRD & CO. INCORPORATED
PIPER JAFFRAY & CO.
c/o Robert W. Baird & Co. Incorporated
777 East Wisconsin Avenue
Milwaukee, Wisconsin 53202

Ladies and Gentlemen:

The undersigned understands that Robert W. Baird & Co. Incorporated ("**Baird**") and Piper Jaffray & Co. (together, the "**Representatives**") propose to enter into an Underwriting Agreement (the "**Underwriting Agreement**") with Vera Bradley, Inc., an Indiana corporation (the "**Company**"), providing for the public offering (the "**Public Offering**") by the several Underwriters (the "**Underwriters**"), including the Representatives, of certain shares (the "**Shares**") of common stock, without par value, of the Company (the "**Common Stock**") pursuant to a Registration Statement on Form S-1 (the "**Registration Statement**") filed with the Securities and Exchange Commission (the "**Commission**").

To induce the Underwriters that may participate in the Public Offering to continue their efforts in connection with the Public Offering, the undersigned hereby agrees that, without the prior written consent of Baird on behalf of the Underwriters, it will not, during the period commencing on the date hereof and ending 90 days after the date of the final prospectus relating to the Public Offering (the "**Restricted Period**"), (1) offer, sell, pledge, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock, (2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Common Stock, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise, or (3) publicly announce an intention to effect any transaction specified in clause (1) or (2). The foregoing sentence shall not apply to (a) transactions relating to shares of Common Stock or other securities acquired in open market transactions after the completion of the Public Offering, provided that no filing under Section 16(a) of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), shall be required or shall be voluntarily made in connection with subsequent sales of Common Stock or other securities acquired in such open market transactions, (b) transfers or distributions of shares of Common Stock or any security convertible into or exercisable or exchangeable for Common Stock to any trust, partnership, limited liability company or other entity for the direct or indirect

benefit of the undersigned or the immediate family of the undersigned (and, for purposes of this agreement, "**immediate family**" shall consist of any natural person related by blood, marriage or adoption, but not more remote than first cousin), (c) transfers of shares of Common Stock or any security convertible into or exercisable or exchangeable for Common Stock as a *bona fide* gift, (d) transfers by will or intestate succession to the undersigned's family or to a trust, the beneficiaries of which are exclusively the undersigned or members of the undersigned's family, (e) transfers, if the undersigned is not a natural person, to any partners, members or shareholders of the undersigned or to any entity that is directly or indirectly controlled by, or is under common control with, the undersigned; (f) transfers, if the undersigned is not a natural person, to any corporation or other entity that directly or indirectly owns the entire equity interest in the undersigned (the "**Parent Entity**") or to any direct or indirect wholly-owned subsidiary of the Parent Entity, (g) transfers, if the undersigned is not a natural person, to any investment fund or other entity controlled or managed by the undersigned, (h) transfers to the Company; or (i) exercises of options to purchase Common Stock granted by the Company, previously disclosed to the Representatives and outstanding on the date hereof; provided that, in the case of any transfer pursuant to clause (b), (c), (d), (e), (f) or (g), (1) each transferee shall sign and deliver a Lock-Up Agreement substantially in the form of this agreement and (2) no filing under Section 16(a) of the Exchange Act, reporting a reduction in beneficial ownership of shares of Common Stock, shall be required or shall be voluntarily made during the Restricted Period. In addition, the undersigned agrees that, without the prior written consent of Baird on behalf of the Underwriters, it will not, during the Restricted Period, make any demand for or exercise any right with respect to the registration of any shares of Common Stock or any security convertible into or exercisable or exchangeable for Common Stock. The undersigned also agrees and consents to the entry of stop-transfer instructions with the Company's transfer agent and registrar against the transfer of the undersigned's shares of Common Stock except in compliance with the foregoing restrictions.

Notwithstanding anything to the contrary herein, the undersigned shall be permitted to establish a contract, instruction or plan that complies with the requirements of Rule 10b5-1(c)(1) under the Exchange Act (a "**10b5-1 Plan**") at any time during the Restricted Period; provided that, prior to the expiration of the Restricted Period, (i) the undersigned shall not transfer any of the Common Stock or other securities convertible into Common Stock under such 10b5-1 Plan and (ii) no public announcement or disclosure of entry into such 10b5-1 Plan is made or required to be made, including any filing with the Commission under Section 13 or Section 16 of the Exchange Act.

Notwithstanding the foregoing paragraph, the undersigned may, if the undersigned is a Selling Shareholder (as such term is defined in the Underwriting Agreement), transfer shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock to the Underwriters in the Public Offering.

If:

(1) during the last 17 days of the Restricted Period the Company issues an earnings release or announces material news or a material event relating to the Company occurs; or

(2) prior to the expiration of the Restricted Period, the Company announces that it will release earnings results during the 16-day period beginning on the last day of the Restricted Period;

then the restrictions imposed by this agreement shall continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the announcement of the material news or the occurrence of the material event, unless waived by Baird.

The undersigned acknowledges that notice of any extension of the Restricted Period will be provided by the Company, with a copy to Baird, by no later than the last day of the Restricted Period. In the absence of notice by the Company of such extension, the restrictions imposed by this agreement shall be deemed to have expired.

In addition, the undersigned hereby waives any and all notice requirements and other rights with respect to the registration of any securities pursuant to any agreement, instrument, understanding or otherwise, including any registration rights agreement or similar agreement, to which the undersigned is a party or under which the undersigned is entitled to any right or benefit, provided that such waiver shall apply only to the Public Offering.

The undersigned understands that the Company and the Underwriters are relying upon this agreement in proceeding toward consummation of the Public Offering. The undersigned hereby represents and warrants that the undersigned has full power and authority to enter into this Agreement. The undersigned further understands that this agreement is irrevocable and shall be binding upon the undersigned's heirs, legal representatives, successors and assigns, provided that this agreement shall automatically terminate and be of no further effect if (i) the Public Offering shall not be consummated on or before September 30, 2011, (ii) the Company shall withdraw the Registration Statement on Form S-1 pursuant to which the Common Stock is to be registered or all of the Common Stock covered by such Registration Statement when it is declared effective by the Commission shall be deregistered, (iii) for any reason the Underwriting Agreement shall be terminated before the closing of the Public Offering or (iv) before the execution and delivery of the Underwriting Agreement, the Company shall notify the undersigned and Baird that it will not be proceeding with the Public Offering.

Whether or not the Public Offering actually occurs depends on a number of factors, including market conditions. Any Public Offering shall be made only pursuant to the Underwriting Agreement, the terms of which are subject to negotiation between the Company and the Underwriters.

Very truly yours,

_____

(Signature)

_____

(Printed Name)

_____

(Capacity)

(Indicate capacity if person signing is signing as custodian or trustee on behalf of an entity)

_____

(Address)

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)) 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) 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

   (c) 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 14, 2011

/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, Jeffrey A. Blade, 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)) 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) 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

   (c) 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 14, 2011

/s/ Jeffrey A. Blade
Jeffrey A. Blade
Executive Vice President—Chief Financial and Administrative 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 April 30, 2011 (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 14, 2011
Date

I, Jeffrey A. Blade, the Executive Vice President—Chief Financial and Administrative Officer of Vera Bradley, Inc., certify that (i) the quarterly report on Form 10-Q for the fiscal quarter ended April 30, 2011 (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/ Jeffrey A. Blade
Jeffrey A. Blade
Executive Vice President—Chief Financial and Administrative Officer

June 14, 2011
Date