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 28, 2012

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 40,531,975 shares of its common stock outstanding as of June 1, 2012.

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FORWARD-LOOKING STATEMENTS

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

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

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

For a discussion of these risks and other risks and uncertainties that could cause actual results to differ materially from those contained in our forward-looking statements, please refer to “Risk Factors” in Item 1A of our Annual Report on Form 10-K for the fiscal year ended January 28, 2012.

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 28, 2012	January 28, 2012
Assets		
Current assets:		
Cash and cash equivalents	$ 6,022	$ 4,922
Accounts receivable, net	36,109	38,097
Inventories	98,231	106,967
Prepaid expenses and other current assets	8,447	8,343
Deferred income taxes	8,203	8,010
Total current assets	157,012	166,339
Property, plant, and equipment, net of accumulated depreciation of $44,125 and $41,872, respectively	61,535	52,312
Other assets	766	862
Total assets	$219,313	$219,513
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 31,195	$ 27,276
Accrued employment costs	8,047	15,738
Other accrued liabilities	16,613	15,297
Income taxes payable	7,374	1,705
Current portion of long-term debt	90	89
Total current liabilities	63,319	60,105
Long-term debt	7,322	25,095
Deferred income taxes	4,243	4,205
Other long-term liabilities	7,619	6,101
Total liabilities	82,503	95,506
Commitments and contingencies		
Shareholders' equity:		
Preferred stock; 5,000,000 shares authorized, no shares issued or outstanding	—	—
Common stock, without par value; 200,000,000 shares authorized, 40,531,975 and 40,506,670 shares issued and outstanding, respectively	—	—
Additional paid-in-capital	73,950	73,590
Retained earnings	62,946	50,320
Accumulated other comprehensive (loss) income	(86)	97
Total shareholders' equity	136,810	124,007
Total liabilities and shareholders' equity	$219,313	$219,513

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 28, 2012	April 30, 2011
Net revenues	$ 117,201	$ 101,390
Cost of sales	51,899	44,946
Gross profit	65,302	56,444
Selling, general, and administrative expenses	47,191	39,989
Other income	2,699	2,605
Operating income	20,810	19,060
Interest expense, net	191	316
Income before income taxes	20,619	18,744
Income tax expense	7,993	7,520
Net income	$ 12,626	$ 11,224
Basic weighted-average shares outstanding	40,515,261	40,506,670
Diluted weighted-average shares outstanding	40,547,015	40,532,169
Basic earnings per share	$ 0.31	$ 0.28
Diluted earnings per share	0.31	0.28

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

Vera Bradley, Inc.
Consolidated Statements of Comprehensive Income

($ in thousands)

(unaudited)

	Thirteen Weeks Ended	
	April 28, 2012	April 30, 2011
Net income	$12,626	$ 11,224
Cumulative translation adjustment	(183)	—
Comprehensive income	$12,443	$ 11,224

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 28, 2012	April 30, 2011
Cash flows from operating activities		
Net income	$ 12,626	$ 11,224
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation of property, plant, and equipment	2,268	2,110
Provision for doubtful accounts	195	41
Loss on disposal of property, plant, and equipment	21	—
Stock-based compensation	625	220
Deferred income taxes	(155)	(133)
Changes in assets and liabilities:		
Accounts receivable	1,793	(1,208)
Inventories	8,587	(5,196)
Other assets	(8)	(109)
Accounts payable	3,919	(74)
Income taxes payable	5,669	(2,602)
Accrued and other liabilities	(4,857)	(6,284)
Net cash provided by (used in) operating activities	30,683	(2,011)
Cash flows from investing activities		
Purchases of property, plant, and equipment	(11,512)	(2,680)
Net cash used in investing activities	(11,512)	(2,680)
Cash flows from financing activities		
Payments on financial-institution debt	(32,750)	(10,000)
Borrowings on financial-institution debt	15,000	5,000
Payments on vendor-financed debt	(22)	(20)
Tax withholdings for equity compensation	(265)	—
Other	—	76
Net cash used in financing activities	(18,037)	(4,944)
Effect of exchange rate changes on cash and cash equivalents	(34)	—
Net increase (decrease) in cash and cash equivalents	1,100	(9,635)
Cash and cash equivalents, beginning of period	4,922	13,953
Cash and cash equivalents, end of period	$ 6,022	$ 4,318

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 Designs, Inc. is 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, Inc. and its subsidiaries, including Vera Bradley Designs, Inc.

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: Direct and Indirect. The Direct business consists of sales of Vera Bradley products through the Company's full-price and outlet stores in the United States, pop-up stores and permanent shop-in-shops in Japan, its websites, verabradley.com and verabradley.co.jp, and its annual outlet sale in Fort Wayne, Indiana. As of April 28, 2012, the Company operated 53 full-price stores and nine outlet stores. The Indirect business consists of sales of Vera Bradley products to approximately 3,300 specialty retailers, select national retailers, and independent e-commerce retailers.

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 28, 2012, 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 28, 2012, 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 28, 2012, and April 30, 2011, refer to the thirteen-week periods ended on those dates.

Recently Issued Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2011-05, C*omprehensive Income – Presentation of Comprehensive Income*. This guidance eliminates the option to present the components of other comprehensive income as part of the Statement of Shareholders' Equity. Instead, the Company must report comprehensive income in either a single continuous statement of comprehensive income which contains two sections, net income and other comprehensive income, or in two separate but consecutive statements. While the new guidance changes the presentation of comprehensive income, there are no changes to the components that are recognized in net income or other comprehensive income under current accounting guidance. The guidance is effective for fiscal years beginning after December 15, 2011. In accordance with this guidance, we have presented two separate but consecutive statements which include the components of net income and other comprehensive income.

In May 2011, FASB issued ASU 2011-04, *Fair Value Measurement – Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS*. The guidance requires additional disclosures, including disclosures related to the measurement of level 3 assets. The guidance is effective for interim and annual periods beginning after December 15, 2011 and is applied prospectively. The adoption of this pronouncement did not have a material impact on our consolidated financial statements.

2. Earnings Per Share

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

	Thirteen Weeks Ended	
	April 28, 2012	April 30, 2011
Numerator:		
Net income	$ 12,626	$ 11,224
Denominator:		
Weighted-average number of common shares (basic)	40,515,261	40,506,670
Dilutive effect of stock-based awards	31,754	25,499
Weighted-average number of common shares (diluted)	40,547,015	40,532,169
Earnings per share:		
Basic	$ 0.31	$ 0.28
Diluted	$ 0.31	$ 0.28

As of April 28, 2012 there was an aggregate of 12,598 additional shares issuable upon the vesting of restricted stock units that were excluded from the diluted share calculations because they are anti-dilutive. As of April 30, 2011 there were no additional shares issuable upon the vesting of restricted stock units that were excluded from the diluted share calculations.

3. Fair Value of Financial Instruments

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

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly.
- Level 3 – Unobservable inputs based on the Company’s own assumptions. The classification of fair value measurements within the hierarchy is based upon the lowest level of input that is significant to the measurement.

The carrying amounts reflected on the Consolidated Balance Sheet for cash and cash equivalents, receivables, and payables approximate fair value at April 28, 2012, because of their short-term nature.

The carrying amount for the revolving credit facility borrowings approximates fair value at April 28, 2012 as their interest rates fluctuate with the market.

4. Inventories

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

	April 28, 2012	January 28, 2012
Raw materials	$17,219	$ 10,748
Work in process	723	692
Finished goods	80,289	95,527
Total inventories	$98,231	$ 106,967

5. Long-Term Debt

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

	April 28, 2012	January 28, 2012
Financial-institution debt	$ 7,250	$ 25,000
Other borrowings	162	184
	7,412	25,184
Less: Current maturities	90	89
	$ 7,322	$ 25,095

At April 28, 2012, the interest rate on outstanding borrowings under the Company's $125.0 million amended and restated credit agreement was 1.30%, and the Company had borrowing availability of $117.7 million under the agreement.

6. Income Taxes

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

The effective tax rate for the thirteen weeks ended April 28, 2012, was 38.8%, compared to 40.1% for the thirteen weeks ended April 30, 2011. The decrease in the effective tax rate was primarily due to the non-deductibility of expenses related to a secondary offering of the Company's common stock by certain shareholders in April 2011. 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.

7. Stock-Based Compensation

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

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

Awards of Restricted Stock Units

During the thirteen weeks ended April 28, 2012, the Company granted a total of 174,354 time-based and performance-based restricted stock units with an aggregate fair value of $5.2 million to certain employees and non-employee directors under the 2010 Equity and Incentive Plan. During the thirteen weeks ended April 30, 2011, the Company granted a total of 106,889 time-based 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. The Company determined the fair value of the awards based on the closing price of the Company's common stock on the grant date.

The time-based restricted stock units vest and settle in shares of the Company's common stock, on a one-for-one basis, in equal installments on each of the first three anniversaries of the grant date. The Company is recognizing the expense relating to these awards, net of estimated forfeitures, on a straight-line basis over three years.

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

The following table sets forth a summary of restricted stock unit activity for the period ended April 28, 2012:

	Time-based Restricted Stock Units		Performance-based Restricted Stock Units	
	Number of Units	Weighted-Average Grant Date Fair Value (per unit)	Number of Units	Weighted-Average Grant Date Fair Value (per unit)
Nonvested units outstanding at January 28, 2012	160,463	$ 33.49	—	$ —
Granted	88,274	30.15	86,080	29.62
Vested	(34,155)	41.35	—	—
Forfeited	(1,693)	23.76	—	—
Nonvested units outstanding at April 28, 2012	212,889	$ 30.92	86,080	$ 29.62

8. Commitments and Contingencies

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

9. Segment Reporting

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

The Direct segment includes the Company's full-price and outlet stores in the United States, pop-up stores and permanent shop-in-shops in Japan, 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. The Indirect segment represents activity driven by revenues generated through the distribution of Company-branded products to approximately 3,300 specialty retailers, select national retailers, and independent e-commerce retailers.

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.

The chief operating decision maker 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: Direct and Indirect (in thousands):

	Thirteen Weeks Ended	
	April 28, 2012	April 30, 2011
Segment net revenues:		
Direct	$ 59,225	$ 44,141
Indirect	57,976	57,249
Total	$117,201	$101,390
Segment operating income:		
Direct	$ 15,379	$ 12,360
Indirect	22,438	21,739
Total	$ 37,817	$ 34,099
Reconciliation:		
Segment operating income	$ 37,817	$ 34,099
Less:		
Unallocated corporate expenses	(17,007)	(15,039)
Operating income	$ 20,810	$ 19,060

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 28, 2012, and April 30, 2011. The following discussion should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended January 28, 2012, 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 30-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: Direct and Indirect. As of April 28, 2012, our Direct business consisted of sales of Vera Bradley products through our full-price and outlet stores in the United States, pop-up stores and permanent shop-in-shops in Japan, our websites, verabradley.com and verabradley.co.jp, and our annual outlet sale in Fort Wayne, Indiana. In the United States we operated 53 full-price and nine outlet stores as of April 28, 2012, compared to 38 full-price stores and five outlet stores as of April 30, 2011. As of April 28, 2012, our Indirect business consisted of sales of Vera Bradley products to approximately 3,300 specialty retailers, substantially all of which are located in the United States, and to select national retailers and independent e-commerce retailers.

During the thirteen weeks ended April 28, 2012, we continued to experience strong demand for our brand, as reflected in our net revenue growth of 15.6%. In our Direct segment, net revenues increased 34.2%, including an increase of $9.7 million in revenues related to the opening of new stores, a $4.5 million, or 26.1%, increase in e-commerce revenues, and a comparable-store sales increase of 4.3%. In our Indirect segment, net revenues increased 1.3%. Additionally, we achieved operating income of $20.8 million for the thirteen weeks ended April 28, 2012, compared to an operating income of $19.1 million for the thirteen weeks ended April 30, 2011.

How We Assess the Performance of Our Business

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

Net Revenues

Net revenues reflect revenues from the sale of our merchandise and from distribution and shipping and handling fees, less returns and discounts. Revenues for the Direct segment reflect sales through our full-price and outlet stores in the United States, pop-up stores and permanent shop-in-shops in Japan, our websites, verabradley.com and verabradley.co.jp, and our annual outlet sale in Fort Wayne, Indiana. Revenues for the Indirect segment reflect sales to specialty retailers, select national retailers, and independent e-commerce retailers.

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. 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, commodity prices such as cotton, and fluctuations in pricing structures.

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

SG&A expenses include selling; advertising, marketing, and product development; and administrative. Selling expenses include Direct business expenses such as store expenses, employee compensation, and store occupancy and supply costs, as well as Indirect business expenses consisting primarily of employee compensation and other expenses associated with sales to Indirect retailers. Advertising, marketing, and product development expenses include employee compensation, media costs, creative production expenses, marketing agency fees, new product design costs, public relations expenses, and market research expenses. A portion of our advertising expenses may be reimbursed by Indirect retailers, and such amount is classified as other income. Administrative expenses include 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 increase, but typically 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 and the gain on the sale of certain life insurance policies.

Operating Income

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

Income Taxes

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, which is the annual income 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 28, 2012 (unaudited)	April 30, 2011 (unaudited)
Statement of Income Data:		
Net revenues	$117,201	$101,390
Cost of sales	51,899	44,946
Gross profit	65,302	56,444
Selling, general, and administrative expenses	47,191	39,989
Other income	2,699	2,605
Operating income	20,810	19,060
Interest expense, net	191	316
Income before income taxes	20,619	18,744
Income tax expense	7,993	7,520
Net income	$ 12,626	$ 11,224
Percentage of Net Revenues:		
Net revenues	100.0%	100.0%
Cost of sales	44.3%	44.3%
Gross profit	55.7%	55.7%
Selling, general, and administrative expenses	40.3%	39.4%
Other income	2.3%	2.6%
Operating income	17.8%	18.8%
Interest expense, net	0.2%	0.3%
Income before income taxes	17.6%	18.5%
Income tax expense	6.8%	7.4%
Net income	10.8%	11.1%

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 28, 2012 (unaudited)	April 30, 2011 (unaudited)
Net Revenues by Segment:		
Direct	$ 59,225	$ 44,141
Indirect	57,976	57,249
Total	$117,201	$101,390

	Thirteen Weeks Ended	
	April 28, 2012 (unaudited)	April 30, 2011 (unaudited)
Percentage of Net Revenues by Segment:		
Direct	50.5%	43.5%
Indirect	49.5%	56.5%
Total	100.0%	100.0%
Store Data(1):		
Total stores open at end of period	62	43
Comparable-store sales increase (2)	4.3%	22.1%
Total gross square footage at end of period	126,655	82,728
Average net revenues per gross square foot (3)	$ 216	$ 189

(1) Includes only our full-price and outlet stores. Our first full-price store opened in mid-September 2007 and our first outlet store opened in November 2009.

(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 28, 2012, Compared to Thirteen Weeks Ended April 30, 2011

Net Revenues

For the thirteen weeks ended April 28, 2012, net revenues increased $15.8 million, or 15.6%, to $117.2 million, from $101.4 million in the comparable prior-year period.

Direct. For the thirteen weeks ended April 28, 2012, net revenues in the Direct segment increased $15.1 million, or 34.2%, to $59.2 million, from $44.1 million in the comparable prior-year period. This growth resulted from a $9.7 million increase in revenues related to the opening of new stores, a $4.5 million increase in e-commerce revenues due primarily to increased traffic and consistent conversion rates, and a comparable-store sales increase of $0.6 million, or 4.3%. The aggregate number of our full-price and outlet stores grew from 43 at April 30, 2011, to 62 at April 28, 2012.

Indirect. For the thirteen weeks ended April 28, 2012, net revenues in the Indirect segment increased $0.7 million, or 1.3%, to $58.0 million, from $57.2 million in the comparable prior-year period, driven by the strength of our spring and summer product assortment offset in part by underperformance of certain carryover patterns affecting specialty retailers’ ability to reorder.

Gross Profit

For the thirteen weeks ended April 28, 2012, gross profit increased $8.9 million, or 15.7%, to $65.3 million, from $56.4 million in the comparable prior-year period. As a percentage of net revenues, gross profit was 55.7% for both the thirteen weeks ended April 28, 2012, and April 30, 2011. The gross profit for the thirteen weeks ended April 28, 2012, included the effect of higher cotton and labor costs, offset by a favorable channel mix driven by growth in our full-price stores and e-commerce business.

Selling, General and Administrative Expenses (SG&A)

For the thirteen weeks ended April 28, 2012, SG&A expenses increased $7.2 million, or 18.0%, to $47.2 million, from $40.0 million in the comparable prior-year period. As a percentage of net revenues, SG&A expenses were 40.3% and 39.4% for the fiscal quarters ended April 28, 2012, and April 30, 2011, respectively. The increase as a percentage of net revenues in SG&A expenses was due primarily to higher corporate personnel costs to support our growth and higher occupancy costs as a percentage of net revenues due to opening stores earlier in the current year compared to the prior year.

Other Income

For the thirteen weeks ended April 28, 2012, other income increased $0.1 million, or 3.6%, to $2.7 million, from $2.6 million in the comparable prior-year period. The reimbursement of our advertising expenses by our specialty retailers was in line with the comparable prior-year period.

Operating Income

For the thirteen weeks ended April 28, 2012, operating income increased $1.7 million, or 9.2%, to $20.8 million, from $19.1 million in the comparable prior-year period. As a percentage of net revenues, operating income was 17.8% and 18.8% for the thirteen weeks ended April 28, 2012, and April 30, 2011, respectively. This decrease as a percentage of net revenues was primarily due to higher corporate personnel costs to support our growth and higher occupancy costs as a percentage of net revenues due to opening stores earlier in the current year compared to the prior year. The following table presents operating income for our business segments ($ in thousands).

	Thirteen Weeks Ended			
	April 28, 2012	April 30, 2011	$ Change	% Change
Operating Income				
Direct	$ 15,379	$ 12,360	$ 3,019	24.4%
Indirect	22,438	21,739	699	3.2%
Subtotal	$ 37,817	$ 34,099	$ 3,718	10.9%
Less:				
Corporate unallocated	(17,007)	(15,039)	(1,968)	13.1%
Operating income	$ 20,810	$ 19,060	$ 1,750	

Direct. For the thirteen weeks ended April 28, 2012, operating income in the Direct segment increased $3.0 million, or 24.4%. As a percentage of Direct segment net revenues, operating income in the Direct segment was 26.0% and 28.0% for the thirteen weeks ended April 28, 2012, and April 30, 2011, respectively. This decrease as a percentage of net revenues in the Direct segment was due primarily to slightly lower margins in our outlet stores and outlet sale as well as opening stores earlier in the current year compared to the prior year without the associated revenues, increase in store operational expenses resulting from our increased store count.

Indirect. For the thirteen weeks ended April 28, 2012, operating income in the Indirect segment increased $0.7 million, or 3.2%. As a percentage of Indirect segment net revenues, operating income in the Indirect segment was 38.7% and 38.0% for the thirteen weeks ended April 28, 2012, and April 30, 2011, respectively. This increase as a percentage of net revenues in the Indirect segment resulted primarily from sales-driven leverage of SG&A.

Corporate Unallocated. For the thirteen weeks ended April 28, 2012, unallocated expenses increased $2.0 million, or 13.1%, primarily as a result of higher corporate personnel costs and professional fees.

Interest Expense, Net

For the thirteen weeks ended April 28, 2012, net interest expense decreased $0.1 million, or 39.7%, to $0.2 million, from $0.3 million in the comparable prior-year period. The decrease of $0.1 million was due primarily to lower average borrowing levels in the thirteen weeks ended April 28, 2012.

Income Tax Expense

The effective tax rate for the thirteen weeks ended April 28, 2012, was 38.8%, compared to 40.1% for the thirteen weeks ended April 30, 2011. The decrease in the effective tax rate was primarily due to the non-deductibility of expenses related to a secondary offering of the Company’s common stock by certain shareholders in April 2011. 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.

Liquidity and Capital Resources

General

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

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

Cash Flow Analysis

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

	Thirteen Weeks Ended	
	April 30, 2012	April 30, 2011
Net cash provided by (used in) operating activities	$ 30,683	$(2,011)
Net cash used in investing activities	(11,512)	(2,680)
Net cash used in financing activities	(18,037)	(4,944)

Net Cash Provided by (Used in) Operating Activities

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

Net cash provided by operating activities for the thirteen weeks ended April 28, 2012 was $30.7 million, compared to net cash used in operating activities of $2.0 million for the thirteen weeks ended April 30, 2011. The $32.7 million increase in cash provided by operating activities was due primarily to increased net cash inflows from operating assets and liabilities driven by a decrease in inventory levels related to the improvements in our supply chain processes and the timing of receipts and an increase in income taxes payable related to the timing of estimated payments.

Net Cash Used in Investing Activities

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

Net cash used in investing activities was $11.5 million and $2.7 million for the thirteen weeks ended April 28, 2012, and April 30, 2011, respectively. The $8.8 million increase in capital expenditures was due primarily to the expansion of the distribution facility and to increased investments in new stores, including the opening of six stores during the thirteen weeks ended April 28, 2012, compared to four stores during the thirteen weeks ended April 30, 2011.

Capital expenditures for fiscal 2013 are expected to be approximately $36.0 million, which includes approximately $19.0 million related to the distribution center expansion.

Net Cash Used in Financing Activities

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

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

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 payments under our amended and restated 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 28, 2012.

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 28, 2012, the interest rate on outstanding borrowings under the credit agreement was 1.30%. The Company had borrowing availability of $117.7 million under the agreement as of April 28, 2012.

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

Off-Balance-Sheet Arrangements

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

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses, as well as the related disclosures of contingent assets and liabilities at the date of the financial statements. A summary of the Company’s significant accounting policies is included in Note 2 to the Company’s consolidated financial statements in the Company’s Annual Report on Form 10-K for the fiscal year ended January 28, 2012.

Certain of the Company’s accounting policies and estimates are considered critical, as these policies and estimates are the most important to the depiction of the Company’s consolidated financial statements and require significant, difficult, or complex judgments, often about the effect of matters that are inherently uncertain. Such policies are summarized in the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the Company’s Annual Report on Form 10-K for the fiscal year ended January 28, 2012. There was no significant change to any of the critical accounting policies and estimates described in the Annual Report.

Recently Issued Accounting Pronouncements

In June 2011, FASB issued ASU 2011-05, C*omprehensive Income – Presentation of Comprehensive Income*. This guidance eliminates the option to present the components of other comprehensive income as part of the Statement of Shareholders' Equity. Instead, the Company must report comprehensive income in either a single continuous statement of comprehensive income which contains two sections, net income and other comprehensive income, or in two separate but consecutive statements. While the new guidance changes the presentation of comprehensive income, there are no changes to the components that are recognized in net income or other comprehensive income under current accounting guidance. The guidance is effective for fiscal years beginning after December 15, 2011. In accordance with this guidance, we have presented two separate but consecutive statements which include the components of net income and other comprehensive income.

In May 2011, FASB issued ASU 2011-04, *Fair Value Measurement – Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS*. The guidance requires additional disclosures, including disclosures related to the measurement of level 3 assets. The guidance is effective for interim and annual periods beginning after December 15, 2011 and is applied prospectively. The adoption of this pronouncement did not have a material impact on our consolidated financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As of April 28, 2012, there was no material change in the market risks described in "Quantitative and Qualitative Disclosures About Market Risks" in the Company's Annual Report on Form 10-K for the fiscal year ended January 28, 2012.

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 28, 2012.

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 set forth in the Company's Annual Report on Form 10-K for the fiscal year ended January 28, 2012.

ITEM 6. EXHIBITS

a. Exhibits

Exhibit No.	Description
10.1	Fiscal 2013 Restricted Stock Unit/Performance Unit Terms and Conditions
10.2	Fiscal 2013 Outside Director Restricted Stock Unit Terms and Conditions
10.3	Fiscal 2013 Annual Incentive Compensation Plan
10.4	Form of Time-Based Award Agreement under the 2010 Equity and Incentive Plan
10.5	Form of Performance-Based Award Agreement under the 2010 Equity and Incentive Plan
10.6	Amendment No. 3 to Amended and Restated Credit Agreement, dated as of June 1, 2012, among Vera Bradley Designs, Inc., JPMorgan Chase Bank N.A. and the lenders party thereto
31.1	CEO Section 302 Certification
31.2	CFO Section 302 Certification
32.1	Section 906 Certifications*
101	The following materials from the Vera Bradley, Inc.'s Quarterly Report on Form 10-Q for the quarter ended April 28, 2012 formatted in Extensible Business Reporting Language (XBRL): (i) Consolidated Statements of Income and Comprehensive Income for the Thirteen Weeks ended April 28, 2012 and April 30, 2011; (ii) Consolidated Balance Sheets at April 28, 2012 and January 28, 2012; (iii) Consolidated Statements of Cash Flows for the Thirteen Weeks Ended April 28, 2012 and April 30, 2011, and (iv) Notes to Consolidated Financial Statements. **

* Furnished, not filed.

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

SIGNATURE

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

Vera Bradley, Inc.
(Registrant)

Date: June 6, 2012

/s/ Jeffrey A. Blade

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

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Exhibit 10.1

Vera Bradley, Inc.
2010 Equity and Incentive Plan

FY13 RESTRICTED STOCK UNIT/PERFORMANCE UNIT TERMS AND CONDITIONS

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

2. Grant and Vesting of Restricted Stock Units.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

9. Securities Law Requirements.

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

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

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

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

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

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

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

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

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

Vera Bradley, Inc.
2010 Equity and Incentive Plan

FISCAL 2013 OUTSIDE DIRECTOR RESTRICTED STOCK UNIT
TERMS AND CONDITIONS

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

2. Grant and Vesting of Restricted Stock Units.

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

(b) Restricted Stock Units will vest on 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 such unvested Restricted Stock Units will be only as provided in Section 4.

3. Rights as a Stockholder.

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

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

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

For purposes hereof, a "Change in Control" shall mean the occurrence of any one or more of the following: (a) the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person or group (within the meaning of the Exchange Act and the rules of the Securities and Exchange Commission as in effect on the date of this Award), other than (i) Barbara Baekgaard, Patricia Miller, 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 clauses 2(b) or Section 4, once a Restricted Stock Unit vests, the Participant will be entitled to receive a Share in its place. Delivery of the Share will be made, including delivery with respect to a Disabled Participant, or to the estate of a deceased Participant, as soon as administratively feasible after its associated Restricted Stock Unit vests. Shares will be credited to an account established for the benefit of the Participant with the Company's administrative agent. The Participant will have full legal and beneficial ownership with respect to the Shares at that time.

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

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

8. Securities Law Requirements.

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

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

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

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

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

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

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

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

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

FY13 Annual Incentive Compensation Plan (Executives)

Plan Overview

Grants under this FY13 Annual Incentive Compensation Plan (Executives) ("Annual Executive Plan") are granted under and governed by the terms and conditions of the Vera Bradley, Inc. 2010 Equity and Incentive Plan (the "2010 Plan"), as amended. Any term capitalized herein but not defined will have the meaning set forth in the 2010 Plan.

The Annual Executive Plan is designed to give the Company's Chief Executive Officer (CEO) and each executive-level employee who reports directly to the CEO (and is identified on Exhibit A attached hereto) an opportunity to share in the Company's success for the fiscal year ending February 2, 2013 (the "Performance Period"). The target incentive opportunity for the Performance Period is based on a percentage of each Participant's Base Salary (as defined herein). Each Participant's incentive opportunity is based on two independent performance measures: net revenue and net income (each making up 50% of corporate performance).

Corporate Performance

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

Net Revenue

Performance	Performance Level*	Payout %
Threshold	90%	50%
Target	100%	100%
Excellence	110%	200%

Net Income

Performance	Performance Level*	Payout %
Threshold	90%	50%
Target	100%	100%
Excellence	110%	200%

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

Incentive Opportunity

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

	Incentive Opportunity* (% of Base Salary**)		
Participant Level	Threshold	Target	Excellence
CEO	30%	60%	120%
Functional Mgmt. 6 (EVPs)	25%	50%	100%

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

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

Putting It All Together — An Example

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

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

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

Actual — The actual performance levels were:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

7. All goal attainment calculations will follow normal rounding guidelines (i.e., 90.1% to 90.49% = 90%; 90.5% to 90.9% = 91%).

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

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

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

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

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

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

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

Exhibit A

Employees Eligible for FY13 Annual Executive Plan

1. Mike Ray
2. Barbara Baekgaard
3. Patricia Miller
4. Charles Mann
5. Kimberly Colby
6. Jill Nichols
7. Matthew Wojewuczki
8. Jeffrey Blade

FORM OF TIME-BASED AWARD AGREEMENT

[Insert XX]

Re: Award Agreement—Grant of <u>Time-Based</u> Restricted Stock Units

Dear ,

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

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

Type of Grant	Discretionary, time-based Restricted Stock Units. This is a one-time, discretionary grant to reward you for your continued contribution to the success of Vera Bradley.
Number of Time-Based RSUs	**[Insert XX]** (See the attached <u>Exhibit A</u> for an explanation regarding the determination of the number of the time-based Restricted Stock Units granted under this Award Agreement).
Date of Grant of Award	**[Insert XX]**
Vesting Schedule of RSUs	The Restricted Stock Units are subject to a 3-year graded vesting schedule, as follows:

Vesting Date*	Number of Restricted Stock Units Vested on Such Date
[Insert XX]	**[Insert 1/3 XX]**
[Insert XX]	**[Insert 1/3 XX]**
[Insert XX]	**[Insert 1/3 XX]**

* The period of time from the date of grant until each separate vesting date is considered the "Restricted Period" with respect to the corresponding portion of the Restricted Stock Units.

Termination of Service	In general, should you separate Service from Vera Bradley prior to vesting, all unvested Restricted Stock Units will be forfeited to the Company. However, the following provisions will apply if, prior to the forfeiture of the Award, you cease providing Services due to death, Disability or Retirement (and provided that you have not otherwise engaged in an act that would constitute Cause):

- Death or Disability: If, prior to full vesting of the Award, you die while employed with the Company or separate from Service due to a Disability, then the number of Restricted Stock Units associated with portion of the Award not yet vested as of the date of death or Disability shall become immediately and fully vested and paid out in Shares of Company stock pursuant to the settlement provisions below. For purposes of this Award Agreement, “Disability” shall have the meaning assigned to such term in the 2010 Plan.

- Retirement: If, prior to full vesting of the Award, you separate from Service with the Company as a result of your Retirement during a Restricted Period, then the portion of the Award that shall be vested as of the date of Retirement, but prorated based on the number of full fiscal months (in which you provided Service throughout such month) during the Restricted Period, with any such Awards becoming fully vested and paid out in Shares of Company stock pursuant to the settlement provisions below. For purposes of this Award Agreement, “Retirement” shall have the meaning assigned to such term in the 2010 Plan.

If your Service with the Company shall terminate during a Restricted Periods for any reason other than death, Disability, or Retirement, all unvested Restricted Stock Units shall be forfeited to the Company.

See the documents listed below for more information.

Change in Control	Notwithstanding anything to the contrary in this Award Agreement, in the event of a consummation of a Change in Control of the Company during a Restricted Period (and provided that you remain continuously employed with the Company until such Change in Control), then the portion of any outstanding Award that is not yet vested as of the date of the Change in Control shall become immediately and fully vested and paid immediately prior to the Change in Control in the form of one Share of Company stock for each vested Restricted Stock Unit (with fractional Shares forfeited). Any accumulated dividends will be paid in cash at the same time the Shares are delivered.

Settlement	Vested Restricted Stock Units will be paid in the form of one Share of Company stock for each vested Restricted Stock Unit. Delivery of the Share will be made after the end of each applicable Restricted Period and not later than the 15th day of the third month following the end of the applicable Restricted Period. Notwithstanding the preceding provisions, in the event of a separation from Service due to death or Disability, delivery of the Shares will be made, including delivery with respect to a Disabled Participant, or to the estate of a deceased Participant, within thirty (30) days after such separation from Service. 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. Any accumulated dividends will be paid in cash at the same time the Shares are delivered.
Withholding Taxes	You acknowledge and agree that the Company shall have the power and the right to deduct or withhold an amount sufficient to satisfy federal, state, and local taxes (including your FICA obligation), domestic or foreign, required by law to be withheld with respect to this Award.

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

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

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

Sincerely,

Jeff Blade

<u>Acknowledgement & Acceptance of Award Agreement and Related Terms</u>

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

"Participant"

Signature:

Printed Name:

Date:

Exhibit A

Explanation of How Awards of Time-Based RSUs Were Determined

Award levels of grants of Time-Based RSUs were determined according to the following charts:

Participant Level	Time-Based RSU Opportunity
CEO	**[Insert XX]**
M6 (EVP)	**[Insert XX]**
M5 and P7 (VP)	**[Insert XX]**
M4 and P6 (Sr. Director)	**[Insert XX]**
M3 and P5 (Director & Key Talent))	**[Insert XX]**

Exhibit 10.5

FORM OF PERFORMANCE-BASED AWARD AGREEMENT

[Insert XX]

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

Dear ,

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

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

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

	Performance Level* for each Tranche		
	Threshold	**Target**	**Excellence**
Performance Level Attainment as % of Target [Insert XX]	**[Insert XX]**	**[Insert XX]**	**[Insert XX]**
Performance Level Attainment as % of Target [Insert XX]	**[Insert XX]**	**[Insert XX]**	**[Insert XX]**
Performance Level Attainment as % of Target [Insert XX]	**[Insert XX]**	**[Insert XX]**	**[Insert XX]**
Payout level for Tranche of Performance RSUs**	**[Insert XX]**	**[Insert XX]**	**[Insert XX]**

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

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

Termination of Service

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

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

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

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

Change in Control

Notwithstanding anything to the contrary in this Award Agreement, in the event of the consummation of a Change in Control of the Company (and provided that you remain continuously employed with the Company until such Change in Control) during the Performance Period, then each Tranche of outstanding Awards shall be treated as earned (i) with respect to Performance Years that have been completed at the time of such Change in Control, such Tranche shall be earned and vested only to the extent of actual performance for such Performance Year, and (ii) with respect to Performance Years

	that have <u>not</u> been completed at the time of such Change in Control, each such Tranche shall be deemed to be earned at the Target level, with any such earned Performance RSUs becoming fully vested. Performance RSUs payable upon a Change in Control shall be paid immediately prior to the Change in Control in the form of one Share of Company stock for each vested Performance RSU. Partial Shares (along with any accumulated dividends) will be paid in cash at the same time the Shares are delivered.
Settlement	Except as it applies to Tranches that are deemed to be earned at "Target" and become payable due to a Change in Control or due to termination of Service as a result of death or Disability, no Awards will become payable unless the Committee certifies that the performance goals in the Award Agreement have been attained with respect to the applicable Performance Year during the Performance Period in a manner that complies with Code Section 162(m) and the 2010 Plan. Any earned Performance RSUs will be paid in the form of one Share of Company stock for each earned whole Performance RSU. Delivery of the Share(s) will be made, including delivery with respect to a Disabled Participant, or to the estate of a deceased Participant, after the end of the Performance Period and not later than the 15th day of the third month following the end of the Performance Period. Shares will be credited to an account established for the benefit of the Participant with the Company's administrative agent. The Participant will have full legal and beneficial ownership with respect to the Shares at that time. Partial Shares (along with any accumulated dividends) will be paid in cash at the same time the Shares are delivered.
Withholding Taxes	You acknowledge and agree that the Company shall have the power and the right to deduct or withhold, an amount sufficient to satisfy federal, state, and local taxes (including your FICA obligation), domestic or foreign, required by law to be withheld with respect to this Award.

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

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

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

Sincerely,

Jeff Blade

<u>Acknowledgement & Acceptance of Award Agreement and Related Terms</u>

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

"Participant"

Signature:

Printed Name:

Date:

Exhibit A

Explanation of How Awards of Performance RSUs Were Determined

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

Participant Level	Performance RSU Opportunity
CEO	**[Insert XX]**
M6 (EVP)	**[Insert XX]**
M5 and P7 (VP)	**[Insert XX]**
M4 and P6 (Sr. Director)	**[Insert XX]**

AMENDMENT NO. 3 TO AMENDED AND RESTATED CREDIT AGREEMENT

This Amendment No. 3 to Amended and Restated Credit Agreement (this "Amendment") is entered into as of June 1, 2012 by and among Vera Bradley Designs, Inc., an Indiana corporation (the "Borrower"), the Lenders party hereto and JPMorgan Chase Bank, N.A, individually and as administrative agent (the "Administrative Agent).

RECITALS

A. The Borrower, the Administrative Agent and the Lenders are party to that certain Amended and Restated Credit Agreement dated as of October 4, 2010 (as previously amended, restated, supplemented or otherwise modified, the "Credit Agreement"). Unless otherwise specified herein, capitalized terms used in this Amendment shall have the meanings ascribed to them by the Credit Agreement.

B. The Borrower, the Lenders party hereto and the Administrative Agent wish to amend the Credit Agreement on the terms and conditions set forth below.

Now, therefore, in consideration of the mutual execution hereof and other good and valuable consideration, the parties hereto agree as follows:

1. Amendments to Credit Agreement. Upon the "Third Amendment Effective Date" (as defined below), the Credit Agreement shall be amended as follows:

(a) The definition of "Revolving Maturity Date" in Section 1.01 shall be amended and restated in its entirety to read as follows:

"Revolving Maturity Date" means June 1, 2017.

(b) Section 6.01(f) shall be amended by deleting the amount "$8,000,000" contained therein and replacing it with "$15,000,000".

2. Representations and Warranties of the Borrower. The Borrower represents and warrants that:

(a) The execution, delivery and performance by the Borrower of this Amendment have been duly authorized by all necessary corporate action and that this Amendment is a legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with its terms, except as the enforcement thereof may be subject to the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditors' rights generally or by general principles of equity;

(b) Each of the representations and warranties contained in the Credit Agreement (treating this Amendment as a Credit Document for purposes thereof) and the other Credit Documents is true and correct on and as of the date hereof (except to the extent that such representation or warranty expressly refers to an earlier date, in which case it shall be true and correct as of such earlier date); and

(c) No Default has occurred and is continuing.

3. Effective Date. This Amendment shall become effective on the date (the "Third Amendment Effective Date") on which the following conditions have been satisfied:

(a) the execution and delivery hereof by the Borrower, each of the Lenders and the Administrative Agent;

(b) the execution and delivery by Holdings and each of the Subsidiary Guarantors of a Reaffirmation substantially in the form of Exhibit A hereto.

(c) the Administrative Agent shall have received an amendment fee for the account of each Lender (including JPMCB in its capacity as a Lender) in an amount equal to 0.075% of such Lender's Commitment on the Third Amendment Effective Date;

(d) the Administrative Agent shall have received all fees and other amounts due and payable on or prior to the Third Amendment Effective Date, including, to the extent invoiced, reimbursement or payment of all out of pocket expenses required to be reimbursed or paid by the Borrower under the Credit Agreement; and

(e) the Administrative Agent shall have received such other certificates, resolutions, documents and agreements as the Administrative Agent may reasonably request.

4. Reference to and Effect Upon the Credit Documents.

(a) Except as specifically amended above, the Credit Agreement and the other Credit Documents shall remain in full force and effect and are hereby ratified and confirmed.

(b) The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of the Administrative Agent, the Collateral Agent or any Lender under the Credit Agreement or any Credit Document, nor constitute a waiver of any provision of the Credit Agreement or any Credit Document, except as specifically set forth herein. Upon the effectiveness of this Amendment, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof", "herein" or words of similar import shall mean and be a reference to the Credit Agreement as amended hereby.

5. Costs and Expenses. The Borrower hereby affirms its obligation under Section 9.03 of the Credit Agreement to reimburse the Administrative Agent for all reasonable out-of-pocket expenses incurred by the Administrative Agent in connection with the preparation, negotiation, execution and delivery of this Amendment, including but not limited to the reasonable fees, charges and disbursements of attorneys for the Administrative Agent with respect thereto.

6. Governing Law. This Amendment shall be construed in accordance with and governed by the law of the State of New York.

7. Headings. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purposes.

8. Counterparts. This Amendment may be executed in any number of counterparts, each of which when so executed shall be deemed an original but all such counterparts shall constitute one and the same instrument. Delivery of an executed signature page of this Amendment by facsimile transmission or electronic mail shall be effective as delivery of manually executed counterpart hereof.

[signature page follows]

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date and year first above written.

VERA BRADLEY DESIGNS, INC.

By: /s/ Jeffrey A. Blade
Name: Jeffrey A. Blade
Title: Chief Financial and Administrative Officer

JPMORGAN CHASE BANK, N.A., as
Administrative Agent and a Lender

By: /s/ Morgan K. Boudler
Name: Morgan K. Boudler
Title: Vice President

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: /s/ James M. Stehlik
Name: James M. Stehlik
Title: Senior Vice President

KEYBANK NATIONAL ASSOCIATION

By: /s/ Marianne Meil
Name: Marianne Meil
Title: Senior Vice President

PNC BANK, NATIONAL ASSOCIATION

By: /s/ Douglas Wood
Name: Douglas Wood
Title: Senior Vice President

THE NORTHERN TRUST COMPANY

By: /s/ Michael Fornal
Name: Michael Fornal
Title: Senior Vice President

EXHIBIT A

REAFFIRMATION

Each of the undersigned (i) acknowledges receipt of a copy of Amendment No. 3 to Amended and Restated Credit Agreement (the "Amendment"), amending the Amended and Restated Credit Agreement dated as of October 4, 2010 (as previously amended, restated, supplemented or otherwise modified, the "Credit Agreement"), (ii) consents to the Amendment and each of the transactions referenced therein, and (iii) hereby reaffirms its obligations, as applicable, under the Subsidiary Guaranty dated as of November 26, 2008 and the Parent Guaranty dated as of October 4, 2010, each, in favor of JPMorgan Chase Bank, National Association, as Administrative Agent. Capitalized terms used herein shall have the meanings ascribed to them by the Credit Agreement.

Dated as of June 1, 2012

VERA BRADLEY, INC.

By: /s/ Jeffrey A. Blade
Title: Chief Financial and Administrative Officer

VERA BRADLEY SALES, LLC

By: /s/ Jeffrey A. Blade
Title: Chief Financial and Administrative Officer

VERA BRADLEY INTERNATIONAL, LLC

By: /s/ Jeffrey A. Blade
Title: Chief Financial and Administrative Officer

Exhibit 31.1

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

I, Michael C. Ray, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: June 6, 2012

/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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f))for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 6, 2012

/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 28, 2012 (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 6, 2012
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 28, 2012 (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 6, 2012
Date