Vera Bradley, Inc.
Form S-1
April 01, 2011
Table of Contents

As filed with the Securities and Exchange Commission on April 1, 2011

Registration No. 333-

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Vera Bradley, Inc.

(Exact name of registrant as specified in its charter)

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

2208 Production Road

Fort Wayne, Indiana 46808

Phone: (877) 708-8372

(Address, including zip code, and telephone number, including area code,

of registrant s principal executive offices)

Michael C. Ray

Chief Executive Officer

Vera Bradley, Inc.

2208 Production Road

Fort Wayne, Indiana 46808

Phone: (877) 708-8372

(Name, address, including zip code, and telephone number,

including area code, of agent for service)

Copies to:

Steven J. Gavin, Esq.

Arlene K. Lim, Esq.

Winston & Strawn LLP

35 West Wacker Drive

Chicago, Illinois 60601

Phone: (312) 558-5600

Fax: (312) 558-5700

Patrick Daugherty, Esq.

Foley & Lardner LLP

321 North Clark Street

Chicago, Illinois 60654

Phone: (312) 832-4500

Fax: (312) 832-4700

Approximate date of commencement of proposed sale to the public:

As soon as practicable after this Registration Statement becomes effective.

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated 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. (Check one):

Large accelerated filer ¨ Accelerated filer ¨ Non-accelerated filer þ Smaller reporting company ¨

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities To be Registered	Amount to be Registered[(1)]	Proposed Maximum Offering Price Per Unit[(2)]	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Stock, no par value per share	5,950,000	$40.51	$241,034,500	$27,985

(1) Includes shares to be sold upon exercise of the underwriters over-allotment option. See Underwriting .

(2) Estimated solely for the purpose of calculating the amount of the registration fee pursuant to Rule 457(c) under the Securities Act of 1933, as amended. The price per share and aggregate offering price are based on the average of the high and low prices of the registrant s common stock on March 29, 2011, as reported on the NASDAQ Global Select Market.

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

Table of Contents

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

Subject to Completion, Dated April 1, 2011

PROSPECTUS

Vera Bradley, Inc.

5,169,960 Shares of Common Stock

The selling shareholders identified in this prospectus are offering 5,169,960 shares of common stock. We will not receive any proceeds from the shares of common stock offered by the selling shareholders.

Our common stock is listed on The Nasdaq Global Select Market under the symbol VRA . On March 31, 2011, the closing price of our common stock as reported on The Nasdaq Global Select Market was $42.21.

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

	Per Share	Total
Public offering price	$	
Underwriting discount	$	
Proceeds, before expenses, to selling shareholders	$	

The underwriters have a 30-day option to purchase up to 775,494 additional shares from the selling shareholders on the same terms set forth above to cover over-allotments, if any.

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

The underwriters expect to deliver the shares of our common stock to purchasers on or about , 2011.

Baird **Piper Jaffray**

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

, 2011

TABLE OF CONTENTS

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

MARKET AND INDUSTRY DATA AND FORECASTS

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

BASIS OF PRESENTATION

Effective January 1, 2008, we changed our fiscal year to end on the Saturday closest to January 31. Fiscal years ended on January 29, 2011 (fiscal 2011), January 30, 2010 (fiscal 2010), and January 31, 2009 (fiscal 2009), and the current fiscal year will end on January 28, 2012 (fiscal 2012). Due to the change to a January year end, we have presented certain financial information as of and for the month ended January 31, 2008, and as of and for the year ended December 31, 2007. Certain differences in the numbers in the tables and text throughout this prospectus may exist due to rounding.

We are an Indiana corporation that was formed solely for the purpose of reorganizing the corporate structure of Vera Bradley Designs, Inc. On October 3, 2010, the shareholders of Vera Bradley Designs, Inc. contributed all of their shares of Class A Voting Common Stock and Class B Non-Voting Common Stock of Vera Bradley Designs, Inc. to us in return for shares of our Class A Voting Common Stock and Class B Non-Voting Common Stock, respectively, on a one-for-one basis. As a result, Vera Bradley Designs, Inc. became our wholly owned subsidiary. On October 18, 2010, we recapitalized all of our Class A Voting Common Stock and Class B Non-Voting Common Stock into a single class of common stock and authorized and effectuated a 35.437-for-1 stock split of all outstanding shares of our common stock. All historical common stock and per share common stock information has been changed to reflect the stock split. We refer to the foregoing in this prospectus as our Reorganization.

Table of Contents

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. You should read this entire prospectus carefully, including the sections titled Risk Factors, Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the notes thereto contained in this prospectus, before making an investment in shares of our common stock. Unless otherwise indicated, the information in this prospectus assumes that the underwriters will not exercise their over-allotment option to purchase an additional 775,494 shares.

As used in this prospectus, except where the context otherwise requires or where otherwise indicated, the terms company, Vera Bradley, we, our, and us refer to Vera Bradley, Inc., together with its subsidiaries, including Vera Bradley Designs, Inc.

Our Company

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

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

We generate net revenues by selling products through two reportable segments: Indirect and Direct. As of January 29, 2011, our Indirect business consisted of sales of Vera Bradley products to approximately 3,300 independent retailers, substantially all of which are located in the United States as well as select national retailers and third party e-commerce sites. As of January 29, 2011, our Direct business consisted of sales of Vera Bradley products through our 35 full-price stores, our four outlet stores, verabradley.com, and our annual outlet sale in Fort Wayne, Indiana.

Our net revenues have grown from $288.9 million in fiscal 2010 to $366.1 million in fiscal 2011, reflecting a growth rate of 26.7%. During fiscal 2011, net revenues in our Indirect and Direct segments grew 11.5% and 57.2%, respectively. In mid-September 2007, we opened our first full-price Vera Bradley store, growing our store base to 35 full-price stores as of January 29, 2011. Our full-price stores produced comparable-store sales increases of 25.8% in fiscal 2011 compared to fiscal 2010. In addition, we have experienced strong sales growth in our e-commerce business in recent years.

Evolution of Our Business

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

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

Table of Contents

Multi-Channel Distribution Capability. In 2006, we initiated a Direct channel strategy that was designed to expand our brand presence and broaden our consumer demographic while complementing the growing Indirect channel of our business. The first step in establishing the Direct channel of our business was selling directly to consumers through verabradley.com beginning in 2006. In mid-September 2007, we opened our first full-price store. In fiscal 2011, we had more than 32 million visits to verabradley.com, and as of January 29, 2011, we operated 35 full-price stores and four outlet stores.

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

Competitive Strengths

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

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

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

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

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

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

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

Unique Company Culture. We were founded in 1982 by two friends, Barbara Bradley Baekgaard and Patricia R. Miller, who built our company around their passion for design and commitment to customer service. We believe our founders

Table of Contents

created a unique company culture that attracts passionate and motivated employees who are excited about our products and our brand. Our employees share our founders commitment to Vera Bradley customers. We believe that a fun, friendly and welcoming work environment fosters creativity and collaboration and that, by empowering our employees to become personally involved in product design, testing and marketing, they become passionate and devoted brand advocates.

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

Growth Strategies

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

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

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

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

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

Risk Factors

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

- possible adverse changes in general economic conditions and their impact on consumer confidence and consumer spending;
- possible inability to predict and respond in a timely manner to changes in consumer demand;

Table of Contents

- possible loss of key management or design associates or inability to attract and retain the talent required for our business;
- possible inability to maintain and enhance our brand;
- possible inability to successfully implement our growth strategies or manage our growing business;
- possible inability to successfully open and operate new stores as planned; and
- possible inability to sustain levels of comparable-store sales.

Company Information

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

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

Table of Contents

Summary Consolidated Financial and Other Data

The following table presents summary consolidated financial and other data for the periods and at the dates indicated and certain pro forma information to reflect our conversion from an S Corporation to a C Corporation for tax purposes and to reflect the reorganization transaction. The summary income statement data for the fiscal years ended January 29, 2011 and January 30, 2010 and summary consolidated balance sheet data as of January 29, 2011 and January 30, 2010 are derived from our consolidated financial statements audited by PricewaterhouseCoopers LLP, our independent registered public accounting firm, included elsewhere in this prospectus. The historical results presented below are not necessarily indicative of the results to be expected for any future period. You should read the following information together with the more detailed information contained in Selected Consolidated Financial and Other Data, Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the accompanying notes appearing elsewhere in this prospectus.

	Fiscal Year Ended	
($ in thousands, except per share data and as otherwise indicated)	**January 29, 2011[(1)]**	**January 30, 2010**
Consolidated Statement of Income Data:		
Net revenues	$ 366,057	$ 288,940
Cost of sales	156,910	137,803
Gross profit	209,147	151,137
Selling, general, and administrative expenses	163,053	116,168
Other income	7,225	10,743
Operating income	53,319	45,712
Interest expense (income), net	1,625	1,604
Income before income taxes	51,694	44,108
Income tax expense[(2)]	5,496	889
Net income	$ 46,198	$ 43,219
Basic weighted-average shares outstanding[(3)]	36,812,570	35,440,547
Diluted weighted-average shares outstanding[(3)]	36,850,915	35,440,547
Basic net income per share[(3)]	$ 1.25	$ 1.22
Diluted net income per share[(3)]	1.25	1.22
Net Revenues by Segment:		
Indirect	$ 214,939	$ 192,829
Direct	151,118	96,111
Total	$ 366,057	$ 288,940
Full-Price Store Data[(4)]:		
Total stores open at end of year	35	26
Comparable-store sales increase[(5)]	25.8%	36.4%
Total gross square footage at end of year	63,623	48,285
Average net revenues per gross square foot[(6)]	$ 795	$ 615

	As of	
	January 29, 2011	**January 30, 2010**

Consolidated Balance Sheet Data:		
Cash and cash equivalents	$ 13,953	$ 6,509
Working capital	91,919	61,238
Total assets	206,039	153,752
Long-term debt, including current portion	67,017	30,136
Shareholders equity	64,322	77,893

5

Table of Contents

(1) Selling, general, and administrative expenses for fiscal 2011 include $15.8 million of stock-based compensation expense related to restricted-stock awards that vested upon our initial public offering in October 2010 and $6.1 million of additional compensation expense related to bonuses paid to recipients of the restricted-stock awards to fund tax obligations. For additional information, see Note 9 to the Consolidated Financial Statements included in this prospectus.

(2) On October 3, 2010, we converted from an S Corporation to a C Corporation for income-tax purposes. For additional information, see Note 6 to the Consolidated Financial Statements included in this prospectus.

(3) On October 18, 2010, we effectuated a 35.437-for-1 stock split of all outstanding shares of our common stock. We have changed all historical share and per share information to reflect this stock split.

(4) Our first full-price store opened in mid-September 2007. These data exclude our outlet stores.

(5) Comparable-store sales are the net revenues of our stores that have been open at least 12 full fiscal months as of the end of the period. Increase or decrease is reported as a percentage of the comparable-store sales for the same period in the prior fiscal year. Remodeled stores are included in comparable-store sales unless the store was closed for a portion of the current or comparable prior period or the remodel resulted in a significant change in square footage.

(6) Dollars not in thousands. Average net revenues per gross square foot are calculated by dividing total net revenues for our stores that have been open at least 12 full fiscal months as of the end of the period by total gross square footage for those stores.

Table of Contents

The offering

Common stock offered by selling shareholders	5,169,960 shares (excluding up to 775,494 shares that may be sold by the selling shareholders upon exercise of the underwriters over-allotment option)
Selling Shareholders	Certain executive officers and directors of the company. See Principal and Selling Shareholders in this prospectus
Common stock outstanding[1]	40,506,670 shares
Use of proceeds	We will not receive any proceeds from the sale of shares of our common stock by the selling shareholders.
Dividend policy	We have not paid any dividends since our initial public offering. We do not anticipate paying dividends on our common stock. We intend to retain earnings to fund our working capital needs and growth opportunities.
Risk factors	See Risk Factors and other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in shares of our common stock.
Nasdaq Global Select Market symbol	VRA

[1] The number of shares outstanding does not include (i) 161,110 shares of common stock subject to currently outstanding restricted stock units, and (ii) 5,914,891 shares of common stock reserved for future issuance under our 2010 Equity and Incentive Plan (the 2010 Plan).

Table of Contents

RISK FACTORS

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

Risks Related to Our Business

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

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

Our inability to predict and respond in a timely manner to changes in consumer demand could adversely affect our net revenues and results of operations.

Our success depends on our ability to gauge the fashion tastes of our customers and to provide merchandise that satisfies consumer demand in a timely manner. Our products must appeal to a broad range of consumers whose preferences cannot be predicted with certainty and are subject to rapid change. We cannot assure you that we will be able to continue to develop appealing patterns and styles or meet changing consumer demands in the future. If we misjudge the market for our products, we may be faced with significant excess inventories for some products and missed opportunities for other products. Merchandise misjudgments could adversely impact our net revenues and results of operations.

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

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

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

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

Table of Contents

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

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

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

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

Our continued growth will depend on our ability to successfully open and operate new stores. We plan to open 14 to 16 new stores over the course of fiscal 2012 and 14 to 20 new stores during each of the following five fiscal years. Our ability to successfully open and operate new stores depends on many factors, including our ability to:

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

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

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

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

Table of Contents

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

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

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

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

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

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

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

- attracting consumer traffic;
- sourcing and manufacturing merchandise efficiently;
- competitively pricing our products and achieving customer perception of value;
- maintaining favorable brand recognition and effectively marketing our products to consumers in diverse market segments;

- developing designs that appeal to a broad range of demographic and age segments;

- developing high-quality products; and
- establishing and maintaining good working relationships with our Indirect retailers.

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

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

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

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

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

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

Our warehouse and distribution operations are currently concentrated in a single, company-owned distribution center in Fort Wayne, Indiana. Any significant disruption in the operation of the facility due to natural disaster or severe weather, or events such as fire, accidents, power outages, system failures, or other unforeseen causes, could devalue or damage a significant portion of our inventory and could adversely affect our product distribution and sales until such time as we could secure an alternative facility. If we encounter difficulties with our distribution facility or other problems or disasters arise, we cannot ensure that critical systems and operations will be restored in a timely manner or at all, and this would have a material adverse effect on our business. In addition, our growth could require us to expand our current facility, which could affect us adversely in ways that we cannot predict.

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

Fluctuations in the price, availability, and quality of fabrics or other raw materials used to manufacture our products, as well as the price for labor, marketing, and transportation, could have adverse impacts on our cost of sales and our ability to meet our customers demands. In particular, fluctuations in the price of cotton, our primary raw material, could have an

Table of Contents

adverse impact on our cost of sales. In addition, because a key component of our quilted products is petroleum-based, the cost of oil affects the cost of our products. Upward movement in the price of oil in the global oil markets would also likely result in rising fuel and freight prices, which could increase our shipping costs. In the future, we may not be able to pass all or a portion of higher costs on to our customers.

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

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

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

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

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

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

Table of Contents

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

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

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

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

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

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

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

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

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

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

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

We face various risks as an e-commerce retailer.

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

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

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

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

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

Table of Contents

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

Reporting obligations as a newly public company may place a considerable strain on our financial and management systems, processes, and controls, as well as on our personnel. In addition, as a newly public company, we are required to document and test our internal controls over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley) so that our management can certify the effectiveness of our internal controls and our independent registered public accounting firm can render an opinion on management s assessment and on the effectiveness of our internal controls over financial reporting by the time our annual report on Form 10-K for fiscal 2012 is due and thereafter. As a result, we may need to improve our financial and managerial controls, reporting systems, and procedures, to incur substantial expenses to test our systems, and to hire additional qualified personnel. If our management is unable to certify the effectiveness of our internal controls or if our independent registered public accounting firm cannot render an unqualified opinion on management s assessment and on the effectiveness of our internal controls over financial reporting, or if material weaknesses in our internal controls are identified, we could be subject to regulatory scrutiny and loss of public confidence, which could harm our business and cause a decline in our stock price. In addition, if we do not maintain adequate financial and management personnel, processes, and controls, we may not be able to accurately report our financial performance timely, which could cause a decline in our stock price and harm our ability to raise capital. Failure to accurately report our financial performance timely could also jeopardize our continued listing on The NASDAQ Global Select Market.

As a result of our recent initial public offering, our costs have increased significantly and our management is required to devote substantial time to complying with public company regulations.

We have historically operated our business as a private company. In October 2010, we completed an initial public offering. As a result, we are required to incur additional legal, accounting, compliance and other expenses that we did not incur as a private company. We are obligated to file with the Securities and Exchange Commission (SEC) quarterly and annual information and other reports that are specified in Section 13 and other sections of the Securities Exchange Act of 1934, as amended (the Exchange Act). In addition, we are also subject to other reporting and corporate governance requirements, including certain requirements of The NASDAQ Stock Market, and certain provisions of Sarbanes-Oxley and the regulations promulgated thereunder, which impose significant compliance obligations upon us. We must be certain that we have the ability to institute and maintain a comprehensive compliance function; established internal policies; ensure that we have the ability to prepare financial statements that are fully compliant with all SEC reporting requirements on a timely basis; design, establish, evaluate and maintain a system of internal controls over financial reporting in compliance with Sarbanes-Oxley; involve and retain outside counsel and accountants in connection with the above activities and maintain an investor relations function.

Sarbanes-Oxley, as well as rules subsequently implemented by the SEC and The NASDAQ Stock Market, have imposed increased regulation and disclosure and have required enhanced corporate governance practices of public companies. Our efforts to comply with evolving laws, regulations and standards in this regard are likely to result in increased administrative expenses and a diversion of management s time and attention from revenue-generating activities to compliance activities. These changes require a significant commitment of resources. We may not be successful in implementing or maintaining these requirements, any failure of which could materially adversely affect our business, results of operations and financial condition. In addition, if we fail to implement or maintain the requirements with respect to our internal accounting and audit functions, our ability to continue to report our operating results on a timely and accurate basis could be impaired. If we do not implement or maintain such requirements in a timely manner or with adequate compliance, we might be subject to sanctions or investigation by regulatory authorities, such as the SEC or The NASDAQ Stock Market. Any such action could harm our reputation and the confidence of investors and customers in our company and could materially adversely affect our business and cause our share price to fall.

Additional indebtedness incurred in connection with the Reorganization may decrease business flexibility and increase borrowing costs.

On October 4, 2010, we entered into an amended and restated credit agreement that increased our available credit from $75 million to $125 million. Also in October 2010, in connection with the Reorganization, we increased the outstanding

Table of Contents

borrowings under our amended and restated credit agreement to fund a final S Corporation distribution to our then-shareholders. As of January 29, 2011, we had outstanding borrowings of $66.8 million under our amended and restated credit agreement, compared to $30.0 million outstanding under our former credit facility as of January 30, 2010. This increased indebtedness and resulting higher debt-to-equity ratio in comparison to our indebtedness and debt-to-equity ratio on a recent historical basis could have the effect, among other things, of:

- reducing the availability of cash flow from operations to fund working capital, capital expenditures and other general corporate purposes;
- increasing our vulnerability to adverse general economic and industry conditions;
- limiting our ability to adapt to changes in our business and the industry in which we operate; and
- placing us at a competitive disadvantage compared to companies that have less debt.

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

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

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

There are claims made against us from time to time that can result in litigation or regulatory proceedings, which could distract management from our business activities and result in significant liability or damage to our brand image.

As a growing company with expanding operations, we increasingly face the risk of litigation and other claims against us. Litigation and other claims may arise in the ordinary course of our business and include employee claims, commercial disputes, intellectual property issues, product-oriented allegations, and slip and fall claims. Often these cases raise complex factual and legal issues, which are subject to risks and uncertainties and which could require significant management time. Litigation and other claims against us could result in unexpected expenses and liability, as well as materially adversely affect our operations and our reputation.

Table of Contents

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

Our stock price may be volatile or may decline regardless of our operating performance, and you may not be able to resell your shares at or above the price at which you purchase them.

Shares of our common stock were sold in our initial public offering in October 2010 at a price of $16.00 per share, and our common stock has subsequently traded between approximately $22.00 and $43.49 per share. There has been a public market for our common stock for only a short period of time. An active, liquid and orderly market for our common stock may not be sustained, which could depress the trading price of our common stock. An inactive market may also impair our ability to raise capital by selling shares. In addition, the market price of our common stock may fluctuate significantly in response to a number of factors, most of which we cannot control, including:

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

These and other factors may lower the market price of our common stock, regardless of our actual operating performance. As a result, our common stock may trade at prices significantly below the offering price.

In addition, the stock markets, including The Nasdaq Global Select Market, have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many retail companies. In the past, stockholders have instituted securities class action litigation following periods of market volatility. If we were involved in securities litigation, we could incur substantial costs and our resources and the attention of management could be diverted from our business.

Because a limited number of shareholders control a large percentage of the voting power of our common stock, investors in this offering may have limited ability to determine the outcome of shareholder votes.

Upon the completion of this offering, assuming the overallotment option is exercised in full, Barbara Bradley Baekgaard, Patricia R. Miller and P. Michael Miller will, directly or indirectly, beneficially own and have the ability to exercise voting control over, in the aggregate, 42.2% of our outstanding shares of common stock. As a result, these shareholders will be able to exercise significant influence over all matters requiring shareholder approval, including the election of directors, any amendments to our second amended and restated articles of incorporation and significant corporate transactions. This concentrated ownership of outstanding common stock may limit your ability to influence corporate matters, and the interests of these shareholders may not coincide with our interests or your interests. As a result, we may take actions that you do not believe to be in our interests or your interests and that could depress our stock price. In addition, this significant concentration of stock ownership may adversely affect the trading price of our common stock should investors perceive disadvantages in owning shares of common stock in a company that has such concentrated ownership.

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

As of March 31, 2011, we had 40,506,670 shares of common stock outstanding. The 12,650,000 shares of common stock sold in our initial public offering, and the 5,169,960 shares of common stock offered in this offering, are freely tradeable without restrictions under the Securities Act, except for shares held by our directors, executive officers and other affiliates, which shares will be available for sale 90 days after the date of this prospectus, subject to volume, manner of sale and other limitations under SEC Rules 144 and 701. Additional sales of our common stock in the public market after this offering, or the perception that these sales could occur, could cause the market price of our common stock to decline.

Our directors, executive officers and the selling shareholders have agreed to enter into lock-up agreements with the underwriters, in which they will agree to refrain from selling their shares for a period of 90 days after the date of this prospectus. Approximately 22,540,558 of our shares will become available for sale upon the expiration of these agreements. Possible sales of these shares of our common stock in the market could exert significant downward pressure on our stock price. Possible sales also may make it more difficult for us to sell equity or equity-related securities in the future at a time and price we deem necessary or appropriate.

Our board of directors and our shareholders have approved a 2010 Equity and Incentive Plan (the 2010 Plan), which permits us to issue, among other things, stock options, restricted stock units and restricted stock to eligible employees (including our named executive officers), directors and advisors, as determined by the compensation committee of the board of directors. We filed a Registration Statement on Form S-8 under the Securities Act of 1933, as amended (the Securities Act), to cover the issuance of shares upon the exercise of options granted, and of shares granted, under the 2010 Plan. As a result, any shares issued or optioned under the 2010 Plan after the completion of this offering also will be freely tradable in the public market. If equity securities are granted under the 2010 Plan and it is perceived that they will be sold in the public market, the price of our common stock could decline substantially.

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

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

Our actual operating results may differ significantly from our guidance.

From time to time, we release guidance regarding our future performance that represents our management s estimates as of the date of release. This guidance, which consists of forward-looking statements, is prepared by our management and is qualified by, and subject to, the assumptions and the other information contained or referred to in the release. Our guidance is not prepared with a view toward compliance with published guidelines of the American Institute of Certified Public Accountants, and neither our independent registered public accounting firm nor any other independent expert or outside party compiles or examines the guidance and, accordingly, no such person expresses any opinion or any other form of assurance with respect thereto.

Guidance is based upon a number of assumptions and estimates that, while presented with numerical specificity, are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control and are based upon specific assumptions with respect to future business decisions, some of which will change. We generally state possible outcomes as high and low ranges which are intended to provide a sensitivity analysis as variables are changed but are not intended to represent that actual results could not fall outside of the suggested ranges. The principal reason that we release this data is to provide a basis for our management to discuss our business outlook with analysts and investors. We do not accept any responsibility for any projections or reports published by any such persons.

Guidance is necessarily speculative in nature, and it can be expected that some or all of the assumptions of the guidance furnished by us will not materialize or will vary significantly from actual results. Accordingly, our guidance is only an estimate of what management believes is realizable as of the date of release. Actual results will vary from the guidance and

Table of Contents

the variations may be material. Investors should also recognize that the reliability of any forecasted financial data diminishes the farther in the future that the data is forecast. In light of the foregoing, investors are urged to put the guidance in context and not to place undue reliance on it.

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

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

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

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

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

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

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

Table of Contents

Forward-Looking Statements

This prospectus contains forward-looking statements that are subject to risks and uncertainties. All statements other than statements of historical or current fact included in this prospectus are forward-looking statements. Forward-looking statements refer to our current expectations and projections relating to our financial condition, results of operations, plans, objectives, strategies, future performance and business. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. These statements may include words such as anticipate, estimate, expect, project, plan, intend, believe, may, might, will, should, can have, and likely and 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; and
- possible inability to sustain levels of comparable-store sales.

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.

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

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

Table of Contents

Use of Proceeds

The selling shareholders, including certain members of our board of directors and management, will receive all of the proceeds from this offering. The company will not receive any proceeds from the sale of shares in this offering. See Principal and Selling Shareholders.

Market Price of Our Common Stock

Our common stock has been listed on the NASDAQ Global Select Market under the symbol VRA since our initial public offering on October 21, 2010. The following table sets forth the high and low sales prices of our common stock, as reported by the NASDAQ Global Select Market, during each fiscal quarter since our initial public offering:

	High	Low
Fiscal 2011		
Third Quarter (commencing October 21, 2010)	$ 29.74	$ 22.00
Fourth Quarter	$ 41.01	$ 26.77
Fiscal 2012		
First Quarter (through March 31, 2011)	$ 43.49	$ 32.30

The last reported sale price of our common stock on March 31, 2011 was $42.21 per share. As of March 31, 2011, we had approximately 27 shareholders of record. The number of shareholders of record is based upon the actual number of shareholders registered at such date and does not include holders of shares in street names or persons, partnerships, associates, corporations, or other entities identified in security position listings maintained by depositories.

Table of Contents

Dividend Policy

Our common stock began trading on October 21, 2010, following our initial public offering. Since that time, we have not declared any cash dividends, and we do not anticipate declaring any cash dividends in the foreseeable future. We intend to retain all available funds and any future earnings for use in the operation and expansion of our business. Any determination in the future to pay dividends will depend upon our financial condition, capital requirements, operating results and other factors deemed relevant by our board of directors, including any contractual or statutory restrictions on our ability to pay dividends.

Prior to our initial public offering, as an S Corporation, we distributed annually to our shareholders amounts sufficient to cover their tax liabilities, due to the income that flowed through the shareholders tax returns. Additional amounts were distributed from time to time to our shareholders at the discretion of the board of directors. During fiscal 2010, we paid distributions of $25.6 million to our shareholders. During fiscal 2011, we paid distributions of $132.8 million to our shareholders, which included a final distribution (resulting from the termination of our S Corporation status) of 100% of our undistributed taxable income from the date of our formation through October 2, 2010.

Table of Contents

CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of January 29, 2011. You should read this table together with Management s Discussion and Analysis of Financial Condition and Results of Operations, Description of Capital Stock, and our consolidated financial statements and related notes, which are included elsewhere in this prospectus.

($ in thousands)	**As of January 29, 2011**
Cash and cash equivalents	13,953
Long-term debt, including current portion	67,017
Shareholders equity	
Common stock, without par value; 200,000,000 shares authorized, 40,506,670 shares issued and outstanding	
Additional paid-in capital	71,923
Accumulated deficit	(7,601)
Total shareholders equity	64,322
Total capitalization	131,339

Table of Contents

Selected Consolidated Financial and Other Data

The following tables present selected consolidated financial and other data as of and for the years indicated. The selected income statement data for each of the three fiscal years presented and the selected balance sheet data as of January 29, 2011, and January 30, 2010, are derived from our audited consolidated financial statements included in Item 8 of this prospectus. The selected balance sheet data as of January 31, 2009, and the selected income statement and balance sheet data as of and for the calendar year ended December 31, 2007, are derived from our audited consolidated financial statements that are not included elsewhere in this prospectus. The selected income statement and balance sheet data as of and for the calendar year ended December 31, 2006, are derived from our unaudited consolidated financial statements that are not included elsewhere in this prospectus. The historical results presented below are not necessarily indicative of the results to be expected for any future period. You should read this selected consolidated financial data in conjunction with the consolidated financial statements and related notes and the information under Management s Discussion and Analysis of Financial Condition and Results of Operations appearing elsewhere in this prospectus.

($ in thousands, except per share data and as otherwise indicated)	Fiscal Year Ended (1)			Calendar Year Ended	
	January 29, 2011 (2)	**January 30, 2010**	**January 31, 2009**	**December 31, 2007**	**December 31, 2006 (unaudited)**
Consolidated Statement of Income Data:					
Net revenues	$ 366,057	$ 288,940	$ 238,577	$ 281,085	$ 189,148
Cost of sales	156,910	137,803	115,473	133,522	94,612
Gross profit	209,147	151,137	123,104	147,563	94,536
Selling, general, and administrative expenses	163,053	116,168	109,195	101,022	50,679
Other income	7,225	10,743	13,282	7,799	1,464
Operating income	53,319	45,712	27,191	54,340	45,321
Interest expense (income), net	1,625	1,604	2,511	2,924	(322)
Income before income taxes	51,694	44,108	24,680	51,416	45,643
Income tax expense(3)	5,496	889	1,009	1,185	
Net income	$ 46,198	$ 43,219	$ 23,671	$ 50,231	$ 45,643
Basic weighted-average shares outstanding(4)	36,812,570	35,440,547	35,440,547	35,440,547	35,440,547
Diluted weighted-average shares outstanding(4)	36,850,915	35,440,547	35,440,547	35,440,547	35,440,547
Basic net income per share(4)	$ 1.25	$ 1.22	$ 0.67	$ 1.42	$ 1.29
Diluted net income per share(4)	1.25	1.22	0.67	1.42	1.29
Net Revenues by Segment:					
Indirect	$ 214,939	$ 192,829	$ 167,454	$ 243,388	$ 175,397
Direct	151,118	96,111	71,123	37,697	13,751
Total	$ 366,057	$ 288,940	$ 238,577	$ 281,085	$ 189,148
Full-Price Store Data(5):					
Total stores open at end of year	35	26	21	7	
Comparable-store sales increase(6)	25.8%	36.4%	8.0%		
Total gross square footage at end of year	63,623	48,285	39,285	11,927	
Average net revenues per gross square foot(7)	$ 795	$ 615	$ 578	$	$

Table of Contents

($ in thousands, except per share data)	**January 29, 2011**	**January 30, 2010**	**As of January 31, 2009**	**December 31, 2007**	**December 31, 2006 (unaudited)**
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$ 13,953	$ 6,509	$ 776	$ 111	$
Working capital	91,919	61,238	62,498	15,774	33,010
Total assets	206,039	153,752	149,931	133,482	99,772
Long-term debt, including current portion	67,017	30,136	58,825	54,901	19,011
Shareholders equity	64,322	77,893	57,947	49,563	40,493

(1) In January 2008, we changed our fiscal year end from December 31 to the Saturday closest to January 31. As a result this change, fiscal 2009 included activity for more than 52 weeks. This was a one-time occurrence and did not have a material effect on our results of operations. The table below presents selected consolidated financial data as of and for the calendar months ended January 31, 2008, and January 31, 2007. The selected data as of and for the month ended January 31, 2008, are derived from our audited consolidated financial statements, and the selected data as of and for the month ended January 31, 2007, are derived from our unaudited consolidated financial statements.

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

(2) Selling, general, and administrative expenses for fiscal 2011 include $15.8 million of stock-based compensation expense related to restricted-stock awards that vested upon our initial public offering in October 2010 and $6.1 million of additional compensation expense related to bonuses paid to recipients of the restricted-stock awards to fund tax obligations. For additional information, see Note 9 to the Consolidated Financial Statements included in this prospectus.

(3) On October 3, 2010, we converted from an S Corporation to a C Corporation for income-tax purposes. For additional information, see Note 6 to the Consolidated Financial Statements included in this prospectus.

(4) On October 18, 2010, we effectuated a 35.437-for-1 stock split of all outstanding shares of our common stock. We have changed all historical share and per share information to reflect this stock split.

(5) Our first full-price store opened in mid-September 2007. These data exclude our outlet stores.

(6) 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.

(7) 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.

Table of Contents

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

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

Overview

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

We generate revenues by selling products through two reportable segments: Indirect and Direct. As of January 29, 2011, our Indirect business consisted of sales of Vera Bradley products to approximately 3,300 independent retailers, substantially all of which are located in the United States, as well as to select national retailers and independent e-commerce sites. As of January 29, 2011, our Direct business consisted of sales of Vera Bradley products through our 35 full-price stores, four outlet stores, verabradley.com, and our annual outlet sale in Fort Wayne, Indiana. We began selling directly to consumers through verabradley.com in 2006, and we opened our first retail store in 2007.

In recent years, we have grown rapidly as a result of the successful implementation of strategic initiatives. These initiatives included enhancing our merchandising strategy, establishing a multi-channel distribution sales model, and expanding our supply chain capabilities, product development processes, and information systems to improve operational flexibility and profitability.

Due to the implementation of these key strategic initiatives, we experienced substantial growth in calendar years 2006 and 2007 as the Vera Bradley brand gained broader exposure in the marketplace. The introduction in 2006 of Java Blue, the best selling pattern in our history, also significantly influenced our growth during this period. We attribute the success of Java Blue to the pattern s universal appeal across all demographic segments of our customer base and its ability to attract many consumers to the Vera Bradley brand for the first time. While sales of Java Blue patterned products contributed meaningfully to our growth in 2006 and 2007, the popularity of Java Blue also positively impacted the sales of our products in other Vera Bradley patterns during the same period. During this period, our net revenues grew from $189.1 million in calendar year 2006 to $281.1 million in calendar year 2007.

In fiscal 2009, our net revenues declined $42.5 million, or 15.1%, as the economic environment weakened. Consumer purchases of handbags and accessories generally decline during recessionary periods and other periods where disposable income is adversely affected. For our Indirect retailers, the majority of which are independent small businesses, this resulted in reduced traffic and a decline in sales. In addition to being impacted by softening consumer demand from our Indirect retailers and other consumers, our net revenues were negatively impacted by excess inventory levels held by our Indirect retailers at the end of calendar year 2007. Excess inventory levels resulted from the rapidly deteriorating economic environment following a period of increasing consumer demand for our products in 2006 and 2007 and the sharp increase in orders from our Indirect retailers following the introduction of our Java Blue pattern. Some of our Indirect retailers faced reduced access to credit, which further compounded the effects of softening demand and excess inventory. In fiscal 2009, during the challenging environment presented by the economic recession, we focused our efforts on managing our cost structure and reducing inventories while continuing to invest in our infrastructure to support future growth. As a result, in fiscal 2009 our operating income decreased to $27.2 million.

Table of Contents

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

In fiscal 2011, we again achieved strong sales growth, with net revenues of $366.1 million, an increase of 26.7% over fiscal 2010. This growth was driven primarily by our expanding Direct business, growing product assortment, improving economic conditions, and increasing brand awareness. During fiscal 2011, we remained focused on executing our growth strategies, which included growing in underpenetrated markets and expanding our U.S. store base and product offerings. In doing so, we opened nine full-price and three outlet stores, delivered four Signature Collection releases with more patterns than ever before, continued to widen the assortment of our paper collection, and released a greater number of other collections, including a special gift collection during the Christmas holiday season. We also achieved strong operating income growth. Fiscal 2011 operating income, which included $21.9 million of stock-based and other compensation expense related to restricted-stock awards that vested upon our October 2010 initial public offering, increased 16.6% to $53.3 million. We believe the combination of our expanding product offerings and continued growth in underpenetrated markets will lead to meaningful growth opportunities in fiscal 2012.

We believe there is a significant opportunity to grow our store base, as we believe the market in the United States can support at least 300 Vera Bradley full-price stores. To that end, during fiscal 2011, we opened nine full-price stores and three outlet stores.

We expect our full-price stores to average approximately 1,800 square feet per store, and we expect to invest approximately $0.4 million per new store, consisting of inventory costs, pre-opening costs and build-out costs less tenant-improvement allowances. New full-price stores are expected to generate on average between $1.1 million and $1.3 million in net revenues during the first twelve months, and the payback on our investment is expected to occur in less than 18 months. Typically, we have found that, as a new store becomes better integrated into its community and brand awareness grows, the store s productivity tends to improve as measured by comparable-store sales.

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

How We Assess the Performance of Our Business

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

Net Revenues

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

Table of Contents

Comparable-Store Sales.

Comparable-store sales are calculated based upon our stores that have been open at least 12 full fiscal months as of the end of the reporting period. Remodeled stores are included in comparable-store sales unless the store was closed for a portion of the current or comparable prior period or the remodel resulted in a significant change in square footage. Some of our competitors and other retailers calculate comparable or same store sales differently than we do. As a result, data in this prospectus regarding our comparable-store sales may not be comparable to similar data made available by other companies. Non-comparable store sales include sales from stores not included in comparable-store sales.

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

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

Gross Profit

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

Gross profit can be impacted by changes in volume, operational efficiencies, such as leveraging of fixed costs, promotional activities, such as free shipping, and fluctuations in pricing structures within e-commerce and the annual outlet sale. Price changes in the Indirect and Direct channels, excluding e-commerce and the annual outlet sale, have had an insignificant impact.

Prior to calendar year 2006, we sourced the majority of our finished products domestically. Today, the significant majority of our products are sourced internationally. During this same period, we began direct sourcing of our raw materials and brought management of logistics in-house.

These sourcing changes, along with better cost management, contributed to improvements in gross margin over this period. Gross margin measures gross profit as a percentage of our net revenues.

Selling, General and Administrative Expenses (SG&A)

SG&A expenses fall into three categories: (1) selling; (2) advertising, marketing, and product development; and (3) administrative. Selling expenses include Direct business expenses such as store expenses, employee compensation, and store occupancy and supply costs, as well as Indirect business expenses consisting primarily of employee compensation and other expenses associated with sales to Indirect retailers. Advertising, marketing, and product development expenses include

Table of Contents

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 increases, but not in the same proportion as the associated increase in revenues.

Other Income

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

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

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

Basis of Presentation

Effective January 1, 2008, we changed our fiscal year to end on the Saturday closest to January 31. Fiscal years ended on January 29, 2011 (fiscal 2011), January 30, 2010 (fiscal 2010), and January 31, 2009 (fiscal 2009), and the current fiscal year will end on January 28, 2012 (fiscal 2012). As a result of this change, fiscal 2009 included activity for more than 52 weeks. This was a one-time occurrence and did not have a material effect on our results of operations. See Selected Consolidated Financial and Other Data in this prospectus for additional information.

Table of Contents

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)	Fiscal Year Ended January 29, 2011	January 30, 2010	January 31, 2009
Statement of Income Data:			
Net revenues	$ 366,057	$ 288,940	$ 238,577
Cost of sales	156,910	137,803	115,473
Gross profit	209,147	151,137	123,104
Selling, general, and administrative expenses	163,053	116,168	109,195
Other income	7,225	10,743	13,282
Operating income	53,319	45,712	27,191
Interest expense, net	1,625	1,604	2,511
Income before income taxes	51,694	44,108	24,680
Income tax expense	5,496	889	1,009
Net income	$ 46,198	$ 43,219	$ 23,671
Percentage of Net Revenues:			
Net revenues	100.0%	100.0%	100.0%
Cost of sales	42.9%	47.7%	48.4%
Gross profit	57.1%	52.3%	51.6%
Selling, general, and administrative expenses	44.5%	40.2%	45.8%
Other income	2.0%	3.7%	5.6%
Operating income	14.6%	15.8%	11.4%
Interest expense, net	0.4%	0.6%	1.1%
Income before income taxes	14.1%	15.3%	10.3%
Income tax expense	1.5%	0.3%	0.4%
Net income	12.6%	15.0%	9.9%

The following tables present net revenues by operating segment, both in dollars and as a percentage of our net revenues, and full-price store data for the last three fiscal years:

($ in thousands, except as otherwise indicated)	Fiscal Year Ended January 29, 2011	January 30, 2010	January 31, 2009
Net Revenues by Segment:			
Indirect	$ 214,939	$ 192,829	$ 167,454
Direct	151,118	96,111	71,123

Total	$ 366,057	$ 288,940	$ 238,577
Percentage of Net Revenues by Segment:			
Indirect	58.7%	66.7%	70.2%
Direct	41.3%	33.3%	29.8%
Total	100.0%	100.0%	100.0%

Table of Contents

($ in thousands)	Fiscal Year Ended January 29, 2011	January 30, 2010	January 31, 2009
Full-Price Store Data[(1)]:			
Total stores open at end of period	35	26	21
Comparable-store sales increase[(2)]	25.8%	36.4%	8.0%
Total gross square footage at end of period	63,623	48,285	39,285
Average net revenues per gross square foot[(3)]	$ 795	$ 615	$ 578

(1) Our first full-price store was opened in mid-September 2007. These data exclude our outlet stores.

(2) Comparable-store sales are the net revenues of our stores that have been open at least 12 full fiscal months as of the end of the period. Increase or decrease is reported as a percentage of the comparable-store sales for the same period in the prior fiscal year. Remodeled stores are included in comparable-store sales unless the store was closed for a portion of the current or comparable prior period or the remodel resulted in a significant change in square footage.

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

Fiscal 2011 Compared to Fiscal 2010

Net Revenues

For fiscal 2011, net revenues increased $77.2 million, or 26.7%, to $366.1 million, from $288.9 million for fiscal 2010.

Indirect. For fiscal 2011, net revenues increased $22.1 million, or 11.5%, to $214.9 million, from $192.8 million for fiscal 2010, due primarily to increased sales volume to our Indirect retailers. The increased sales volume resulted primarily from greater demand for our Signature Collection releases that, in most cases, had more patterns and styles relative to fiscal 2010 releases, increased offerings and sales of non-Signature Collection products and improved economic conditions.

Direct. For fiscal 2011, net revenues increased $55.0 million, or 57.2%, to $151.1 million, from $96.1 million for fiscal 2010. This growth resulted from a $22.8 million increase in e-commerce revenues due primarily to greater traffic resulting from marketing initiatives, a $22.6 million increase in non-comparable store sales, and a $7.3 million, or 25.8%, increase in comparable-store sales due primarily to increased store traffic. The number of our stores grew from 27 at the end of fiscal 2010 to 39 at the end of fiscal 2011. In addition, our annual outlet sale revenues increased by $2.3 million due to an increase in the number of shoppers that attended the sale and higher average product pricing at the sale.

Gross Profit

For fiscal 2011, gross profit increased $58.0 million, or 38.4%, to $209.1 million, from $151.1 million for fiscal 2010. As a percentage of net revenues, gross profit increased to 57.1% for fiscal 2011, from 52.3% for fiscal 2010. The increase in gross margin was due primarily to increased leverage of fixed costs as a result of the volume growth, improved efficiency in our utilization of raw materials as a result of our expanding outlet store channel, higher average product pricing at the annual outlet sale, and an overall revenue mix shift toward higher margin, retail-store sales.

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

For fiscal 2011, SG&A expenses increased $46.9 million, or 40.4%, to $163.1 million, from $116.2 million for fiscal 2010. As a percentage of net revenues, SG&A expenses were 44.5% and 40.2% for fiscal 2011 and fiscal 2010, respectively.

For fiscal 2011, selling expenses increased $19.9 million, or 36.0%, to $75.3 million, from $55.4 million for fiscal 2010. As a percentage of net revenues, selling expenses were 20.6% and 19.2% for fiscal 2011 and fiscal 2010, respectively. The increase in selling expenses was due primarily to increased store operational costs attributable to new store openings as

Table of Contents

well as e-commerce and store marketing initiatives to drive increased traffic. The increase in selling expenses also resulted from the company holding two product introduction and educational events (or Premieres) for Indirect retailers during fiscal 2011, compared to only one event during fiscal 2010, and from other increased expenses as a result of the increase in net revenues. These increases were partially offset by a $1.3 million asset-impairment charge, as further described below, recorded in fiscal 2010. No such charge was recorded in fiscal 2011.

For fiscal 2011, advertising, marketing, and product development expenses decreased $1.1 million, or 3.7%, to $28.7 million, from $29.8 million for fiscal 2010. As a percentage of net revenues, advertising, marketing, and product development expenses were 7.8% and 10.3% for fiscal 2011 and fiscal 2010, respectively. This decrease resulted primarily from reduced expenses associated with our co-op marketing programs as a result of refining the marketing support for our Indirect retailers. These reduced expenses were offset in part by increased spending on non-co-op advertising and marketing efforts and by higher employee and other costs associated with our expanded product design capabilities and with the increase in net revenues.

For fiscal 2011, administrative expenses increased $28.1 million, or 90.7%, to $59.0 million, from $30.9 million for fiscal 2010. As a percentage of net revenues, administrative expenses were 16.1% and 10.7% for fiscal 2011 and fiscal 2010, respectively. This increase was due primarily to $15.8 million of stock-based compensation expense associated with the vesting of restricted-stock awards in connection with our initial public offering as well as $6.1 million of expense associated with bonuses paid to recipients of the restricted-stock awards to satisfy tax obligations. In addition, we incurred higher corporate personnel and other costs necessary to support our growth as well as increased professional services fees related in part to our transition from a private to a public company.

Other Income

For fiscal 2011, other income decreased $3.5 million, or 32.7%, to $7.2 million, from $10.7 million for fiscal 2010. This decrease was due to the above-discussed refinement of the marketing support for our Indirect retailers, which resulted in decreased reimbursement of our advertising expenses.

Operating Income

For fiscal 2011, operating income increased $7.6 million, or 16.6%, to $53.3 million, from $45.7 million for fiscal 2010. As a percentage of net revenues, operating income was 14.6% and 15.8% for fiscal 2011 and fiscal 2010, respectively. This decrease in operating income as a percentage of net revenues was due primarily to the previously discussed $15.8 million of stock-based compensation expense associated with the vesting of restricted-stock awards in connection with our initial public offering and the $6.1 million of expense associated with bonuses paid to recipients of the restricted-stock awards.

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

	Fiscal Year Ended			
($ in millions)	**January 29, 2011**	**January 30, 2010**	**$ Change**	**% Change**
Operating Income:				
Indirect	$ 91.7	$ 72.6	$ 19.1	26.2%
Direct	46.4	25.3	21.1	83.7%
	138.1	97.9	40.2	41.0%
Less: Unallocated corporate expenses				
Operating income	(84.8)	(52.2)	(32.6)	62.4%
	$ 53.3	$ 45.7	$ 7.6	16.6%

Table of Contents

Indirect. For fiscal 2011, operating income increased $19.1 million, or 26.2%, primarily as a result of the previously discussed increase in gross profit. This increase was partially offset by increased selling expenses, as previously discussed.

Direct. For fiscal 2011, operating income increased $21.1 million, or 83.7%, primarily as a result of the previously discussed increase in gross profit. This increase was partially offset by increased selling expenses, as previously discussed.

Corporate Unallocated. For fiscal 2011, unallocated expenses increased $32.6 million, or 62.4%, primarily as a result of increased stock-based and bonus compensation expenses, higher corporate personnel and other costs, and increased professional services fees, as previously discussed.

Interest Expense, Net

Net interest expense was consistent for fiscal 2011 and fiscal 2010; a $0.2 million write off of unamortized debt-issuance costs in connection with the amendment and restatement of our credit agreement was offset by lower average borrowing levels during fiscal 2011.

Income Tax Expense

For fiscal 2011, we recorded income tax expense of $5.5 million. This expense was comprised of (1) $6.8 million of expense related to activity during the portion of fiscal 2011 that we were a C Corporation (October 3, 2010, through January 29, 2011) at an effective tax rate of 51.2% and (2) $0.5 million of state taxes related to taxing jurisdictions that did not recognize our previous S Corporation status, offset in part by a one-time deferred tax benefit of $1.8 million recognized upon the termination of our S Corporation status. Included in tax expense for the portion of the fiscal year that we operated as a C Corporation was $1.2 million related to permanently non-deductible stock-based compensation expense associated with restricted-stock awards that vested in connection with our initial public offering. For fiscal 2010, our income tax expense of $0.9 million (calculated at an effective rate of 2.0%) was comprised solely of state taxes related to taxing jurisdictions that did not recognize our previous S Corporation status. The increase in our effective tax rate resulted from our change in tax status.

Fiscal 2010 Compared to Fiscal 2009

Net Revenues

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

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

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

Gross Profit

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

Table of Contents

Selling, General and Administrative Expenses.

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

For fiscal 2010, selling expenses increased $4.0 million, or 7.8%, to $55.4 million, from $51.4 million for fiscal 2009. As a percentage of net revenues, selling expenses were 19.2% and 21.5% during fiscal 2010 and fiscal 2009, respectively. The increase in selling expenses was due primarily to increased depreciation related to the long-lived asset impairment for three of our stores and to increased store operating costs related to the opening of six new stores in fiscal 2010. The asset impairment charge of $1.3 million was based on a variety of factors, including anticipated low levels of traffic and low levels of brand awareness around the store locations. These factors contributed to projected cash flows being less than the carrying amounts for those stores. These three store locations were among the early openings under our Direct channel strategy. We continue to refine our site selection process and unit economics for each new store opening by adjusting the assumptions underlying cash flow projections for each store based on historical store performance. In addition to analyzing store economics, we pay particular attention to the location within the shopping center, the size and shape of the space, and desirable co-tenancies in our site selection process.

For fiscal 2010, advertising, marketing, and product development expenses decreased $4.5 million, or 13.1%, to $29.8 million, from $34.3 million for fiscal 2009. As a percentage of net revenues, advertising, marketing, and product development expenses were 10.3% and 14.4% during fiscal 2010 and fiscal 2009, respectively. The decrease was due to a decline in the number of catalogs and direct mailers we produced as a result of lower participation by our Indirect retailers in these programs primarily due to changes in the mix of catalogs and mailers offered and a decrease in other advertising expenses.

For fiscal 2010, administrative expenses increased $7.5 million, or 31.7%, to $30.9 million, from $23.5 million for fiscal 2009. As a percentage of net revenues, administrative expenses were 10.7% and 9.8% during fiscal 2010 and fiscal 2009, respectively. The increase in administrative expenses was due primarily to increased corporate infrastructure spending on personnel, owners life insurance, and a modest increase in charitable giving.

Other Income

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

Operating Income

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

Table of Contents

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

($ in millions)	Fiscal Year Ended January 30, 2010	January 31, 2009	$ Change	% Change
Operating Income:				
Indirect	$ 72.6	$ 58.1	$ 14.5	25.0%
Direct	25.3	14.9	10.4	69.4%
	97.9	73.0	24.9	34.1%
Less: Unallocated corporate expenses	(52.2)	(45.8)	(6.4)	13.9%
Operating income	$ 45.7	$ 27.2	$ 18.5	68.1%

Indirect. For fiscal 2010, operating income increased $14.5 million, or 25.0%, as a result of $10.4 million from increased sales volume to our Indirect retailers as well as a $4.1 million decrease in SG&A expenses. The reduction in SG&A expenses was due to a reduction in advertising expenses, offset by increased salaries and benefits expenses and other expenses incurred in the period.

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

Corporate Unallocated. For fiscal 2010, unallocated expenses increased $6.4 million, or 13.9%, as a result of $2.4 million of increased salaries and benefit expenses, $2.5 million of increased building and depreciation expenses, $2.5 million of reduced other income due to a decline in the participation by our Indirect retailers in our catalogs and mailers causing decreased reimbursement of our advertising expenses and $4.1 million of increased professional fees and other expenses incurred in the period. These expense increases were partially offset by a $5.1 million reduction of advertising expenses, primarily as a result of a reduction in spending in anticipation of a continued soft economic environment, and, to a lesser extent, resulting from decreased costs of catalogs and mailers due to the decline in participation by our Indirect retailers.

Interest Expense, Net

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

Quarterly Operating Results

The following table sets forth selected data from our historical unaudited consolidated statements of income for each of the twelve fiscal quarters in the period ended January 29, 2011, expressed in dollars and as a percentage of our annual results and net revenues. This unaudited quarterly information has been prepared on the same basis as our annual audited financial statements appearing elsewhere in this prospectus and includes all adjustments, consisting only of normal recurring adjustments, that we consider necessary to fairly present the financial information for the fiscal quarters presented.

Table of Contents

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

	Fiscal 2010				Fiscal 2011			
($ in thousands)	First Quarter (unaudited)	Second Quarter (unaudited)	Third Quarter (unaudited)	Fourth Quarter (unaudited)	First Quarter (unaudited)	Second Quarter (unaudited)	Third Quarter (unaudited)	Fourth Quarter (unaudited)
Net revenues	$ 71,413	$ 59,674	$ 72,752	$ 85,101	$ 85,002	$ 80,076	$ 91,595	$ 109,385
Indirect	47,376	40,485	54,466	50,501	54,174	47,358	59,754	53,653
Direct	24,037	19,189	18,286	34,600	30,828	32,718	31,841	55,732
Gross profit	34,670	29,567	39,878	47,022	48,813	46,823	51,674	61,837
Operating income	8,131	6,361	13,233	17,987	17,301	9,662	(192)	26,547
Net income (loss)	7,368	5,794	12,766	17,291	16,794	9,170	5,999	14,235
Percentage of Annual Results:								
Net revenues	24.7%	20.7%	25.2%	29.5%	23.2%	21.9%	25.0%	29.9%
Indirect	16.4%	14.0%	18.9%	17.5%	14.8%	12.9%	16.3%	14.7%
Direct	8.3%	6.6%	6.3%	12.0%	8.4%	8.9%	8.7%	15.2%
Gross profit	22.9%	19.6%	26.4%	31.1%	23.3%	22.4%	24.7%	29.6%
Operating income	17.8%	13.9%	28.9%	39.3%	32.4%	18.1%	(0.4%)	49.8%
Net income (loss)	17.0%	13.4%	29.5%	40.0%	36.4%	19.8%	13.0%	30.8%
Percentage of Net Revenues:								
Net revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Indirect	66.3%	67.8%	74.9%	59.3%	63.7%	59.1%	65.2%	49.0%
Direct	33.7%	32.2%	25.1%	40.7%	36.3%	40.9%	34.8%	51.0%
Gross profit	48.5%	49.5%	54.8%	55.3%	57.4%	58.5%	56.4%	56.5%
Operating income	11.4%	10.7%	18.2%	21.1%	20.4%	12.1%	(0.2%)	24.3%
Net income (loss)	10.3%	9.7%	17.5%	20.3%	19.8%	11.5%	6.5%	13.0%
Store Data:								
Total full-price stores open at end of quarter	22	23	25	26	28	31	34	35
Total outlet stores open at end of quarter				1	1	2	4	4
Total stores open at end of quarter	22	23	25	27	29	33	38	39
Comparable-store sales(1)	37.0%	35.7%	35.2%	37.1%	22.5%	28.4%	32.5%	22.1%

(1) Comparable-store sales are the net revenues of our stores that have been open at least 12 full fiscal months as of the end of the period. Increase or decrease is reported as a percentage of the comparable-store sales for the same period in the prior fiscal year. Remodeled stores are included in comparable-store sales unless the store was closed for a portion of the current or comparable prior period or the remodel resulted in a significant change in square footage.

Liquidity and Capital Resources

General

Our business relies on cash flows from operating activities as our primary source of liquidity. We also have access to additional liquidity, if needed, through borrowings under our $125.0 million amended and restated credit agreement. Historically, our primary cash needs have been for merchandise inventories, payroll, store rent, capital expenditures associated with opening new stores, debt repayments, operational equipment, information technology, and quarterly shareholder distributions to cover estimated tax payments. The most significant components of our working capital are cash and cash equivalents, merchandise inventories, accounts receivable, accounts payable, and other current liabilities. We do not believe that the expansion of our Direct business will materially alter the nature and levels of our accounts receivable and inventories, or require materially increased borrowings under our amended and restated credit agreement, in the near future. Further, as a result of our conversion to a C corporation for income-tax purposes, we no longer make S Corporation distributions to shareholders. We believe that cash flows from operating activities and the availability of borrowings under our amended and restated credit agreement or other financing arrangements will be sufficient to meet working capital requirements, anticipated capital expenditures (including expansion of our Direct business), and debt payments for the foreseeable future.

Table of Contents

Cash Flow Analysis

A summary of operating, investing and financing activities is shown in the following table.

	Fiscal Year Ended		
($ in thousands)	**January 29, 2011**	**January 30, 2010**	**January 31, 2009**
Net cash provided by operating activities	$ 58,466	$ 66,006	$ 50,187
Net cash used in investing activities	(9,865)		