

Vera Bradley, Inc.
Form S-1/A
October 19, 2010
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As filed with the Securities and Exchange Commission on October 19, 2010

Registration No. 333-167934

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Amendment No. 7

to

Form S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

VERA BRADLEY, INC.

(Exact name of registrant as specified in its charter)

Indiana
*(State or other jurisdiction of
incorporation or organization)*

3171
*(Primary Standard Industrial
Classification Code Number)*
2208 Production Road

27-2935063
*(I.R.S. Employer
Identification Number)*

Fort Wayne, Indiana 46808

Phone: (877) 708-8372

*(Address, including zip code, and telephone number, including area code,
of registrant's principal executive offices)*

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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 to be 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 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: "

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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 Smaller reporting company

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.

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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 October 19, 2010

PROSPECTUS

Vera Bradley, Inc.

11,000,000 Shares of Common Stock

We are selling 4,000,000 shares of common stock and the selling shareholders are selling 7,000,000 shares of common stock. We will not receive any of the proceeds from the shares of common stock sold by the selling shareholders.

Prior to this offering, there has been no public market for our common stock. The initial public offering price of our common stock is expected to be between \$14.00 and \$16.00 per share. We have applied to list our common stock on The Nasdaq Global Market under the symbol VRA .

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
Initial public offering price	\$	\$
Underwriting discount	\$	\$
Proceeds, before expenses, to us	\$	\$
Proceeds, before expenses, to selling shareholders	\$	\$

The underwriters have a 30-day option to purchase up to 1,650,000 additional shares from certain 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 _____, 2010.

Baird

Piper Jaffray

Wells Fargo Securities

KeyBanc Capital Markets

Lazard Capital Markets

, 2010

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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

In January 2008, we changed our fiscal year end from December 31 to the Saturday closest to January 31. Accordingly, references in this prospectus to fiscal years 2012, 2011, 2010 and 2009 refer to the years ended January 28, 2012, January 29, 2011, January 30, 2010 and January 31, 2009, respectively, and references to calendar years 2007, 2006 and 2005 refer to the years ended December 31, 2007, December 31, 2006 and December 31, 2005, respectively. Certain differences in the numbers in the tables and text throughout this prospectus may exist due to rounding.

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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 (1) completion of the reorganization transaction (as defined below), (2) completion of the stock split (as defined below) and (3) that the underwriters will not exercise their over-allotment option to purchase an additional 1,650,000 shares.

We are a newly-formed Indiana corporation that has not, prior to the completion of the reorganization transaction, conducted any activities other than those incident to our formation and the preparation of this prospectus. We were 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 equity interests in that corporation to us in return for shares of our common stock on a one-for-one basis. As a result, Vera Bradley Designs, Inc. became our wholly-owned subsidiary. We refer to the foregoing as our reorganization transaction. 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 Designs, Inc. and its subsidiaries before the reorganization transaction, and Vera Bradley, Inc. and its subsidiaries, including Vera Bradley Designs, Inc., after the reorganization transaction.

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 28-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 July 31, 2010, our Indirect business consisted of sales of Vera Bradley products to approximately 3,300 independent retailers, substantially all of which are located in the U.S., as well as select national retailers and third party e-commerce sites. As of July 31, 2010, our Direct business consisted of sales of Vera Bradley products through our 31 full-price stores, our two outlet stores, verabradley.com, and our annual outlet sale in Fort Wayne, Indiana.

Our net revenues have grown from \$238.6 million in fiscal year 2009 to \$288.9 million in fiscal year 2010, reflecting a growth rate of 21.1%. During fiscal year 2010, net revenues in our Indirect and Direct segments grew 15.2% and 35.1%, respectively. In mid-September 2007, we opened our first full-price Vera Bradley store, growing our store base to 31 full-price stores as of July 31, 2010. Our full-price stores produced comparable-store sales increases of 36.4% in fiscal year 2010 compared to fiscal year 2009 and 26.0% in the six months ended July 31, 2010 compared to the six months ended August 1, 2009. In addition, we have experienced strong sales growth in our e-commerce business in recent years.

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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 include 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.

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 year 2010, we had more than 23 million visits to verabradley.com, and as of July 31, 2010, we had 31 full-price stores and two 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 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.

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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 U.S., 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 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 U.S. Markets. Our historic growth focused primarily on the eastern U.S., 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 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 rely on these strengths to further penetrate our existing markets and successfully expand both Direct and Indirect channels of our business into relatively underpenetrated markets in the midwest, southwest and west.

Expand Our U.S. Store Base. We plan to expand our retail presence in the U.S. by opening new stores. We believe that the market in the U.S. can support at least 300 Vera Bradley full-price stores. We plan to open nine full-price stores and three outlet stores over the course of fiscal year 2011. We plan to open 14 to 16 new stores over the course of fiscal year 2012 and 14 to 20 new stores annually for 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 recently launched 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.

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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:

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

Reorganization Transaction and Stock Split

Vera Bradley, Inc. is a newly-formed Indiana corporation that has not, prior to the completion of the reorganization transaction, conducted any activities other than those incident to our formation and the preparation of this prospectus. We were 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. We refer to the foregoing in this prospectus as our reorganization transaction.

The only asset of Vera Bradley, Inc. is its investment in Vera Bradley Designs, Inc., and all of our operations are conducted through Vera Bradley Designs, Inc.

Prior to the effectiveness of the registration statement of which this prospectus is a part, we intend to recapitalize all of our Class A Voting Common Stock and Class B Non-Voting Common Stock into a single class of common stock and authorize and effectuate a 35.437-for-1 stock split of all outstanding shares of our common stock. We refer to the foregoing in this prospectus as our stock split.

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.

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Prior to the completion of the reorganization transaction, we were taxed as an S Corporation for purposes of federal and state income taxes. Accordingly, each of our shareholders was required to include his or her portion of our taxable income or loss on his or her federal and state income tax returns. Upon the consummation of the reorganization transaction, our S Corporation status automatically terminated and we became subject to increased taxes.

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

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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 31, 2009 and January 30, 2010 and summary consolidated balance sheet data as of January 31, 2009 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 summary income statement data for the six months ended August 1, 2009 and July 31, 2010 and the summary balance sheet data as of July 31, 2010 are derived from our unaudited consolidated financial statements that are 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.

(\$ in thousands, except per share data and as otherwise indicated)

	Fiscal Years Ended		Six Months Ended	
	January 31, 2009 ⁽¹⁾	January 30, 2010	August 1, 2009 (unaudited)	July 31, 2010 (unaudited)
Consolidated Statements of Income:				
Net revenues	\$ 238,577	\$ 288,940	\$ 131,087	\$ 165,078
Cost of sales	115,473	137,803	66,850	69,441
Gross profit	123,104	151,137	64,237	95,637
Selling, general and administrative expenses	109,195	116,168	54,724	72,585
Other income	13,282	10,743	4,980	3,912
Operating income	27,191	45,712	14,493	26,964
Interest expense, net	2,511	1,604	1,015	644
Income before state income taxes	24,680	44,108	13,478	26,320
State income taxes	1,009	889	315	356
Net income	\$ 23,671	\$ 43,219	\$ 13,163	\$ 25,964
Basic net income per common share	\$ 0.67	\$ 1.22	\$ 0.37	\$ 0.73
Diluted net income per common share	0.67	1.22	0.37	0.73
Basic weighted average shares outstanding	35,440,547	35,440,547	35,440,547	35,440,547
Diluted weighted average shares outstanding	35,440,547	35,440,547	35,440,547	35,443,559
Pro Forma Data (unaudited):				
Pro forma interest expense, net		\$ 2,454		\$ 1,200
Pro forma income tax provision		17,303		10,306
Pro forma net income ⁽²⁾		25,955		15,458
Pro forma basic and diluted net income per common share ⁽³⁾		0.65		0.39
Net Revenues by Segment:				
Indirect	\$ 167,454	\$ 192,829	\$ 87,861	\$ 101,532
Direct	71,123	96,111	43,226	63,546
Total	\$ 238,577	\$ 288,940	\$ 131,087	\$ 165,078
Full-Price Store Data:⁽⁴⁾				
Total stores open at end of period	21	26	23	31
Comparable-store sales increase ⁽⁵⁾	8.0%	36.4%	36.1%	26.0%
Total gross square footage at end of period	39,285	48,285	43,199	56,264
Average net revenues per gross square foot ⁽⁶⁾	\$ 578	\$ 615	\$ 306	\$ 349

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(\$ in thousands)

	Actual July 31, 2010 (unaudited)	Pro forma July 31, 2010⁽⁷⁾ (unaudited)	Pro forma as adjusted July 31, 2010⁽⁸⁾ (unaudited)
Consolidated Balance Sheet Data:			
Cash and cash equivalents	\$ 7,592	\$ 7,592	\$ 7,592
Working capital	71,314	84,741	84,741
Total assets	169,169	178,542	178,542
Long-term debt, including current portion	33,153	140,154	86,854
Shareholders' equity (deficit)	84,773	(18,768)	34,532

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- (1) In January 2008, we changed our fiscal year end from December 31 to the Saturday closest to January 31. In connection with our fiscal year end change, fiscal year 2009 included activity for greater than 52 weeks. This was a one-time occurrence and did not have a material effect on our results of operations.

- (2) The unaudited pro forma income statement information for the fiscal year ended January 30, 2010 and for the six months ended July 31, 2010 gives effect to:
 - i an adjustment for income tax expense as if we had been a C Corporation as of February 1, 2009 at an assumed combined federal, state, and local effective income tax rate of 40%, which approximates the calculated effective tax rate for each period, equal to \$16,754 and \$10,172, respectively; and

 - ii an adjustment to interest expense as if the borrowings under our amended and restated credit facility and the issuance of the undistributed taxable earnings notes had occurred as of February 1, 2009, which approximates \$850 and \$556, respectively, and a related income tax expense adjustment of \$340 and \$222, respectively.An assumed increase or decrease of 1/8 of one percent in the interest rate of the amended and restated credit facility and undistributed taxable earnings notes, which have a variable interest rate, would impact total pro forma interest expense for the fiscal year ended January 30, 2010 and for the six months ended July 31, 2010 by \$175 and \$88, respectively.

- (3) Reflects the (i) increase in the number of shares which would be sufficient to replace the capital in excess of earnings being withdrawn pursuant to the reorganization transaction and the related distributions of notes and cash (see footnote 7 below) and (ii) the vesting of restricted stock awards upon the initial public offering. The pro forma adjustment to basic and diluted weighted average shares outstanding both for the fiscal year ended January 30, 2010 and for the six months ended July 31, 2010 is 4.40 million shares.

- (4) These data exclude our two outlet stores as of July 31, 2010.

- (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 is 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.