

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

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

For the quarterly period ended November 2, 2019

Or

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

Commission File Number: 001-36212

VINCE HOLDING CORP.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

75-3264870
(I.R.S. Employer
Identification No.)

500 5th Avenue—20th Floor
New York, New York 10110
(Address of principal executive offices) (Zip code)

(212) 944-2600
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Exchange Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value per share	VNCE	New York Stock Exchange

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of November 29, 2019, the registrant had 11,679,923 shares of common stock, \$0.01 par value per share, outstanding.

VINCE HOLDING CORP. AND SUBSIDIARIES

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DISCLOSURES REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, and any statements incorporated by reference herein, contains forward-looking statements under the Private Securities Litigation Reform Act of 1995. Forward-looking statements are indicated by words or phrases such as “may,” “will,” “should,” “believe,” “expect,” “seek,” “anticipate,” “intend,” “estimate,” “plan,” “target,” “project,” “forecast,” “envision” and other similar phrases. Although we believe the assumptions and expectations reflected in these forward-looking statements are reasonable, these assumptions and expectations may not prove to be correct and we may not achieve the results or benefits anticipated. These forward-looking statements are not guarantees of actual results, and our actual results may differ materially from those suggested in the forward-looking statements. These forward-looking statements involve a number of risks and uncertainties, some of which are beyond our control, including, without limitation: the expected effects of the acquisition of Rebecca Taylor, Inc. and Parker Holding, LLC (collectively, the “Acquired Businesses”) on Vince Holding Corp. (the “Company”); our ability to integrate the Acquired Businesses with the Company, including our ability to retain customers, suppliers and key employees; our ability to realize the benefits of our strategic initiatives; our ability to maintain our larger wholesale partners; the execution and management of our retail store growth plans; our ability to make lease payments when due; our ability to expand our product offerings into new product categories, including the ability to find suitable licensing partners; our ability to comply with the obligations under our credit facilities; our ability to continue having the liquidity necessary to service our debt, meet contractual payment obligations, and fund our operations; our ability to remediate the identified material weakness in our internal control over financial reporting; our ability to optimize our systems, processes and functions; our ability to mitigate system security risk issues, such as cyber or malware attacks, as well as other major system failures; our ability to comply with privacy-related obligations; our ability to comply with domestic and international laws, regulations and orders; changes in laws and regulations; our ability to ensure the proper operation of the distribution facilities by third-party logistics providers; our ability to anticipate and/or react to changes in customer demand and attract new customers, including in connection with making inventory commitments; our ability to remain competitive in the areas of merchandise quality, price, breadth of selection and customer service; our ability to keep a strong brand image; changes in global economies and credit and financial markets; our ability to attract and retain key personnel; our ability to protect our trademarks in the U.S. and internationally; the execution and management of our international expansion, including our ability to promote our brand and merchandise outside the U.S. and find suitable partners in certain geographies; our current and future licensing arrangements; the extent of our foreign sourcing; fluctuations in the price, availability and quality of raw materials; commodity, raw material and other cost increases; our reliance on independent manufacturers; seasonal and quarterly variations in our revenue and income; further impairment of our goodwill and indefinite-lived intangible assets; competition; tax matters; and other factors as set forth from time to time in our Securities and Exchange Commission filings, including those described in this report on Form 10-Q and our 2018 Annual Report on Form 10-K filed with the Securities and Exchange Commission on April 12, 2019 (the “2018 Annual Report on Form 10-K”) under the heading “Item 1A—Risk Factors.” We intend these forward-looking statements to speak only as of the time of this report on Form 10-Q and do not undertake to update or revise them as more information becomes available, except as required by law.

PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

VINCE HOLDING CORP. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets
(in thousands, except share and per share data, unaudited)

	November 2, 2019	February 2, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 524	\$ 118
Trade receivables, net	32,246	28,896
Inventories, net	57,749	53,271
Prepaid expenses and other current assets	8,161	6,317
Total current assets	<u>98,680</u>	<u>88,602</u>
Property and equipment, net	22,905	25,156
Operating lease right-of-use assets, net	82,655	—
Intangible assets, net	76,052	76,501
Goodwill	41,435	41,435
Deferred income taxes	203	203
Other assets	2,992	3,034
Total assets	<u>\$ 324,922</u>	<u>\$ 234,931</u>
Liabilities and Stockholders' Equity (Deficit)		
Current liabilities:		
Accounts payable	\$ 29,057	\$ 28,787
Accrued salaries and employee benefits	6,906	5,510
Other accrued expenses	10,900	8,535
Short-term lease liabilities	16,716	—
Current portion of long-term debt	2,750	2,750
Total current liabilities	<u>66,329</u>	<u>45,582</u>
Long-term debt	43,469	42,340
Deferred rent	—	14,636
Long-term lease liabilities	80,157	—
Other liabilities	58,273	58,273
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Common stock at \$0.01 par value (100,000,000 shares authorized, 11,679,923 and 11,622,994 shares issued and outstanding at November 2, 2019 and February 2, 2019, respectively)	117	116
Additional paid-in capital	1,115,884	1,114,695
Accumulated deficit	(1,039,253)	(1,040,646)
Accumulated other comprehensive loss	(54)	(65)
Total stockholders' equity	<u>76,694</u>	<u>74,100</u>
Total liabilities and stockholders' equity	<u>\$ 324,922</u>	<u>\$ 234,931</u>

See notes to unaudited condensed consolidated financial statements.

VINCE HOLDING CORP. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)
(in thousands, except share and per share data, unaudited)

	Three Months Ended		Nine Months Ended	
	November 2, 2019	November 3, 2018	November 2, 2019	November 3, 2018
Net sales	\$ 86,404	\$ 83,526	\$ 212,877	\$ 201,168
Cost of products sold	42,862	42,709	106,353	107,096
Gross profit	43,542	40,817	106,524	94,072
Selling, general and administrative expenses	34,486	31,850	101,253	91,893
Income from operations	9,056	8,967	5,271	2,179
Interest expense, net	1,051	2,154	3,075	4,740
Other expense, net	—	78	108	87
Income (loss) before income taxes	8,005	6,735	2,088	(2,648)
Provision (benefit) for income taxes	35	(30)	106	46
Net income (loss)	\$ 7,970	\$ 6,765	\$ 1,982	\$ (2,694)
Other comprehensive income:				
Foreign currency translation adjustments	11	—	11	—
Comprehensive income (loss)	\$ 7,981	\$ 6,765	\$ 1,993	\$ (2,694)
Earnings (loss) per share:				
Basic earnings (loss) per share	\$ 0.68	\$ 0.58	\$ 0.17	\$ (0.23)
Diluted earnings (loss) per share	\$ 0.67	\$ 0.57	\$ 0.17	\$ (0.23)
Weighted average shares outstanding:				
Basic	11,679,380	11,621,012	11,660,710	11,619,059
Diluted	11,967,757	11,847,606	11,885,004	11,619,059

See notes to unaudited condensed consolidated financial statements.

VINCE HOLDING CORP. AND SUBSIDIARIES

Condensed Consolidated Statements of Stockholders' Equity
(in thousands, except share data, unaudited)

	Common Stock				Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Number of Shares Outstanding	Par Value	Additional Paid- In Capital				
Balance as of February 2, 2019	11,622,994	\$ 116	\$ 1,114,695	\$ (1,040,646)	\$ (65)	\$ 74,100	
Comprehensive loss:							
Net loss	—	—	—	(6,976)	—	(6,976)	
Share-based compensation expense	—	—	427	—	—	427	
Cumulative effect of accounting change from adoption of ASU 2016-02	—	—	—	(589)	—	(589)	
Restricted stock unit vestings	64,572	1	—	—	—	1	
Tax withholdings related to restricted stock vesting	(23,066)	—	(301)	—	—	(301)	
Balance as of May 4, 2019	<u>11,664,500</u>	<u>\$ 117</u>	<u>\$ 1,114,821</u>	<u>\$ (1,048,211)</u>	<u>\$ (65)</u>	<u>\$ 66,662</u>	
Comprehensive Income:							
Net Income	—	—	—	988	—	988	
Share-based compensation expense	—	—	527	—	—	527	
Restricted stock unit vestings	15,346	—	—	—	—	—	
Tax withholdings related to restricted stock vesting	(1,443)	—	(20)	—	—	(20)	
Balance as of August 3, 2019	<u>11,678,403</u>	<u>\$ 117</u>	<u>\$ 1,115,328</u>	<u>\$ (1,047,223)</u>	<u>\$ (65)</u>	<u>\$ 68,157</u>	
Comprehensive income:							
Net income	—	—	—	7,970	—	7,970	
Share-based compensation expense	—	—	533	—	—	533	
Issuance of common stock related to ESPP	1,520	—	23	—	—	23	
Foreign currency translation adjustments	—	—	—	—	11	11	
Balance as of November 2, 2019	<u>11,679,923</u>	<u>\$ 117</u>	<u>\$ 1,115,884</u>	<u>\$ (1,039,253)</u>	<u>\$ (54)</u>	<u>\$ 76,694</u>	
	Common Stock				Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Number of Shares Outstanding	Par Value	Additional Paid- In Capital				
Balance as of February 3, 2018	11,616,500	\$ 116	\$ 1,113,342	\$ (1,038,624)	\$ (65)	\$ 74,769	
Comprehensive loss:							
Net loss	—	—	—	(5,637)	—	(5,637)	
Share-based compensation expense	—	—	196	—	—	196	
Balance as of May 5, 2018	<u>11,616,500</u>	<u>\$ 116</u>	<u>\$ 1,113,538</u>	<u>\$ (1,044,261)</u>	<u>\$ (65)</u>	<u>\$ 69,328</u>	
Comprehensive loss:							
Net loss	—	—	—	(3,822)	—	(3,822)	
Share-based compensation expense	—	—	395	—	—	395	
Balance as of August 4, 2018	<u>11,616,500</u>	<u>\$ 116</u>	<u>\$ 1,113,933</u>	<u>\$ (1,048,083)</u>	<u>\$ (65)</u>	<u>\$ 65,901</u>	
Comprehensive income:							
Net income	—	—	—	6,765	—	6,765	
Share-based compensation expense	—	—	352	—	—	352	
Balance as of November 3, 2018	<u>11,616,500</u>	<u>\$ 116</u>	<u>\$ 1,114,285</u>	<u>\$ (1,041,318)</u>	<u>\$ (65)</u>	<u>\$ 73,018</u>	

See notes to unaudited condensed consolidated financial statements.

VINCE HOLDING CORP. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows
(in thousands, unaudited)

	Nine Months Ended	
	November 2, 2019	November 3, 2018
Operating activities		
Net income (loss)	\$ 1,982	\$ (2,694)
Add (deduct) items not affecting operating cash flows:		
Depreciation and amortization	5,535	6,117
Loss on disposal of property and equipment	21	280
Deferred rent	—	(885)
Share-based compensation expense	1,487	945
Loss on debt extinguishment	—	816
Amortization of deferred financing cost	419	517
Changes in assets and liabilities:		
Receivables, net	(3,351)	(11,563)
Inventories	(4,472)	(12,594)
Prepaid expenses and other current assets	(1,854)	580
Accounts payable and accrued expenses	3,991	5,649
Other assets and liabilities	(940)	97
Net cash provided by (used in) operating activities	<u>2,818</u>	<u>(12,735)</u>
Investing activities		
Payments for capital expenditures	(2,963)	(2,303)
Net cash used in investing activities	<u>(2,963)</u>	<u>(2,303)</u>
Financing activities		
Net proceeds from borrowings under the Revolving Credit Facilities	2,901	18,600
Proceeds from borrowings under the Term Loan Facilities	—	27,500
Repayment of borrowings under the Term Loan Facilities	(2,063)	(33,000)
Tax withholdings related to restricted stock vesting	(321)	—
Proceeds from stock option exercises, restricted stock vesting, and issuance of common stock under employee stock purchase plan	24	—
Financing fees	(8)	(2,447)
Net cash provided by financing activities	<u>533</u>	<u>10,653</u>
Increase (decrease) in cash, cash equivalents, and restricted cash	388	(4,385)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	7	—
Cash, cash equivalents, and restricted cash, beginning of period	129	5,445
Cash, cash equivalents, and restricted cash, end of period	524	1,060
Less: restricted cash at end of period	—	10
Cash and cash equivalents per balance sheet at end of period	<u>\$ 524</u>	<u>\$ 1,050</u>
Supplemental Disclosures of Cash Flow Information		
Cash payments on Tax Receivable Agreement obligation	\$ —	\$ 351
Cash payments for interest	2,652	3,480
Cash payments for income taxes, net of refunds	105	(1)
Supplemental Disclosures of Non-Cash Investing and Financing Activities		
Capital expenditures in accounts payable and accrued liabilities	127	234

See notes to unaudited condensed consolidated financial statements.

VINCE HOLDING CORP. AND SUBSIDIARIES

Notes to the Unaudited Condensed Consolidated Financial Statements
(in thousands except share and per share data)

Note 1. Description of Business and Basis of Presentation

On November 27, 2013, Vince Holding Corp. (“VHC” or the “Company”), previously known as Apparel Holding Corp., closed an initial public offering (“IPO”) of its common stock and completed a series of restructuring transactions (the “Restructuring Transactions”) through which Kellwood Holding, LLC acquired the non-Vince businesses, which included Kellwood Company, LLC (“Kellwood Company” or Kellwood), from the Company. The Company continues to own and operate the Vince business, which includes Vince, LLC.

Prior to the IPO and the Restructuring Transactions, VHC was a diversified apparel company operating a broad portfolio of fashion brands, which included the Vince business. As a result of the IPO and Restructuring Transactions, the non-Vince businesses were separated from the Vince business, and the stockholders immediately prior to the consummation of the Restructuring Transactions (the “Pre-IPO Stockholders”) (through their ownership of Kellwood Holding, LLC) retained the full ownership and control of the non-Vince businesses. The Vince business is now the sole operating business of VHC.

(A) Description of Business: Established in 2002 and designed in Los Angeles, Vince creates elevated yet understated pieces for every day. The collections are inspired by the brand’s California origins and embody a feeling of warmth and effortless style. Vince designs uncomplicated yet refined pieces that approach dressing with a sense of ease. Known for a range of luxury products, Vince offers women’s and men’s ready-to-wear, shoes, home, fragrance, and handbags. Vince products are sold in prestige locations worldwide. The Company reaches its customers through a variety of channels, specifically through major wholesale department stores and specialty stores in the United States (“U.S.”) and select international markets, as well as through the Company’s branded retail locations, the Company’s e-commerce site, vince.com, and the Company’s subscription business, Vince Unfold. The Company designs products in the U.S. and sources the vast majority of products from contract manufacturers outside the U.S., primarily in Asia. Products are manufactured to meet the Company’s product specifications and labor standards. The Company acquired 100% of the equity interests of Rebecca Taylor, Inc. and Parker Holding, LLC from Contemporary Lifestyle Group, LLC on November 3, 2019. See “Note 12 Subsequent Events” for additional information.

(B) Basis of Presentation: The accompanying condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) and the rules and regulations of the U.S. Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted. Therefore, these financial statements should be read in conjunction with VHC’s audited financial statements for the fiscal year ended February 2, 2019, as set forth in the 2018 Annual Report on Form 10-K.

The condensed consolidated financial statements include the Company’s accounts and the accounts of the Company’s wholly-owned subsidiaries as of November 2, 2019. All intercompany accounts and transactions have been eliminated. In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting solely of normal recurring adjustments) and disclosures necessary for a fair statement. The results of operations for these periods are not necessarily comparable to, or indicative of, results of any other interim period or the fiscal year as a whole.

(C) Sources and Uses of Liquidity: The Company’s sources of liquidity are cash and cash equivalents, cash flows from operations, if any, borrowings available under the 2018 Revolving Credit Facility (as defined below) and the Company’s ability to access capital markets. The Company’s primary cash needs are funding working capital requirements, meeting debt service requirements, paying amounts due under the Tax Receivable Agreement (as defined below) and capital expenditures for new stores and related leasehold improvements.

(D) Revenue Recognition: The Company recognizes revenue when performance obligations identified under the terms of contracts with its customers are satisfied, which generally occurs upon the transfer of control in accordance with the contractual terms and conditions of the sale. Sales are recognized when the control of the goods are transferred to the customer for the Company’s wholesale business, upon receipt by the customer for the Company’s e-commerce business, and at the time of sale to the consumer for the Company’s retail business. See Note 10 “Segment Information” for disaggregated revenue amounts by segment.

Revenue associated with gift cards is recognized upon redemption and unredeemed balances are considered contract liability and recorded within other accrued expenses, which are subject to escheatment within the jurisdictions in which it operates. As of November 2, 2019 and February 2, 2019, contract liability was \$1,357 and \$1,361, respectively. For the three and nine months ended November 2, 2019, the Company recognized \$54 and \$ 250 of revenue that was previously included in contract liability as of February 2, 2019.

Note 2. Goodwill and Intangible Assets

Net goodwill balances and changes therein by segment were as follows:

(in thousands)	Wholesale	Direct-to-consumer	Total Net Goodwill
Balance as of November 2, 2019	\$ 41,435	\$ —	\$ 41,435
Balance as of February 2, 2019	\$ 41,435	\$ —	\$ 41,435

The total carrying amount of goodwill for all periods presented was net of accumulated impairments of \$69,253.

The following tables present a summary of identifiable intangible assets:

(in thousands)	Gross Amount	Accumulated Amortization	Accumulated Impairments	Net Book Value
Balance as of November 2, 2019				
Amortizable intangible assets:				
Customer relationships	\$ 11,970	\$ (7,018)	\$ —	\$ 4,952
Indefinite-lived intangible asset:				
Tradename	101,850	—	(30,750)	71,100
Total intangible assets	\$ 113,820	\$ (7,018)	\$ (30,750)	\$ 76,052

(in thousands)	Gross Amount	Accumulated Amortization	Accumulated Impairments	Net Book Value
Balance as of February 2, 2019				
Amortizable intangible assets:				
Customer relationships	\$ 11,970	\$ (6,569)	\$ —	\$ 5,401
Indefinite-lived intangible asset:				
Tradename	101,850	—	(30,750)	71,100
Total intangible assets	\$ 113,820	\$ (6,569)	\$ (30,750)	\$ 76,501

Amortization of identifiable intangible assets was \$150 and \$150 for the three months ended November 2, 2019 and November 3, 2018, respectively and \$449 and \$449 for the nine months ended November 2, 2019 and November 3, 2018, respectively. The estimated amortization expense for identifiable intangible assets is \$598 for each fiscal year for the next five fiscal years.

Note 3. Fair Value Measurements

Accounting Standards Codification (“ASC”) Subtopic 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This guidance outlines a valuation framework, creates a fair value hierarchy to increase the consistency and comparability of fair value measurements, and details the disclosures that are required for items measured at fair value. Financial assets and liabilities are to be measured using inputs from three levels of the fair value hierarchy as follows:

- Level 1—** quoted market prices in active markets for identical assets or liabilities
- Level 2—** observable market-based inputs (quoted prices for similar assets and liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active) or inputs that are corroborated by observable market data
- Level 3—** significant unobservable inputs that reflect the Company’s assumptions and are not substantially supported by market data

The Company did not have any non-financial assets or non-financial liabilities recognized at fair value on a recurring basis at November 2, 2019 or February 2, 2019. At November 2, 2019 and February 2, 2019, the Company believes that the carrying value of cash and cash equivalents, receivables and accounts payable approximates fair value, due to the short-term maturity of these instruments. The Company’s debt obligations with a carrying value of \$47,354 as of November 2, 2019 are at variable interest rates. The carrying value of the Company’s 2018 Revolving Credit Facility (as defined below) approximates fair value as the stated interest rate approximates market rates currently available to the Company, which are considered Level 2 inputs. The fair value of the Company’s 2018 Term Loan Facility (as defined below) was approximately \$25,000 as of November 2, 2019 based upon an estimated

market value calculation that factors principal, time to maturity, interest rate, and current cost of debt, which is considered a Level 3 input.

The Company's non-financial assets, which primarily consist of goodwill, intangible assets, operating lease right-of-use assets, and property and equipment, are not required to be measured at fair value on a recurring basis and are reported at their carrying values. However, on a periodic basis whenever events or changes in circumstances indicate that their carrying value may not be fully recoverable (and at least annually for goodwill and indefinite-lived intangible assets), non-financial assets are assessed for impairment and, if applicable, written down to (and recorded at) fair value.

Note 4. Long-Term Debt and Financing Arrangements

Long-term debt consisted of the following:

(in thousands)	November 2, 2019	February 2, 2019
Term Loan Facilities	\$ 25,437	\$ 27,500
Revolving Credit Facilities	21,917	19,016
Total debt principal	47,354	46,516
Less: current portion of long-term debt	2,750	2,750
Less: deferred financing costs	1,135	1,426
Total long-term debt	<u>\$ 43,469</u>	<u>\$ 42,340</u>

2018 Term Loan Facility

On August 21, 2018, Vince, LLC entered into a \$27,500 senior secured term loan facility (the "2018 Term Loan Facility") pursuant to a credit agreement by and among Vince, LLC, as the borrower, VHC and Vince Intermediate Holdings, LLC, a direct subsidiary of VHC and the direct parent company of Vince, LLC ("Vince Intermediate"), as guarantors, Crystal Financial, LLC, as administrative agent and collateral agent, and the other lenders from time to time party thereto. The 2018 Term Loan Facility is subject to quarterly amortization of principal equal to 2.5% of the original aggregate principal amount of the 2018 Term Loan Facility, with the balance payable at final maturity. Interest is payable on loans under the 2018 Term Loan Facility at a rate equal to the 90-day LIBOR rate (subject to a 0% floor) plus applicable margins subject to a pricing grid based on a minimum Consolidated EBITDA (as defined in the credit agreement for the 2018 Term Loan Facility) calculation. During the continuance of certain specified events of default, interest will accrue on the outstanding amount of any loan at a rate of 2.0% in excess of the rate otherwise applicable to such amount. The 2018 Term Loan Facility matures on the earlier of August 21, 2023 and the maturity date of the 2018 Revolving Credit Facility (as defined below).

The 2018 Term Loan Facility contains a requirement that Vince, LLC maintain a Consolidated Fixed Charge Coverage Ratio (as defined in the credit agreement for the 2018 Term Loan Facility) as of the last day of any period of four fiscal quarters not to exceed 0.85:1.00 for the fiscal quarter ended November 3, 2018, 1.00:1.00 for the fiscal quarter ended February 2, 2019, 1.20:1.00 for the fiscal quarter ended May 4, 2019, 1.35:1.00 for the fiscal quarter ending August 3, 2019, 1.50:1.00 for the fiscal quarters ending November 2, 2019 and February 1, 2020 and 1.75:1.00 for the fiscal quarter ending May 2, 2020 and each fiscal quarter thereafter. In addition, the 2018 Term Loan Facility contains customary representations and warranties, other covenants, and events of default, including but not limited to, covenants with respect to limitations on the incurrence of additional indebtedness, liens, burdensome agreements, guarantees, investments, loans, asset sales, mergers, acquisitions, prepayment of other debt, the repurchase of capital stock, transactions with affiliates, and the ability to change the nature of the Company's business or its fiscal year, and distributions and dividends. The 2018 Term Loan Facility generally permits dividends to the extent that no default or event of default is continuing or would result from a contemplated dividend, so long as (i) after giving pro forma effect to the contemplated dividend and for the following six months Excess Availability will be at least the greater of 20.0% of the Loan Cap (as defined in the credit agreement for the 2018 Term Loan Facility) and \$10,000, (ii) after giving pro forma effect to the contemplated dividend, the Consolidated Fixed Charge Coverage Ratio for the 12 months preceding such dividend will be greater than or equal to 1.0 to 1.0 (provided that the Consolidated Fixed Charge Coverage Ratio may be less than 1.0 to 1.0 if, after giving pro forma effect to the contemplated dividend, Excess Availability for the six fiscal months following the dividend is at least the greater of 25.0% of the Loan Cap and \$12,500), and (iii) the pro forma Fixed Charge Coverage Ratio after giving effect to such contemplated dividend is no less than the minimum Consolidated Fixed Charge Coverage Ratio for such quarter. In addition, the 2018 Term Loan Facility is subject to a Borrowing Base (as defined in the credit agreement of the 2018 Term Loan Facility) which can, under certain conditions, result in the imposition of a reserve under the 2018 Revolving Credit Facility. As of November 2, 2019, the Company was in compliance with applicable covenants.

The 2018 Term Loan Facility also contains an Excess Cash Flow (as defined in the credit agreement for the 2018 Term Loan Facility) sweep requirement in which Vince, LLC remits 50% of Excess Cash Flow reduced on a dollar-for-dollar basis by any voluntary prepayments of the 2018 Term Loan Facility or the 2018 Revolving Credit Facility (to the extent accompanied by a permanent reduction in commitments) during such fiscal year or after the fiscal year but prior to the date of the excess cash flow payment, to be applied to the outstanding principal balance commencing 10 business days after the filing of the Company's Annual Report on Form 10-K starting from fiscal year ending February 1, 2020.

Through November 2, 2019, on an inception to date basis, the Company had made repayments totaling \$2,063 in the aggregate on the 2018 Term Loan Facility with all of such repayments made during the nine months ended November 2, 2019. As of November 2, 2019, the Company had \$25,437 of debt outstanding under the 2018 Term Loan Facility.

2018 Revolving Credit Facility

On August 21, 2018, Vince, LLC entered into an \$80,000 senior secured revolving credit facility (the "2018 Revolving Credit Facility") pursuant to a credit agreement by and among Vince, LLC, as the borrower, VHC and Vince Intermediate, as guarantors, Citizens Bank, N.A. ("Citizens"), as administrative agent and collateral agent, and the other lenders from time to time party thereto. The 2018 Revolving Credit Facility provides for a revolving line of credit of up to \$80,000, subject to a Loan Cap, which is the lesser of (i) the Borrowing Base as defined in the credit agreement for the 2018 Revolving Credit Facility and (ii) the aggregate commitments, as well as a letter of credit sublimit of \$25,000. It also provides for an increase in aggregate commitments of up to \$20,000. The 2018 Revolving Credit Facility matures on the earlier of August 21, 2023 and the maturity date of the 2018 Term Loan Facility. On August 21, 2018, Vince, LLC incurred \$39,555 of borrowings, prior to which \$66,271 was available, given the Loan Cap as of such date.

Interest is payable on the loans under the 2018 Revolving Credit Facility at either the LIBOR or the Base Rate, in each case, with applicable margins subject to a pricing grid based on an average daily excess availability calculation. The "Base Rate" means, for any day, a fluctuating rate per annum equal to the highest of (i) the rate of interest in effect for such day as publicly announced from time to time by Citizens as its prime rate; (ii) the Federal Funds Rate for such day, plus 0.5%; and (iii) the LIBOR Rate for a one month interest period as determined on such day, plus 1.00%. During the continuance of certain specified events of default, at the election of Citizens, interest will accrue at a rate of 2.0% in excess of the applicable non-default rate.

The 2018 Revolving Credit Facility contains a requirement that, at any point when Excess Availability (as defined in the credit agreement for the 2018 Revolving Credit Facility) is less than 10.0% of the loan cap and continuing until Excess Availability exceeds the greater of such amounts for 30 consecutive days, Vince must maintain during that time a Consolidated Fixed Charge Coverage Ratio (as defined in the credit agreement for the 2018 Revolving Credit Facility) equal to or greater than 1.0 to 1.0 measured as of the last day of each fiscal month during such period.

The 2018 Revolving Credit Facility contains representations and warranties, other covenants and events of default that are customary for this type of financing, including covenants with respect to limitations on the incurrence of additional indebtedness, liens, burdensome agreements, guarantees, investments, loans, asset sales, mergers, acquisitions, prepayment of other debt, the repurchase of capital stock, transactions with affiliates, and the ability to change the nature of the Company's business or its fiscal year. The 2018 Revolving Credit Facility generally permits dividends in the absence of any event of default (including any event of default arising from a contemplated dividend), so long as (i) after giving pro forma effect to the contemplated dividend and for the following six months Excess Availability will be at least the greater of 20.0% of the Loan Cap and \$10 million and (ii) after giving pro forma effect to the contemplated dividend, the Consolidated Fixed Charge Coverage Ratio for the 12 months preceding such dividend will be greater than or equal to 1.0 to 1.0 (provided that the Consolidated Fixed Charge Coverage Ratio may be less than 1.0 to 1.0 if, after giving pro forma effect to the contemplated dividend, Excess Availability for the six fiscal months following the dividend is at least the greater of 25.0% of the Loan Cap and \$12,500). As of November 2, 2019, the Company was in compliance with applicable covenants.

On November 1, 2019, Vince, LLC entered into First Amendment (the "First Revolver Amendment") to the 2018 Revolving Credit Facility, which provides the borrower the ability to elect the Daily LIBOR Rate in lieu of the Base Rate to be applied to the borrowings upon applicable notice. The "Daily LIBOR Rate" means a rate equal to the Adjusted LIBOR Rate in effect on such day for deposits for a one day period, provided that, upon notice and not more than once every 90 days, such rate may be substituted for a one week or one month period for the Adjusted LIBOR Rate for a one day period.

On November 4, 2019, Vince, LLC entered into the Second Amendment (the "Second Revolver Amendment") to the credit agreement of the 2018 Revolving Credit Facility. See Note 12 "Subsequent Events" for additional information.

As of November 2, 2019, \$52,169 was available under the 2018 Revolving Credit Facility, net of the loan cap, and there were \$21,944 of borrowings outstanding and \$5,887 of letters of credit outstanding under the 2018 Revolving Credit Facility. The weighted average interest rate for borrowings outstanding under the 2018 Revolving Credit Facility as of November 2, 2019 was 3.6%.

As of February 2, 2019, \$36,850 was available under the 2018 Revolving Credit Facility, net of the loan cap, and there were \$19,016 of borrowings outstanding and \$6,013 of letters of credit outstanding under the 2018 Revolving Credit Facility. The weighted average interest rate for borrowings outstanding under the 2018 Revolving Credit Facility as of February 2, 2019 was 4.4%.

2013 Term Loan Facility

On November 27, 2013, Vince, LLC and Vince Intermediate entered into a \$175,000 senior secured term loan facility (as amended from time to time, the “2013 Term Loan Facility”) with the lenders party thereto, Bank of America, N.A. (“BofA”), as administrative agent, JP Morgan Chase Bank and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as joint lead arrangers, and Cantor Fitzgerald as documentation agent. The 2013 Term Loan Facility would have matured on November 27, 2019. Vince, LLC and Vince Intermediate were borrowers and VHC was a guarantor under the 2013 Term Loan Facility.

On August 21, 2018, the Company refinanced the 2013 Term Loan Facility by entering into the 2018 Term Loan Facility and the 2018 Revolving Credit Facility. All outstanding amounts under the 2013 Term Loan Facility of \$29,146, including interest, were repaid in full and the 2013 Term Loan Facility was terminated.

2013 Revolving Credit Facility

On November 27, 2013, Vince, LLC entered into a \$50,000 senior secured revolving credit facility (as amended from time to time, the “2013 Revolving Credit Facility”) with BofA as administrative agent. Vince, LLC was the borrower and VHC and Vince Intermediate were the guarantors under the 2013 Revolving Credit Facility. On June 3, 2015, Vince, LLC entered into a first amendment to the 2013 Revolving Credit Facility, that among other things, increased the aggregate commitments under the facility from \$50,000 to \$80,000, subject to a loan cap which was the lesser of (i) the Borrowing Base, as defined in the loan agreement, (ii) the aggregate commitments, or (iii) \$70,000 until debt obligations under the Company’s 2013 Term Loan Facility have been paid in full, and extended the maturity date from November 27, 2018 to June 3, 2020.

On August 21, 2018, the Company refinanced the 2013 Revolving Credit Facility by entering into the 2018 Term Loan Facility and the 2018 Revolving Credit Facility. All outstanding amounts under the 2013 Term Loan Facility of \$40,689, including interest, were repaid in full and the 2013 Revolving Credit Facility was terminated.

Note 5. Inventory

Inventories consisted of finished goods. As of November 2, 2019 and February 2, 2019, finished goods, net of reserves were \$57,749 and \$53,271, respectively.

Note 6. Share-Based Compensation

Employee Stock Plans

Vince 2013 Incentive Plan

In connection with the IPO, the Company adopted the Vince 2013 Incentive Plan, which provides for grants of stock options, stock appreciation rights, restricted stock and other stock-based awards. In May 2018, the Company filed a Registration Statement on Form S-8 to register an additional 660,000 shares of common stock available for issuance under the Vince 2013 Incentive Plan. The aggregate number of shares of common stock which may be issued or used for reference purposes under the Vince 2013 Incentive Plan or with respect to which awards may be granted may not exceed 1,000,000 shares. The shares available for issuance under the Vince 2013 Incentive Plan may be, in whole or in part, either authorized and unissued shares of the Company’s common stock or shares of common stock held in or acquired for the Company’s treasury. In general, if awards under the Vince 2013 Incentive Plan are cancelled for any reason, or expire or terminate unexercised, the shares covered by such award may again be available for the grant of awards under the Vince 2013 Incentive Plan. As of November 2, 2019, there were 257,934 shares under the Vince 2013 Incentive Plan available for future grants. Options granted pursuant to the Vince 2013 Incentive Plan typically vest in equal installments over four years, subject to the employees’ continued employment and expire on the earlier of the tenth anniversary of the grant date or upon termination as outlined in the Vince 2013 Incentive Plan. Restricted stock units (“RSUs”) granted vest in equal installments over a three-year period or vest in equal installments over four years, subject to the employees’ continued employment, except for RSUs issued under the exchange offer described below.

On April 26, 2018, the Company commenced a tender offer to exchange certain options to purchase shares of its common stock, whether vested or unvested, from eligible employees and executive officers for replacement restricted stock units (“Replacement RSUs”) granted under the Vince 2013 Incentive Plan (the “Option Exchange”). Employees and executive officers of the Company on the date of offer commencement and those who remained an employee or executive officer of the Company through the expiration date of the offer and held at least one option as of the commencement of the offer that was granted under the Vince 2013 Incentive Plan were eligible to participate. The exchange ratio of this offer was a 1-to-1.7857 basis (one stock option exchanged for every 1.7857 Replacement RSUs). This tender offer expired on 11:59 p.m. Eastern Time on May 24, 2018 (the “Offer Expiration Date”). The Replacement RSUs were granted on the business day immediately following the Offer Expiration Date. As a result of the Option Exchange, 149,819 stock options were cancelled and 267,538 Replacement RSUs were granted with a grant date fair value of \$9.15 per unit. All Replacement RSUs vest pursuant to the following schedule: 10% on April 19, 2019; 20% on April 17, 2020; 25% on April 16, 2021; and 45% on April 15, 2022, subject to the holder’s remaining continuously employed with the Company through each such applicable vesting date. Replacement RSUs have the new vesting schedule regardless of whether the surrendered eligible options were partially vested at the time it was exchanged. The purpose of this exchange was to foster retention, motivate our key contributors, and better align the interests of our employees and stockholders to maximize stockholder value.

Employee Stock Purchase Plan

The Company maintains an employee stock purchase plan (“ESPP”) for its employees. Under the ESPP, all eligible employees may contribute up to 10% of their base compensation, up to a maximum contribution of \$10 per year. The purchase price of the stock is 90% of the fair market value, with purchases executed on a quarterly basis. The plan is defined as compensatory, and accordingly, a charge for compensation expense is recorded to selling, general and administrative expense for the difference between the fair market value and the discounted purchase price of the Company’s Stock. During the nine months ended November 2, 2019, 1,520 shares of common stock were issued under the ESPP. During the nine months ended November 3, 2018, no shares of common stock were issued under the ESPP. As of November 2, 2019, there were 91,805 shares available for future issuance under the ESPP.

Stock Options

A summary of stock option activity for both employees and non-employees for the nine months ended November 2, 2019 is as follows:

	<u>Stock Options</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Term (years)</u>	<u>Aggregate Intrinsic Value (in thousands)</u>
Outstanding at February 2, 2019	204	\$ 31.71	6.7	\$ —
Granted	—	\$ —		
Exercised	—	\$ —		
Forfeited or expired	(29)	\$ 38.77		
Outstanding at November 2, 2019	<u>175</u>	<u>\$ 38.87</u>	5.9	\$ —
Vested and exercisable at November 2, 2019	175	\$ 38.87	5.9	\$ —

All outstanding shares were vested at November 2, 2019.

Restricted Stock Units

A summary of restricted stock unit activity for the nine months ended November 2, 2019 is as follows:

	<u>Restricted Stock Units</u>	<u>Weighted Average Grant Date Fair Value</u>
Non-vested restricted stock units at February 2, 2019	504,230	\$ 9.19
Granted	266,073	\$ 14.25
Vested	(79,918)	\$ 10.19
Forfeited	(14,187)	\$ 11.22
Non-vested restricted stock units at November 2, 2019	<u>676,198</u>	<u>\$ 11.02</u>

Share-Based Compensation Expense

The Company recognized share-based compensation expense of \$533 and \$352, including expense of \$49 and \$43, respectively, related to non-employees, during the three months ended November 2, 2019 and November 3, 2018, respectively. The Company recognized share-based compensation expense of \$1,487 and \$945, including expense of \$131 and \$114 respectively, related to non-employees, during the nine months ended November 2, 2019 and November 3, 2018, respectively.

Note 7. Earnings Per Share

Basic earnings (loss) per share is calculated by dividing net income (loss) by the weighted average number of shares of common stock outstanding during the period. Except when the effect would be anti-dilutive, diluted earnings (loss) per share is calculated based on the weighted average number of shares of common stock outstanding plus the dilutive effect of share-based awards calculated under the treasury stock method. In periods when we have a net loss, share-based awards are excluded from our calculation of earnings per share as their inclusion would have an anti-dilutive effect.

The following is a reconciliation of weighted average basic shares to weighted average diluted shares outstanding:

	Three Months Ended		Nine Months Ended	
	November 2, 2019	November 3, 2018	November 2, 2019	November 3, 2018
Weighted-average shares—basic	11,679,380	11,621,012	11,660,710	11,619,059
Effect of dilutive equity securities	288,377	226,594	224,294	—
Weighted-average shares—diluted	11,967,757	11,847,606	11,885,004	11,619,059

Because the Company incurred a net loss for the nine months ended November 3, 2018, weighted-average basic shares and weighted-average diluted shares outstanding are equal for the period.

For the three months ended November 2, 2019 and November 3, 2018, 16,762 and 2,466 weighted average shares of share-based compensation were excluded from the computation of weighted average shares for diluted earnings per share, as their effect would have been anti-dilutive.

For the nine months ended November 2, 2019, 15,525 weighted average shares of share-based compensation were excluded from the computation of weighted average shares for diluted earnings per share, as their effect would have been anti-dilutive.

Note 8. Commitments and Contingencies

Litigation

On September 7, 2018, a complaint was filed in the United States District Court for the Eastern District of New York by certain stockholders (collectively, the “Plaintiff”), naming the Company as well as Brendan Hoffman, the Company’s Chief Executive Officer, David Stefko, the Company’s Executive Vice President, Chief Financial Officer, one of the Company’s directors, certain of the Company’s former officers and directors, and Sun Capital Partners, Inc. and certain of its affiliates, as defendants. The complaint generally alleges that the Company and the named parties made false and/or misleading statements and/or failed to disclose matters relating to the transition of the Company’s ERP systems from Kellwood. The complaint brings causes of action for violations of Section 10(b) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and Rule 10b-5 promulgated under the Exchange Act against the Company and the named parties and for violations of Section 20(a) of the Exchange Act against the individual parties, Sun Capital Partners, Inc. and its affiliates. The complaint seeks unspecified monetary damages and unspecified costs and fees. On January 28, 2019, in response to our motion to dismiss the original complaint, the Plaintiff filed an amended complaint, naming the same defendants as parties and asserting the same causes of action as those stated in the original complaint. On October 4, 2019, an individual stockholder filed a complaint marked as a related suit to the amended complaint, containing substantially identical allegations and claims against the same defendant parties.

The Company currently believes that the likelihood of an unfavorable judgment arising from this matter is remote based on the information currently available and that the ultimate resolution of this matter will not have a material adverse effect on the Company’s business in a future period. However, given the inherent unpredictability of litigation and the fact that this litigation is still in its very early stages, the Company is unable to predict with certainty the outcome of this litigation or reasonably estimate a possible loss or range of loss, if any, associated with this litigation at this time. In addition, the Company will be required to expend resources to defend this matter.

On September 6, 2019, Vince, LLC received a favorable judgment from the second instance court in the People’s Republic of China in connection with a trademark infringement case. The judgment awarded Vince, LLC approximately \$700 in damages and fees, net of applicable taxes, which was included in general and administrative expense in the accompanying condensed consolidated statement of operations and comprehensive income. This amount was subsequently paid in full to Vince, LLC by the defendants in the case.

Additionally, the Company is a party to other legal proceedings, compliance matters, environmental, as well as wage and hour and other labor claims that arise in the ordinary course of business. Although the outcome of such items cannot be determined with certainty, management believes that the ultimate outcome of these items, individually and in the aggregate, will not have a material adverse impact on the Company’s financial position, results of operations or cash flows.

Note 9. Leases

During the first quarter of fiscal 2019, the Company adopted ASU No. 2016-02: “Leases (topic 842)” which requires lessees to recognize right-of-use (“ROU”) lease assets and lease liabilities on the balance sheet for those leases that were previously classified as operating leases. The Company adopted the standard on February 3, 2019, the first day of fiscal 2019 instead of the earliest period presented in the financial statements per ASU No. 2018-11: “Leases (Topic 842): Targeted improvements.” The Company recognized a \$589 cumulative effect adjustment in retained earnings at the beginning of the period of adoption which resulted from the impairment of select operating lease ROU assets of \$416 related to stores whose fixed assets had been previously impaired and for which the initial carrying value of the ROU assets were determined to be above fair market value and \$173 of cumulative correction of an immaterial error in prior period rent expense.

The Company elected the package of three practical expedients. As such, the Company did not reassess whether expired or existing contracts are or contain a lease and did not need to reassess the lease classifications or reassess the initial direct costs associated with expired or existing leases. The Company did not elect the hindsight practical expedient in determining the lease term and assessing the impairment of the entity’s right-of-use assets. The land easement practical expedient is not applicable to the Company.

The Company determines if an arrangement is a lease at inception. The Company has operating leases for real estate (primarily retail stores, storage, and office spaces) which generally have initial terms of 10 years and cannot be extended or can be extended for one additional 5-year term, with the exception of a few recent leases which are on shorter terms. In general, the Company will not include renewal options in the underlying lease term unless the Company is reasonably certain to exercise the renewal option. Substantially all of our leases require a fixed annual rent, and most require the payment of additional rent if store sales exceed a negotiated amount. These percentage rent expenses are considered as variable lease costs and recognized in the condensed consolidated financial statements when incurred. In addition, the Company’s real estate leases may also require additional payments for real estate taxes and other occupancy-related costs which it considers as non-lease components. The Company did not elect the practical expedient to group lease and non-lease components as a single lease component for the operating leases. Operating lease ROU assets and operating lease liabilities are recognized based upon the present value of the future lease payments over the lease term. As the Company’s leases do not provide an implicit borrowing rate, the Company uses an estimated incremental borrowing rate based upon combination of market-based factors, such as market quoted forward yield curves and company specific factors, such as the Company’s credit rating, lease size and duration to calculate the present value. The Company does not have any finance leases. The Company’s lease agreements do not contain any material residual value guarantees or material restrictive covenants. The weighted-average remaining lease term and weighted-average discount rate for our operating leases are 5.8 years and 7.0% as of November 2, 2019.

Total lease cost is included in cost of sales and SG&A in the accompanying condensed consolidated statement of operations and comprehensive income and is recorded net of immaterial sublease income. Some leases have a non-cancelable lease term of less than one year and therefore, the Company has elected to exclude these short-term leases from our ROU asset and lease liabilities. Short term lease costs were immaterial for three and nine months ended November 2, 2019. The Company’s lease cost is comprised of the following:

(in thousands)	Three Months Ended		Nine Months Ended	
	November 2,		November 2,	
	2019		2019	
Operating lease cost	\$	5,412	\$	15,801
Variable operating lease cost		149		276
Total lease cost	\$	5,561	\$	16,077

Supplemental cash flow and non-cash information related to leases is as follows:

	<u>Nine Months Ended</u>	
	<u>November 2,</u>	
(in thousands)	<u>2019</u>	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$	16,397
Right-of-use assets obtained in exchange for new operating lease liabilities		14,476

Subsequent to the date of adoption, during the nine months ended November 2, 2019, the Company had lease modifications which changed the lease payment from fixed to variable or reduced the monthly lease payment which reduced the ROU assets and lease liabilities by \$3,409 and \$3,425, respectively.

The future maturity of lease liabilities are as follows:

	<u>November 2,</u>	
(in thousands)	<u>2019</u>	
Fiscal 2019	\$	5,743
Fiscal 2020		22,599
Fiscal 2021		21,278
Fiscal 2022		19,189
Fiscal 2023		17,442
Thereafter		32,472
Total lease payments		118,723
Less: Imputed interest		(21,850)
Total operating lease liabilities	\$	96,873

The operating lease payments do not include any renewal options as such leases are not reasonably certain of being renewed as of November 2, 2019. Further, there were no legally binding minimum lease payments of lease signed but not yet commenced.

As previously disclosed in our 2018 Annual Report on Form 10-K and under the previous lease accounting standard, future minimum lease payments due under non-cancelable operating leases would have been as follows:

	<u>February 2,</u>	
(in thousands)	<u>2019</u>	
Fiscal 2019	\$	21,512
Fiscal 2020		19,997
Fiscal 2021		18,935
Fiscal 2022		17,056
Fiscal 2023		15,251
Thereafter		24,140
Total minimum lease payments	\$	116,891

Note 10. Segment Financial Information

The Company operates and manages its business by distribution channel and has identified two reportable segments, as further described below. Management considered both similar and dissimilar economic characteristics, internal reporting and management structures, as well as products, customers, and supply chain logistics to identify the following reportable segments:

- Wholesale segment—consists of the Company's operations to distribute products to major department stores and specialty stores in the United States and select international markets; and
- Direct-to-consumer segment—consists of the Company's operations to distribute products directly to the consumer through its branded full-price specialty retail stores, outlet stores, e-commerce platform, and Vince Unfold.

The accounting policies of the Company's reportable segments are consistent with those described in Note 1 to the audited consolidated financial statements of VHC for the fiscal year ended February 2, 2019 included in the 2018 Annual Report on Form 10-K. Unallocated corporate expenses are comprised of selling, general, and administrative expenses attributable to corporate and administrative activities (such as marketing, design, finance, information technology, legal and human resource departments), and other charges that are not directly attributable to the Company's reportable segments. Unallocated corporate assets are comprised of the carrying values of the Company's goodwill and tradename, deferred tax assets, and other assets that will be utilized to generate revenue for both of the Company's reportable segments.

Summary information for the Company's reportable segments is presented below.

(in thousands)	Three Months Ended		Nine Months Ended	
	November 2,	November 3,	November 2,	November 3,
	2019	2018	2019	2018
Net Sales:				
Wholesale	\$ 51,102	\$ 52,986	\$ 121,850	\$ 119,325
Direct-to-consumer	35,302	30,540	91,027	81,843
Total net sales	\$ 86,404	\$ 83,526	\$ 212,877	\$ 201,168
Income (loss) before income taxes:				
Wholesale	\$ 18,497	\$ 19,031	\$ 41,605	\$ 35,340
Direct-to-consumer	4,133	2,702	5,225	4,354
Subtotal	22,630	21,733	46,830	39,694
Unallocated corporate expenses	(13,574)	(12,766)	(41,559)	(37,515)
Interest expense, net	1,051	2,154	3,075	4,740
Other expense (income), net	—	78	108	87
Total Income (loss) before income taxes	\$ 8,005	\$ 6,735	\$ 2,088	\$ (2,648)

(in thousands)	November 2,	February 2,
	2019	2019
Total Assets:		
Wholesale	\$ 71,372	\$ 67,622
Direct-to-consumer	120,578	40,825
Unallocated corporate	132,972	126,484
Total assets	\$ 324,922	\$ 234,931

Note 11. Related Party Transactions

Tax Receivable Agreement

VHC entered into a Tax Receivable Agreement with the Pre-IPO Stockholders on November 27, 2013. The Company and its former subsidiaries generated certain tax benefits (including NOLs and tax credits) prior to the Restructuring Transactions consummated in connection with the Company's IPO and will generate certain section 197 intangible deductions (the "Pre-IPO Tax Benefits"), which would reduce the actual liability for taxes that the Company might otherwise be required to pay. The Tax Receivable Agreement provides for payments to the Pre-IPO Stockholders in an amount equal to 85% of the aggregate reduction in taxes payable realized by the Company and its subsidiaries from the utilization of the Pre-IPO Tax Benefits (the "Net Tax Benefit").

For purposes of the Tax Receivable Agreement, the Net Tax Benefit equals (i) with respect to a taxable year, the excess, if any, of (A) the Company's liability for taxes using the same methods, elections, conventions and similar practices used on the relevant company return assuming there were no Pre-IPO Tax Benefits over (B) the Company's actual liability for taxes for such taxable year (the "Realized Tax Benefit"), plus (ii) for each prior taxable year, the excess, if any, of the Realized Tax Benefit reflected on an amended schedule applicable to such prior taxable year over the Realized Tax Benefit reflected on the original tax benefit schedule for such prior taxable year, minus (iii) for each prior taxable year, the excess, if any, of the Realized Tax Benefit reflected on the original tax benefit schedule for such prior taxable year over the Realized Tax Benefit reflected on the amended schedule for such prior taxable year; provided, however, that to the extent any of the adjustments described in clauses (ii) and (iii) were reflected in the calculation of the tax benefit payment for any subsequent taxable year, such adjustments shall not be taken into account in determining the Net Tax Benefit for any subsequent taxable year. To the extent that the Company is unable to make the payment under the Tax Receivable Agreement when due under the terms of the Tax Receivable Agreement for any reason, such payment would be deferred and would

accrue interest at a default rate of LIBOR plus 500 basis points until paid, instead of the agreed rate of LIBOR plus 200 basis points per annum in accordance with the terms of the Tax Receivable Agreement.

As of November 2, 2019, the Company's total obligation under the Tax Receivable Agreement is estimated to be \$58,273, which is included as a component of Other liabilities on the condensed consolidated balance sheet. The tax benefit payment of \$351, including accrued interest, with respect to the 2016 taxable year was paid in the first quarter of fiscal 2018. No additional payments are expected to be made under the Tax Receivable Agreement during fiscal year 2019. The Tax Receivable Agreement expires on December 31, 2023. The obligation was originally recorded in connection with the IPO as an adjustment to additional paid-in capital on the Company's consolidated balance sheet.

Sun Capital Consulting Agreement

On November 27, 2013, the Company entered into an agreement with Sun Capital Management to (i) reimburse Sun Capital Management Corp. ("Sun Capital Management") or any of its affiliates providing consulting services under the agreement for out-of-pocket expenses incurred in providing consulting services to the Company and (ii) provide Sun Capital Management with customary indemnification for any such services.

During the three months ended November 2, 2019 and November 3, 2018, the Company incurred expenses of \$14 and \$8, respectively, under the Sun Capital Consulting Agreement. During the nine months ended November 2, 2019 and November 3, 2018, the Company incurred expenses of \$56 and \$31, respectively, under the Sun Capital Consulting Agreement.

Security Service Agreement

The Company has been a party to a master services agreement, and various statements of work issued pursuant thereto (collectively, the "Security Service Agreement"), with SOS Security, LLC ("SOS"), relating to permanent and temporary security services and loss prevention solutions for the Company's retail operations, since 2016. On April 30, 2019, all outstanding interests of SOS were acquired by the affiliates of Sun Capital Partners, Inc. (collectively, "Sun Capital"). Sun Capital subsequently signed a definitive agreement to sell SOS in November 2019. The sale has not been completed and is subject to a number of conditions, contingencies and other uncertainties.

During the three and nine months ended November 2, 2019, the Company incurred expenses of \$44 and \$127 respectively, under the Security Service Agreement.

Note 12. Subsequent Events

Equity Purchase Agreement

On November 4, 2019, Vince, LLC entered into an Equity Purchase Agreement (the “Purchase Agreement”) with Contemporary Lifestyle Group, LLC (“CLG”), providing for the acquisition (the “Acquisition”) by Vince, LLC of 100% of the equity interests of Rebecca Taylor, Inc. and Parker Holding, LLC (collectively, the “Acquired Businesses”) from CLG. The Acquisition was consummated effective on November 3, 2019.

The aggregate purchase price for the Acquisition was \$19,730, which amount was used to satisfy all outstanding obligations under the credit facility of the Acquired Businesses and for the payment of certain compensation expenses. The purchase price was paid in cash and funded under the 2018 Revolving Credit Facility which was upsized simultaneously with the Acquisition, as described below.

CLG was owned by affiliates of Sun Capital Partners, Inc. (collectively, “Sun Capital”). Sun Capital beneficially owns approximately 73% of the Company’s common stock. The Acquisition was reviewed and approved by the Special Committee of the Company’s Board of Directors, consisting solely of directors not affiliated with Sun Capital, who was represented by independent financial and legal advisors.

The Acquisition is expected to be treated for accounting purposes as a transaction by entities under common control within the scope of ASC Topic 805 “*Business Combinations*”. This guidance requires the retrospective combination of the entities for all periods presented as if the combination had been in effect since inception of common control. Accordingly, the Acquisition will reflect historical balance sheet data for the Acquired Businesses instead of reflecting the fair market value of their assets and liabilities.

During the third quarter of fiscal 2019, the Company incurred \$718 of costs to effect the Acquisition, which have been expensed and are included in general and administrative expense in the accompanying condensed consolidated statement of operations and comprehensive income.

Upsize of 2018 Revolving Credit Facility

On November 4, 2019, Vince, LLC entered into the Second Amendment (the “Second Revolver Amendment”) to the 2018 Revolving Credit Facility. The Second Revolver Amendment increased the aggregate commitments under the 2018 Revolving Credit Facility by \$20,000 to \$100,000. Pursuant to the terms of the Second Revolver Amendment, the Acquired Businesses became guarantors under the 2018 Revolving Credit Facility and jointly and severally liable for the obligations thereunder. Simultaneously, Vince, LLC entered into a Joinder Amendment to the credit agreement of the 2018 Term Loan Facility whereby the Acquired Businesses became guarantors under the 2018 Term Loan Facility and jointly and severally liable for the obligations thereunder.

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

This discussion summarizes our consolidated operating results, financial condition and liquidity. The following discussion and analysis should be read in conjunction with our condensed consolidated financial statements and related notes included elsewhere in this report on Form 10-Q. All amounts disclosed are in thousands except store counts, countries, share and per share data and percentages. See Note 1 "Description of Business and Basis of Presentation" within the notes to the condensed consolidated financial statements in this Quarterly Report on Form 10-Q for further information.

For purposes of this report on Form 10-Q, "Vince," the "Company," "we," and "our," refer to Vince Holding Corp. ("VHC") and our wholly owned subsidiaries, including Vince Intermediate Holding ("Vince Intermediate"), LLC and Vince, LLC.

This discussion contains forward-looking statements involving risks, uncertainties and assumptions that could cause our results to differ materially from expectations. For a discussion of the risks facing our business see "Item 1A—Risk Factors" of this report on Form 10-Q as well as in our 2018 Annual Report on Form 10-K.

Executive Overview

Established in 2002 and designed in Los Angeles, Vince creates elevated yet understated pieces for every day. The collections are inspired by the brand's California origins and embody a feeling of warmth and effortless style. Vince designs uncomplicated yet refined pieces that approach dressing with a sense of ease. Known for a range of luxury products, Vince offers women's and men's ready-to-wear, shoes, home, fragrance, and handbags. Vince products are sold in prestige locations worldwide.

We serve our customers through a variety of channels that reinforce the Vince brand image. Our diversified channel strategy allows us to introduce our products to customers through multiple distribution points that are reported in two segments: Wholesale and Direct-to-consumer.

The following is a summary of highlights during the three months ended November 2, 2019:

- Our net sales totaled \$86,404, reflecting a 3.4% increase compared to prior year net sales of \$83,526.
- Our Wholesale net sales decreased 3.6% to \$51,102 and our Direct-to-consumer net sales increased 15.6% to \$35,302. Comparable sales, including e-commerce, increased 9.5% compared to last year.
- Selling, general, and administrative expenses were \$34,486, an increase of \$2,636 or 8.3% compared to \$31,850 in the prior year.
- Net income for the quarter was \$7,970, or \$0.67 diluted earnings per share, compared to a net income of \$6,765, or \$0.57 diluted earnings per share, in the prior year.
- We opened three new retail stores during the quarter.
- As of November 2, 2019, we had \$47,354 of total debt principal outstanding, comprised of \$25,437 outstanding under our 2018 Term Loan Facility and \$21,917 outstanding on our 2018 Revolving Credit Facility, as well as \$524 of cash and cash equivalents.

Results of Operations

The following table presents, for the periods indicated, our operating results as a percentage of net sales, as well as loss per share data:

	Three Months Ended				Nine Months Ended			
	November 2, 2019		November 3, 2018		November 2, 2019		November 3, 2018	
	Amount	% of Net Sales	Amount	% of Net Sales	Amount	% of Net Sales	Amount	% of Net Sales
(in thousands, except per share data, store counts and percentages)								
Statements of Operations:								
Net sales	\$ 86,404	100.0%	\$ 83,526	100.0%	\$ 212,877	100.0%	\$ 201,168	100.0%
Cost of products sold	42,862	49.6%	42,709	51.1%	106,353	50.0%	107,096	53.2%
Gross profit	43,542	50.4%	40,817	48.9%	106,524	50.0%	94,072	46.8%
Selling, general and administrative expenses	34,486	39.9%	31,850	38.2%	101,253	47.5%	91,893	45.7%
Income from operations	9,056	10.5%	8,967	10.7%	5,271	2.5%	2,179	1.1%
Interest expense, net	1,051	1.2%	2,154	2.6%	3,075	1.4%	4,740	2.4%
Other expense, net	—	0.0%	78	0.0%	108	0.1%	87	0.0%
Income (loss) before income taxes	8,005	9.3%	6,735	8.1%	2,088	1.0%	(2,648)	(1.3)%
Provision (benefit) for income taxes	35	0.1%	(30)	0.0%	106	0.1%	46	0.0%
Net income (loss)	\$ 7,970	9.2%	\$ 6,765	8.1%	\$ 1,982	0.9%	\$ (2,694)	(1.3)%
Earnings (loss) per share:								
Basic earnings (loss) per share	\$ 0.68		\$ 0.58		\$ 0.17		\$ (0.23)	
Diluted earnings (loss) per share	\$ 0.67		\$ 0.57		\$ 0.17		\$ (0.23)	
Other Operating and Financial Data:								
Total stores at end of period	63		59		63		59	
Comparable sales growth ⁽¹⁾ ⁽²⁾	9.5%		15.4%		6.1%		14.4%	

- (1) Comparable sales include our e-commerce sales in order to align with how we manage our brick-and-mortar retail stores and e-commerce online store as a combined single Direct-to-consumer segment. As a result of our omni-channel sales and inventory strategy, as well as cross-channel customer shopping patterns, there is less distinction between our brick-and-mortar retail stores and our e-commerce online store and we believe the inclusion of e-commerce sales in our comparable sales metric is a more meaningful representation of these results and provides a more comprehensive view of our year over year comparable sales metric.
- (2) In the fourth quarter of fiscal 2018, we changed our comparable sales definition to align with our internal company reporting. Under the new definition, a store is included in the comparable sales calculation after it has completed 13 full fiscal months of operations and includes stores, if any, that have been remodeled or relocated within the same geographic market the Company served prior to the relocation. Non-comparable sales include new stores which have not completed 13 full fiscal months of operations, sales from closed stores, and relocated stores serving a new geographic market. Under the old definition, in the event that we relocated or remodeled an existing store, we had treated that store as comparable unless the square footage changed by more than 20%, in which case we would treat that store as non-comparable sales until it has completed 13 full fiscal months of operations following the square footage adjustment. For 53-week fiscal years, we continue to adjust comparable sales to exclude the additional week. There may be variations in the way in which some of our competitors and other retailers calculate comparable sales. The prior year comparable sales have been re-casted to align with our new comparable sales definition. The change in our comparable sales definition did not have a significant impact on our current and prior years' comparable sales percentages.

Three Months Ended November 2, 2019 Compared to Three Months Ended November 3, 2018

Net sales for the three months ended November 2, 2019 were \$86,404, increasing \$2,878, or 3.4%, versus \$83,526 for the three months ended November 3, 2018. Net sales by reportable segment were as follows:

(in thousands)	Three Months Ended	
	November 2, 2019	November 3, 2018
Wholesale	\$ 51,102	\$ 52,986
Direct-to-consumer	35,302	30,540
Total net sales	\$ 86,404	\$ 83,526

Net sales from our Wholesale segment decreased \$1,884, or 3.6%, to \$51,102 in the three months ended November 2, 2019 from \$52,986 in the three months ended November 3, 2018, primarily due to lower shipments to the off-price channel, the acceleration of seasonal wholesale deliveries into the second quarter and the seasonal timing of return reserves.

Net sales from our Direct-to-consumer segment increased \$4,762, or 15.6%, to \$35,302 in the three months ended November 2, 2019 from \$30,540 in the three months ended November 3, 2018. Comparable sales increased \$2,849, or 9.5%, including e-commerce, primarily due to increase in transactions and in average dollar sale. Non-comparable sales contributed \$1,913 of sales growth which includes new stores which have not completed 13 full fiscal months of operations and Vince Unfold. Since November 3, 2018, four net new stores have opened, bringing our total retail store count to 63 as of November 2, 2019, compared to 59 as of the end of the prior year period.

Gross profit increased 6.7% to \$43,542 for the three months ended November 2, 2019 from \$40,817 in the prior year third quarter. As a percentage of sales, gross margin was 50.4%, compared with 48.9% in the prior year third quarter. The total gross margin rate increase was primarily driven by the following factors:

- The favorable impact of channel mix contributed approximately 140 basis points of improvement;
- The favorable impact of year-over-year adjustments to inventory reserves contributed approximately 135 bps;
- The favorable impact of product mix, efficiencies in the product development cycle and sourcing initiatives contributed approximately 115 basis points of improvement;
- The unfavorable impact from an increase in the rate of sales allowances contributed negatively by approximately 140 basis points; and
- The unfavorable impact from increase in tariffs contributed negatively by approximately 50 basis points.

Selling, general and administrative ("SG&A") expenses for the three months ended November 2, 2019 were \$34,486, increasing \$2,636, or 8.3%, versus \$31,850 for the three months ended November 3, 2018. SG&A expenses as a percentage of sales were 39.9% and 38.2% for the three months ended November 2, 2019 and November 3, 2018, respectively. The change in SG&A expenses compared to the prior fiscal year period was primarily due to:

- \$1,102 of increased compensation and benefits, partially due to growth in stores;
- \$718 of transaction related expenses related to the acquisitions of Rebecca Taylor, Inc. and Parker Holding, LLC;
- \$506 of increased rent and occupancy expenses primarily related to net new store openings; and
- \$295 of increased investments in our e-commerce and Vince Unfold platforms.

Income from operations by segment for the three months ended November 2, 2019 and November 3, 2018 is summarized in the following table:

(in thousands)	Three Months Ended	
	November 2, 2019	November 3, 2018
Wholesale	\$ 18,497	\$ 19,031
Direct-to-consumer	4,133	2,702
Subtotal	22,630	21,733
Unallocated corporate expenses	(13,574)	(12,766)
Total Income (loss) from operations	\$ 9,056	\$ 8,967

Operating income from our Wholesale segment decreased \$534, or 2.8%, to \$18,497 in the three months ended November 2, 2019 from \$19,031 in the three months ended November 3, 2018 primarily driven by lower net sales as stated above.

Operating income from our Direct-to-consumer segment increased \$1,431, or 53.0%, to \$4,133 in the three months ended November 2, 2019 from \$2,702 in the three months ended November 3, 2018 primarily due to higher net sales and gross margin, leveraging of SG&A, and lower depreciation expenses.

Unallocated corporate expenses are comprised of SG&A expenses attributable to corporate and administrative activities (such as marketing, design, finance, information technology, legal and human resources departments) and other charges that are not directly attributable to our reportable segments.

Interest expense decreased \$1,103, or 51.2%, to \$1,051 in the three months ended November 2, 2019 from \$2,154 in the three months ended November 3, 2018 primarily due to the \$816 write-off of deferred financing costs in the prior year related to the 2013 Term Loan Facility and 2013 Revolving Credit Facility.

Other (income) expense, net decreased \$78 to \$0 in the three months ended November 2, 2019 from \$78 in the three months ended November 3, 2018.

Provision for income taxes for the three months ended November 2, 2019 was \$35 as compared to \$30 for the three months ended November 3, 2018. Our effective tax rate for the three months ended November 2, 2019 and November 3, 2018 was 0.4% and 0.4%, respectively. The effective tax rate for the three months ended November 2, 2019 and November 3, 2018 differed from the U.S. statutory rate of 21% primarily due to the impact of the valuation allowance established against our deferred tax assets partly offset by state and foreign taxes.

Nine Months Ended November 2, 2019 Compared to Nine Months Ended November 3, 2018

Net sales for the nine months ended November 2, 2019 were \$212,877, increased \$11,709, or 5.8%, versus \$201,168 for the nine months ended November 3, 2018. Net sales by reportable segment were as follows:

(in thousands)	Nine Months Ended	
	November 2, 2019	November 3, 2018
Wholesale	\$ 121,850	\$ 119,325
Direct-to-consumer	91,027	81,843
Total net sales	<u>\$ 212,877</u>	<u>\$ 201,168</u>

Net sales from our Wholesale segment increased \$2,525, or 2.1%, to \$121,850 in the nine months ended November 2, 2019 from \$119,325 in the nine months ended November 3, 2018, primarily due to higher full price shipments.

Net sales from our Direct-to-consumer segment increased \$9,184, or 11.2%, to \$91,027 in the nine months ended November 2, 2019 from \$81,843 in the nine months ended November 3, 2018. Comparable sales increased \$4,848, or 6.1%, including e-commerce, primarily due to increase in transactions and in average dollar sale. Non-comparable sales contributed \$4,336 of sales growth which includes new stores which have not completed 13 full fiscal months of operations and Vince Unfold. Since November 3, 2018, four net new stores have opened, bringing our total retail store count to 63 as of November 2, 2019, compared to 59 as of the end of the prior year period.

Gross profit increased 13.2% to \$106,524 for the nine months ended November 2, 2019 from \$94,072 in the same prior year period. As a percentage of sales, gross margin was 50.0%, compared with 46.8% in the same prior year period. The total gross margin rate increase was primarily driven by the following factors:

- The favorable impact of product mix, efficiencies in the product development cycle and sourcing initiatives contributed approximately 240 basis points of improvement;
- The favorable impact from year-over-year adjustments to inventory reserves contributed approximately 200 basis points; and
- The unfavorable impact from an increase in the rate of sales allowances contributed negatively by approximately 110 basis points.

Selling, general and administrative ("SG&A") expenses for the nine months ended November 2, 2019 were \$101,253, increasing \$9,360, or 10.2%, versus \$91,893 for the nine months ended November 3, 2018. SG&A expenses as a percentage of sales were 47.5% and 45.7% for the nine months ended November 2, 2019 and November 3, 2018, respectively. The change in SG&A expenses compared to the prior fiscal year period was primarily due to:

- \$3,603 of increased compensation and benefits, partially due to growth in stores;
- \$1,350 of strategic consulting costs;
- \$1,211 of increased marketing investments;
- \$1,167 of increased investments in our e-commerce and Vince Unfold platforms;
- \$1,085 of increased rent and occupancy expenses primarily related to net new store openings; and
- \$718 of transaction costs related to the acquisitions of Rebecca Taylor Inc. and Parker Holding, LLC.

Income from operations by segment for the nine months ended November 2, 2019 and November 3, 2018 is summarized in the following table:

(in thousands)	Nine Months Ended	
	November 2, 2019	November 3, 2018
Wholesale	\$ 41,605	\$ 35,340
Direct-to-consumer	5,225	4,354
Subtotal	46,830	39,694
Unallocated corporate expenses	(41,559)	(37,515)
Total income (loss) from operations	\$ 5,271	\$ 2,179

Operating income from our Wholesale segment increased \$6,265, or 17.7%, to \$41,605 in the nine months ended November 2, 2019 from \$35,340 in the nine months ended November 3, 2018 primarily driven by higher gross margin.

Operating income from our Direct-to-consumer segment increased \$871, or 20.0%, to \$5,225 in the nine months ended November 2, 2019 from \$4,354 in the nine months ended November 3, 2018 primarily driven by higher net sales partially offset by increased expenses associated with our investments in the Direct-to-consumer segment.

Unallocated corporate expenses are comprised of SG&A expenses attributable to corporate and administrative activities (such as marketing, design, finance, information technology, legal and human resources departments) and other charges that are not directly attributable to our reportable segments.

Interest expense decreased \$1,665, or 35.1%, to \$3,075 in the nine months ended November 2, 2019 from \$4,740 in the nine months ended November 3, 2018 primarily due to the \$816 write-off of deferred financing costs in the prior year related to the 2013 Term Loan Facility and 2013 Revolving Credit Facility, lower borrowings under the Term Loan Facilities and Revolving Credit Facilities, and lower interest rates on the borrowings.

Other (income) expense, net increased \$21 to \$108 in the nine months ended November 2, 2019 from \$87 in the nine months ended November 3, 2018.

Provision for income taxes for the nine months ended November 2, 2019 was \$106 as compared to \$46 for the nine months ended November 3, 2018. Our effective tax rate for the nine months ended November 2, 2019 and November 3, 2018 was 5.1% and 1.7%, respectively. The effective tax rate for the nine months ended November 2, 2019 and November 3, 2018 differed from the U.S. statutory rate of 21%, primarily due to the impact of the valuation allowance established against our deferred tax assets partly offset by state and foreign taxes.

Liquidity and Capital Resources

Our sources of liquidity are cash and cash equivalents, cash flows from operations, if any, borrowings available under the 2018 Revolving Credit Facility and our ability to access capital markets. Our primary cash needs are funding working capital requirements, meeting our debt service requirements, paying amounts due under the Tax Receivable Agreement and capital expenditures for new stores and related leasehold improvements. The most significant components of our working capital are cash and cash equivalents, accounts receivable, inventories, accounts payable and other current liabilities. We believe that our sources of liquidity will generate sufficient cash flows to meet our obligations during the next twelve months from the date the financial statements are issued.

Operating Activities

(in thousands)	Nine Months Ended	
	November 2, 2019	November 3, 2018
Operating activities		
Net income (loss)	\$ 1,982	\$ (2,694)
Add (deduct) items not affecting operating cash flows:		
Depreciation and amortization	5,535	6,117
Loss on disposal of property and equipment	21	280
Deferred rent	—	(885)
Share-based compensation expense	1,487	945
Loss on debt extinguishment	—	816
Amortization of deferred financing cost	419	517
Changes in assets and liabilities:		
Receivables, net	(3,351)	(11,563)
Inventories	(4,472)	(12,594)
Prepaid expenses and other current assets	(1,854)	580
Accounts payable and accrued expenses	3,991	5,649
Other assets and liabilities	(940)	97
Net cash provided by (used in) operating activities	<u>\$ 2,818</u>	<u>\$ (12,735)</u>

Net cash provided by operating activities during the nine months ended November 2, 2019 was \$2,818, which consisted of a net income of \$1,982, impacted by non-cash items of \$7,462 and cash used in working capital of \$6,626. Net cash used in working capital primarily resulted from a cash outflow of \$4,472 in inventories primarily due to the seasonality of inventory receipts, cash outflow of \$3,351 in receivables, net primarily driven by timing of collections, offset by cash inflow in accounts payable and accrued expenses of \$3,991 primarily due to the timing of payments to vendors.

Net cash used in operating activities during the nine months ended November 3, 2018 was \$12,735, which consisted of a net loss of \$2,694, impacted by non-cash items of \$7,790 and cash used in working capital of \$17,831. Net cash used in working capital primarily resulted from a cash outflow of \$12,594 in inventories primarily due to the planned product returns from exited wholesale partners and reinstatement of replenishment program, and cash outflow of \$11,563 in receivables, net primarily driven by timing of collections, offset by a cash inflow in accounts payable and accrued expenses of \$5,649 primarily due to the timing of payments to vendors.

Investing Activities

(in thousands)	Nine Months Ended	
	November 2, 2019	November 3, 2018
Investing activities		
Payments for capital expenditures	\$ (2,963)	\$ (2,303)
Net cash used in investing activities	<u>\$ (2,963)</u>	<u>\$ (2,303)</u>

Net cash used in investing activities of \$2,963 during the nine months ended November 2, 2019 represents capital expenditures primarily related to the investment in our retail store buildouts, including leasehold improvements and store fixtures.

Net cash used in investing activities of \$2,303 during the nine months ended November 3, 2018 represents capital expenditures primarily related to the investment in our retail store buildouts, including leasehold improvements and store fixtures.

Financing Activities

(in thousands)	Nine Months Ended	
	November 2, 2019	November 3, 2018
Financing activities		
Net proceeds from borrowings under the Revolving Credit Facilities	2,901	18,600
Proceeds from borrowings under the Term Loan Facilities	—	27,500
Repayment of borrowings under the Term Loan Facilities	(2,063)	(33,000)
Tax withholdings related to restricted stock vesting	(321)	—
Proceeds from stock option exercises, restricted stock vesting, and issuance of common stock under employee stock purchase plan	24	—
Financing fees	(8)	(2,447)
Net cash provided by financing activities	\$ 533	\$ 10,653

Net cash provided by financing activities was \$533 during the nine months ended November 2, 2019, primarily consisting of \$2,901 of net proceeds from borrowings under our 2018 Revolving Credit Facility, partly offset by \$2,063 of payments under the 2018 Term Loan Facility.

Net cash provided by financing activities was \$10,653 during the nine months ended November 3, 2018, primarily consisting of \$35,500 net proceeds from borrowings under our 2018 Revolving Credit Facility and \$27,500 of borrowings under the 2018 Term Loan Facility, partly offset by \$16,900 of net repayments under the 2013 Revolving Credit Facility and \$33,000 of repayments under the 2013 Term Loan Facility. \$2,447 of financing fees were paid as part of the refinancing of our 2013 Revolving Credit Facility and 2013 Term Loan Facility.

2018 Term Loan Facility

On August 21, 2018, Vince, LLC entered into a \$27,500 senior secured term loan facility (the “2018 Term Loan Facility”) pursuant to a credit agreement by and among Vince, LLC, as the borrower, VHC and Vince Intermediate Holdings, LLC, a direct subsidiary of VHC and the direct parent company of Vince, LLC (“Vince Intermediate”), as guarantors, Crystal Financial, LLC, as administrative agent and collateral agent, and the other lenders from time to time party thereto. The 2018 Term Loan Facility is subject to quarterly amortization of principal equal to 2.5% of the original aggregate principal amount of the 2018 Term Loan Facility, with the balance payable at final maturity. Interest is payable on loans under the 2018 Term Loan Facility at a rate equal to the 90-day LIBOR rate (subject to a 0% floor) plus applicable margins subject to a pricing grid based on a minimum Consolidated EBITDA (as defined in the credit agreement for the 2018 Term Loan Facility) calculation. During the continuance of certain specified events of default, interest will accrue on the outstanding amount of any loan at a rate of 2.0% in excess of the rate otherwise applicable to such amount. The 2018 Term Loan Facility matures on the earlier of August 21, 2023 and the maturity date of the 2018 Revolving Credit Facility (as defined below).

The 2018 Term Loan Facility contains a requirement that Vince, LLC maintain a Consolidated Fixed Charge Coverage Ratio (as defined in the credit agreement for the 2018 Term Loan Facility) as of the last day of any period of four fiscal quarters not to exceed 0.85:1.00 for the fiscal quarter ended November 3, 2018, 1.00:1.00 for the fiscal quarter ended February 2, 2019, 1.20:1.00 for the fiscal quarter ended May 4, 2019, 1.35:1.00 for the fiscal quarter ending August 3, 2019, 1.50:1.00 for the fiscal quarters ending November 2, 2019 and February 1, 2020 and 1.75:1.00 for the fiscal quarter ending May 2, 2020 and each fiscal quarter thereafter. In addition, the 2018 Term Loan Facility contains customary representations and warranties, other covenants, and events of default, including but not limited to, covenants with respect to limitations on the incurrence of additional indebtedness, liens, burdensome agreements, guarantees, investments, loans, asset sales, mergers, acquisitions, prepayment of other debt, the repurchase of capital stock, transactions with affiliates, and the ability to change the nature of the Company’s business or its fiscal year, and distributions and dividends. The 2018 Term Loan Facility generally permits dividends to the extent that no default or event of default is continuing or would result from a contemplated dividend, so long as (i) after giving pro forma effect to the contemplated dividend and for the following six months Excess Availability will be at least the greater of 20.0% of the Loan Cap (as defined in the credit agreement for the 2018 Term Loan Facility) and \$10,000, (ii) after giving pro forma effect to the contemplated dividend, the Consolidated Fixed Charge Coverage Ratio for the 12 months preceding such dividend will be greater than or equal to 1.0 to 1.0 (provided that the Consolidated Fixed Charge Coverage Ratio may be less than 1.0 to 1.0 if, after giving pro forma effect to the contemplated dividend, Excess Availability for the six fiscal months following the dividend is at least the greater of 25.0% of the Loan Cap and \$12,500), and (iii) the pro forma Fixed Charge Coverage Ratio after giving effect to such contemplated dividend is no less than the minimum Consolidated Fixed Charge Coverage Ratio for such quarter. In addition, the 2018 Term Loan Facility is subject to a Borrowing Base (as defined in the credit agreement of the 2018 Term Loan Facility) which can, under certain conditions, result in the imposition of a reserve under the 2018 Revolving Credit Facility. As of August 3, 2019, the Company was in compliance with applicable covenants.

The 2018 Term Loan Facility also contains an Excess Cash Flow (as defined in the credit agreement for the 2018 Term Loan Facility) sweep requirement in which Vince, LLC remits 50% of Excess Cash Flow reduced on a dollar-for-dollar basis by any voluntary prepayments of the 2018 Term Loan Facility or the 2018 Revolving Credit Facility (to the extent accompanied by a permanent reduction in commitments) during such fiscal year or after the fiscal year but prior to the date of the excess cash flow payment, to be applied to the outstanding principal balance commencing 10 business days after the filing of the Company's Annual Report on Form 10-K starting from fiscal year ending February 1, 2020.

Through November 2, 2019, on an inception to date basis, the Company had made repayments totaling \$2,063 in the aggregate on the 2018 Term Loan Facility with all of such repayments made during the nine months ended November 2, 2019. As of November 2, 2019, the Company had \$25,437 of debt outstanding under the 2018 Term Loan Facility.

2018 Revolving Credit Facility

On August 21, 2018, Vince, LLC entered into an \$80,000 senior secured revolving credit facility (the "2018 Revolving Credit Facility") pursuant to a credit agreement by and among Vince, LLC, as the borrower, VHC and Vince Intermediate, as guarantors, Citizens Bank, N.A. ("Citizens") as administrative agent and collateral agent, and the other lenders from time to time party thereto. The 2018 Revolving Credit Facility provides for a revolving line of credit of up to \$80,000, subject to a Loan Cap, which is the lesser of (i) the Borrowing Base as defined in the credit agreement for the 2018 Revolving Credit Facility and (ii) the aggregate commitments, as well as a letter of credit sublimit of \$25,000. It also provides for an increase in aggregate commitments of up to \$20,000. The 2018 Revolving Credit Facility matures on the earlier of August 21, 2023 and the maturity date of the 2018 Term Loan Facility. On August 21, 2018, Vince, LLC incurred \$39,555 of borrowings, prior to which \$66,271 was available, given the Loan Cap as of such date.

Interest is payable on the loans under the 2018 Revolving Credit Facility at either the LIBOR or the Base Rate, in each case, with applicable margins subject to a pricing grid based on an average daily excess availability calculation. The "Base Rate" means, for any day, a fluctuating rate per annum equal to the highest of (i) the rate of interest in effect for such day as publicly announced from time to time by Citizens as its prime rate; (ii) the Federal Funds Rate for such day, plus 0.5%; and (iii) the LIBOR Rate for a one month interest period as determined on such day, plus 1.00%. During the continuance of certain specified events of default, at the election of Citizens, interest will accrue at a rate of 2.0% in excess of the applicable non-default rate.

The 2018 Revolving Credit Facility contains a requirement that, at any point when Excess Availability (as defined in the credit agreement for the 2018 Revolving Credit Facility) is less than 10.0% of the loan cap and continuing until Excess Availability exceeds the greater of such amounts for 30 consecutive days, Vince must maintain during that time a Consolidated Fixed Charge Coverage Ratio (as defined in the credit agreement for the 2018 Revolving Credit Facility) equal to or greater than 1.0 to 1.0 measured as of the last day of each fiscal month during such period.

The 2018 Revolving Credit Facility contains representations and warranties, other covenants and events of default that are customary for this type of financing, including covenants with respect to limitations on the incurrence of additional indebtedness, liens, burdensome agreements, guarantees, investments, loans, asset sales, mergers, acquisitions, prepayment of other debt, the repurchase of capital stock, transactions with affiliates, and the ability to change the nature of the Company's business or its fiscal year. The 2018 Revolving Credit Facility generally permits dividends in the absence of any event of default (including any event of default arising from a contemplated dividend), so long as (i) after giving pro forma effect to the contemplated dividend and for the following six months Excess Availability will be at least the greater of 20.0% of the Loan Cap and \$10 million and (ii) after giving pro forma effect to the contemplated dividend, the Consolidated Fixed Charge Coverage Ratio for the 12 months preceding such dividend will be greater than or equal to 1.0 to 1.0 (provided that the Consolidated Fixed Charge Coverage Ratio may be less than 1.0 to 1.0 if, after giving pro forma effect to the contemplated dividend, Excess Availability for the six fiscal months following the dividend is at least the greater of 25.0% of the Loan Cap and \$12,500). As of August 3, 2019, the Company was in compliance with applicable covenants.

On November 1, 2019, Vince, LLC entered into First Amendment (the "First Revolver Amendment") to the 2018 Revolving Credit Facility, which provides the borrower the ability to elect the Daily LIBOR Rate in lieu of the Base Rate to be applied to the borrowings upon applicable notice. The "Daily LIBOR Rate" means a rate equal to the Adjusted LIBOR Rate in effect on such day for deposits for a one day period, provided that, upon notice and not more than once every 90 days, such rate may be substituted for a one week or one month period for the Adjusted LIBOR Rate for a one day period.

On November 4, 2019, Vince, LLC entered into the Second Amendment (the "Second Revolver Amendment") to the credit agreement of the 2018 Revolving Credit Facility. See Note 12 "Subsequent Events" within the notes to the condensed consolidated financial statements in this Quarterly Report on Form 10-Q for additional details.

As of November 2, 2019, \$52,169 was available under the 2018 Revolving Credit Facility, net of the loan cap, and there were \$21,944 of borrowings outstanding and \$5,887 of letters of credit outstanding under the 2018 Revolving Credit Facility. The weighted average interest rate for borrowings outstanding under the 2018 Revolving Credit Facility as of November 2, 2019 was 3.6%.

As of February 2, 2019, \$36,850 was available under the 2018 Revolving Credit Facility, net of the loan cap, and there were \$19,016 of borrowings outstanding and \$6,013 of letters of credit outstanding under the 2018 Revolving Credit Facility. The weighted average interest rate for borrowings outstanding under the 2018 Revolving Credit Facility as of February 2, 2019 was 4.4%.

2013 Term Loan Facility

On November 27, 2013, Vince, LLC and Vince Intermediate entered into a \$175,000 senior secured term loan facility (as amended from time to time, the “2013 Term Loan Facility”) with the lenders party thereto, Bank of America, N.A. (“BoFA”), as administrative agent, JP Morgan Chase Bank and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as joint lead arrangers, and Cantor Fitzgerald as documentation agent. The 2013 Term Loan Facility would have matured on November 27, 2019. Vince, LLC and Vince Intermediate were borrowers and VHC was a guarantor under the 2013 Term Loan Facility.

On August 21, 2018, the Company refinanced the 2013 Term Loan Facility by entering into the 2018 Term Loan Facility and the 2018 Revolving Credit Facility. All outstanding amounts under the 2013 Term Loan Facility of \$29,146, including interest, were repaid in full and the 2013 Term Loan Facility was terminated.

2013 Revolving Credit Facility

On November 27, 2013, Vince, LLC entered into a \$50,000 senior secured revolving credit facility (as amended from time to time, the “2013 Revolving Credit Facility”) with BoFA as administrative agent. Vince, LLC was the borrower and VHC and Vince Intermediate were the guarantors under the 2013 Revolving Credit Facility. On June 3, 2015, Vince, LLC entered into a first amendment to the 2013 Revolving Credit Facility, that among other things, increased the aggregate commitments under the facility from \$50,000 to \$80,000, subject to a loan cap which was the lesser of (i) the Borrowing Base, as defined in the loan agreement, (ii) the aggregate commitments, or (iii) \$70,000 until debt obligations under the Company’s 2013 Term Loan Facility have been paid in full, and extended the maturity date from November 27, 2018 to June 3, 2020.

On August 21, 2018, the Company refinanced the 2013 Revolving Credit Facility by entering into the 2018 Term Loan Facility and the 2018 Revolving Credit Facility. All outstanding amounts under the 2013 Term Loan Facility of \$40,689, including interest, were repaid in full and the 2013 Revolving Credit Facility was terminated.

Off-Balance Sheet Arrangements

We did not have any relationships with unconsolidated organizations or financial partnerships, such as structured finance or special purpose entities, that would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes during the periods presented herein.

Seasonality

The apparel and fashion industry in which we operate is cyclical and, consequently, our revenues are affected by general economic conditions and the seasonal trends characteristic to the apparel and fashion industry. Purchases of apparel are sensitive to a number of factors that influence the level of consumer spending, including economic conditions and the level of disposable consumer income, consumer debt, interest rates and consumer confidence as well as the impact of adverse weather conditions. In addition, fluctuations in the amount of sales in any fiscal quarter are affected by the timing of seasonal wholesale shipments and other events affecting direct-to-consumer sales; as such, the financial results for any particular quarter may not be indicative of results for the fiscal year. We expect such seasonality to continue.

Inflation

While inflation may impact our sales, cost of goods sold and expenses, we believe the effects of inflation on our results of operations and financial condition are not significant. While it is difficult to accurately measure the impact of inflation, management believes it has not been significant and cannot provide any assurances that our results of operations and financial condition will not be materially impacted by inflation in the future.

Critical Accounting Policies and Estimates

Our discussion of financial condition and results of operations relies on our condensed consolidated financial statements, as set forth in Item 1 of this report on Form 10-Q, which are prepared based on certain critical accounting policies that require management to make judgments and estimates that are subject to varying degrees of uncertainty. While we believe that these accounting policies are based on reasonable measurement criteria, actual future events can and often do result in outcomes materially different from these estimates.

A summary of our critical accounting policies is included in the Management's Discussion and Analysis of Financial Condition and Results of Operations section of our 2018 Annual Report on Form 10-K. As of November 2, 2019, there have been no material changes to the critical accounting policies contained therein except for the adoption of ASC Topic 842, "Leases". See Note 9 "Leases" to the condensed consolidated financial statements in this Form 10-Q for additional information.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

As a "smaller reporting company," as defined by Rule 12b-2 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), we are not required to provide the information in this Item.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Attached as exhibits to this Quarterly Report on Form 10-Q are certifications of our Chief Executive Officer and Chief Financial Officer. Rule 13a-14 of the Exchange Act, requires that we include these certifications with this report. This Controls and Procedures section includes information concerning the disclosure controls and procedures referred to in the certifications. You should read this section in conjunction with the certifications.

Under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, management has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) of the Exchange Act) as of November 2, 2019.

Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective due to material weaknesses in our internal control over financial reporting as described below.

As a result of the material weakness identified, we performed additional analysis, substantive testing and other post-closing procedures intended to ensure that our condensed consolidated financial statements were prepared in accordance with U.S. GAAP. Accordingly, management believes that the condensed consolidated financial statements and related notes thereto included in this Quarterly Report on Form 10-Q fairly present, in all material respects, the Company's financial condition, results of operations and cash flows for the periods presented.

Material Weaknesses in Internal Control over Financial Reporting

As described in Management's Annual Report On Internal Control Over Financial Reporting in Item 9A of our Annual Report on Form 10-K for the year ended February 2, 2019, we did not (i) maintain program change management controls to ensure that information technology program and data changes affecting financial IT applications and underlying accounting records were tested, approved and implemented appropriately; and (ii) maintain adequate user access controls to ensure appropriate segregation of duties and to adequately restrict access to financial applications and data.

This material weakness did not result in a material misstatement to the annual or interim consolidated financial statements. However, this material weakness could impact the effectiveness of IT-dependent controls (such as automated controls that address the risk of material misstatement to one or more assertions, along with the IT controls and underlying data that support the effectiveness of system-generated data and reports) that could result in a misstatement impacting account balances or disclosures that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

Remediation Plan

Management has initiated a remediation plan to address the control deficiencies that led to the material weakness. The remediation plan includes, but is not limited to:

- The implementation of (i) controls to ensure that only appropriate system access rights are granted to system users; and (ii) controls related to routine reviews of user system access; and
- The implementation of appropriate segregation of duties in all systems that impact internal control over financial reporting.

To date, the following changes in our internal control over financial reporting have been implemented:

- The Company strengthened its user provisioning and terminations processes in place to ensure employee access to key systems were properly approved, evaluated, and removed;
- The Company enhanced segregation of duties across all major business functions, as well as mitigating internal controls to proactively address segregation of duties risks;
- The Company modified system access rights of all retail store personnel, the largest group of systems users, with segregation of duties commensurate to the job responsibilities; and
- The Company performed an overall segregation of duties risk assessment to identify key segregation of duties risks to the Company, segregation of duties conflicts and actions associated with removing conflicts, and mapped remaining conflicts to detective and compensating controls performed by separate individuals from those associated with segregation of duties conflicts.

We continue to make progress on our remediation and our goal is to implement the remaining control improvements and to fully remediate this material weakness during fiscal 2019, subject to there being sufficient opportunities to conclude, through testing, that the implemented controls are operating effectively. Until the controls are remediated, we will continue to perform additional analysis, substantive testing and other post-closing procedures to ensure that our consolidated financial statements are prepared in accordance with U.S. GAAP.

Limitations on the Effectiveness of Disclosure Controls and Procedures

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Accordingly, our disclosure controls and procedures are designed to provide reasonable, not absolute, assurance that the objectives of our disclosure system are met. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Changes in Internal Control over Financial Reporting

There were no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the fiscal quarter ended August 3, 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On September 7, 2018, a complaint was filed in the United States District Court for the Eastern District of New York by certain stockholders (collectively, the “Plaintiff”), naming us as well as Brendan Hoffman, our Chief Executive Officer, David Stefko, our Executive Vice President, Chief Financial Officer, one of our directors, certain of our former officers and directors, and Sun Capital and certain of its affiliates, as defendants. The complaint generally alleges that we and the named parties made false and/or misleading statements and/or failed to disclose matters relating to the transition of our ERP systems from Kellwood. The complaint brings causes of action for violations of Section 10(b) of the Exchange Act, as amended and Rule 10b-5 promulgated under the Exchange Act against us and the named parties and for violations of Section 20(a) of the Exchange Act against the individual parties, Sun Capital Partners, Inc. and its affiliates. The complaint seeks unspecified monetary damages and unspecified costs and fees. On January 28, 2019, in response to our motion to dismiss the original complaint, the Plaintiff filed an amended complaint, naming the same defendants as parties and asserting the same causes of action as those stated in the original complaint. On October 4, 2019, an

individual stockholder filed a complaint marked as a related suit to the amended complaint, containing substantially identical allegations and claims against the same defendant parties.

We currently believe that the likelihood of an unfavorable judgment arising from this matter is remote based on the information currently available and that the ultimate resolution of this matter will not have a material adverse effect on our business in a future period. However, given the inherent unpredictability of litigation and the fact that this litigation is still in its very early stages, we are unable to predict with certainty the outcome of this litigation or reasonably estimate a possible loss or range of loss, if any, associated with this litigation at this time. In addition, we will be required to expend resources to defend this matter.

On September 6, 2019, Vince, LLC received a favorable judgment from the second instance court in the People's Republic of China in connection with a trademark infringement case. The judgment awarded Vince, LLC approximately \$700 in damages and fees, net of applicable taxes, which was included in general and administrative expense in the accompanying condensed consolidated statement of operations and comprehensive income. This amount was subsequently paid in full to Vince, LLC by the defendants in the case.

Additionally, we are a party to legal proceedings, compliance matters, environmental, as well as wage and hour and other labor claims that arise in the ordinary course of our business. Although the outcome of such items cannot be determined with certainty, we believe that the ultimate outcome of these items, individually and in the aggregate will not have a material adverse impact on our financial position, results of operations or cash flows.

All dollar amounts disclosed are in thousands.

ITEM 1A. RISK FACTORS

The risk factors disclosed in the Company's 2018 Annual Report on Form 10-K, in addition to the other information set forth in this report on Form 10-Q, could materially affect the Company's business, financial condition or results. The Company's risk factors have not changed materially from those disclosed in its 2018 Annual Report on Form 10-K other than those listed below. All amounts disclosed are in thousands except per share amounts.

The acquisition of the Acquired Businesses may not be successfully integrated and may not achieve intended benefits.

We face risks associated with our strategy to grow our business through acquisitions of other brands and geographic licensees, such as our recently completed acquisition of the Acquired Businesses. The potential difficulties that we may face that could cause the results of the acquisition to not be in line with our expectations include, among others:

- failure to implement our business plan for the combined business or to achieve anticipated revenue or profitability targets;
- delays or difficulties in completing the integration of acquired companies or assets;
- higher than expected costs, lower than expected cost savings and/or a need to allocate resources to manage unexpected operating difficulties;
- unanticipated issues in integrating logistics, information and other systems;
- unanticipated changes in applicable laws and regulations;
- retaining key customers, suppliers and employees;
- operating risks inherent in the acquired businesses and our business;
- diversion of the attention and resources of management and resource constraints;
- assumption of liabilities not identified in due diligence or other unanticipated issues, expenses and liabilities; and
- regulatory and compliance risks, including, the impact on our internal controls and compliance with the requirements under the Sarbanes-Oxley Act of 2002, particularly upon the acquisition of historically privately held businesses such as the Acquired Businesses, which have not previously been subject to regulations applicable to the Company.

Our acquisition of the Acquired Businesses may not perform as well as initially expected, which could have a material adverse effect on our results of operations and financial condition. In addition, we are in the process of conducting the requisite testing of goodwill, brand and any other intangible assets acquired as a result of acquisitions for impairment. If such testing indicates that the carrying value of goodwill, brand or other intangible assets exceeds the related fair value, we would be required to record an impairment charge for the difference, which could have a material adverse effect on our results of operations and financial condition.

Furthermore, Contemporary Lifestyle Group, LLC, the seller of Rebecca Taylor and Parker brands, was owned by Sun Capital, which currently beneficially owns approximately 73% of the Company's common stock. Because the acquisition was a transaction

between commonly controlled entities, U.S. Generally Accepted Accounting Principles requires the retrospective combination of the entities for all periods presented as if the combination had been in effect since inception of common control. Accordingly, the acquisition will reflect historical balance sheet data for the acquired businesses instead of reflecting the fair market value of their assets and liabilities, and the financial statements reflecting the acquisition may be different from those based on an unaffiliated transaction. The acquisition was reviewed and approved by the Special Committee of the Company's Board of Directors, consisting solely of directors not affiliated with Sun Capital, who was represented by independent financial and legal advisors.

We may continue to pursue future acquisitions as part of our growth strategy. Any such acquisition may subject us to further risks as those described above and could have a material adverse effect on the combined businesses and impact the intended results of such acquisitions.

System or data security issues, such as cyber or malware attacks, as well as other major system failures could disrupt our internal operations or information technology services, and any such disruption could negatively impact our net sales, increase our expenses and harm our reputation.

Experienced computer programmers and hackers, and even internal users, may be able to penetrate our network security and misappropriate our confidential information or that of third parties, including our customers, enter into or facilitate fraudulent transactions, create system disruptions or cause shutdowns. In addition, employee error, malfeasance or other errors in the storage, use or transmission of any such information could result in a disclosure to third parties outside of our network. As a result, we could incur significant expenses addressing problems created by any such inadvertent disclosure or any security breaches of our network. In addition, we rely on third parties for the operation of our website, www.vince.com, and for the various business strategies, including CRM, social media and other marketing tools and websites.

From time to time, we are subject to system or data security problems, including viruses and bugs, including a recent temporary company-wide systems outage that was caused by a malware. None of these incidents, including the most recent event, has resulted in any data or information breaches or any other material impact to our business and/or financial results. There is no assurance, however, that we would not be subject to material security problems in the future, including cyber or malware attacks, and we could incur significant expenses or disruptions of our operations in connection with resulting system failures or data and information breaches. In addition, sophisticated hardware and operating system software and applications that we procure from third parties may contain defects in design or manufacture, including "bugs" and other problems that could unexpectedly interfere with the operation of our systems. The costs to us to eliminate or alleviate security problems, viruses and bugs could be significant, and the efforts to address these problems could result in interruptions, delays or cessation of service that may impede our sales, distribution or other critical functions.

Concerns have been increasing over the security of personal information transmitted over the internet and personal identity theft and user privacy. Any compromise of personal information of our customers or employees could subject us to litigation and/or penalties and harm our reputation, materially and adversely affecting our business and growth. In addition to taking the necessary precautions ourselves, we require that third-party service providers implement reasonable security measures to protect our customers' or employees' identity and privacy, including any personally identifiable information and credit card information. We do not, however, control these third-party service providers and cannot guarantee that no electronic or physical computer break-ins and security breaches will occur in the future.

In the case of a disaster affecting our information technology systems, we may experience delays in recovery of data, inability to perform vital corporate functions, tardiness in required reporting and compliance, failures to adequately support our operations and other breakdowns in normal communication and operating procedures that could materially and adversely affect our financial condition and results of operations.

The extent of our foreign sourcing may adversely affect our business.

We work with more than 40 manufacturers across nine countries, with 88% of our products produced in China in fiscal 2018. A manufacturing contractor's failure to ship products to us in a timely manner or to meet the required quality standards could cause us to miss the delivery date requirements of our customers for those items. The failure to make timely deliveries may cause customers to cancel orders, refuse to accept deliveries or demand reduced prices, any of which could have a material adverse effect on us. As a result of the magnitude of our foreign sourcing, our business is subject to the following risks:

- political and economic instability in countries or regions, especially Asia, including heightened terrorism and other security concerns, which could subject imported or exported goods to additional or more frequent inspections, leading to delays in deliveries or impoundment of goods;
- imposition of regulations, quotas and other trade restrictions relating to imports, including quotas imposed by bilateral textile agreements between the U.S. and foreign countries;
- currency exchange rates;

- imposition of increased duties, taxes, tariffs (including, but not limited to, the current U.S. Administration's tariffs on products manufactured in China and China's retaliatory tariffs on certain products sourced from the U.S. as described below) and other charges on imports;
- labor union strikes at ports through which our products enter the U.S.;
- labor shortages in countries where contractors and suppliers are located;
- restrictions on the transfer of funds to or from foreign countries;
- disease epidemics and health-related concerns, which could result in closed factories, reduced workforces, scarcity of raw materials and scrutiny or embargoing of goods produced in infected areas;
- the migration and development of manufacturing contractors, which could affect where our products are or are planned to be produced;
- increases in the costs of fuel, travel and transportation;
- reduced manufacturing flexibility because of geographic distance between our foreign manufacturers and us, increasing the risk that we may have to mark down unsold inventory as a result of misjudging the market for a foreign-made product; and
- violations by foreign contractors of labor and wage standards and resulting adverse publicity.

To date, the current U.S. Administration has imposed, and continues to propose to impose, additional tariffs to all imports from China, which tariff lines include products we manufacture. We continue to evaluate the known and potential impact of these effective and proposed tariffs and any other recent changes in foreign trade policy on our supply chain, costs, sales and profitability. We have implemented certain strategies to mitigate such impact, including accelerating shipments, reviewing sourcing options and working with our suppliers, and are continuing to evaluate mitigation options, including strategically increasing prices of some of our products. While it is too early to predict how these changes in foreign trade policy and any recently enacted, proposed and future tariffs on products imported by us from China will affect our business, these changes could significantly increase our production costs and negatively impact our business and results of operations. In addition, while we may be able to shift our sourcing options, executing such a shift would be time consuming and would be difficult or impracticable for many products and may result in an increase in our manufacturing costs and/or may negatively impact the quality of our products. If our production costs increase, we may also be forced to raise the prices of our products, which could in turn negatively impact the demand for our products. Further, we are not at this time able to predict the impact of the potential adoption and expansion of trade restrictions, retaliatory tariffs, or other governmental action related to tariffs or international trade agreements or policies on our customers and/or the overall U.S. economy, which in turn could adversely affect our ability to adequately forecast our business.

If these risks limit or prevent us from manufacturing products in any significant international market, prevent us from acquiring products from foreign suppliers, or significantly increase the cost of our products, our operations could be seriously disrupted until alternative suppliers are found or alternative markets are developed, which could negatively and significantly impact our business.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

- 2.1 [Equity Purchase Agreement, dated November 4, 2019 and effective November 3, 2019, by and between Vince, LLC and Contemporary Lifestyle Group, LLC \(incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the Securities Exchange Commission on November 5, 2019\)](#)
- 10.1 [First Amendment to Credit Agreement, dated August 21, 2018, as amended, by and between Vince, LLC, as the borrower, the guarantors named therein, Citizens Bank N.A., as administrative agent and collateral agent, and other lenders from time to time party thereto](#)
- 10.2 [Second Amendment to Credit Agreement, dated August 21, 2018, as amended, by and between Vince, LLC, as the borrower, the guarantors named therein, Citizens Bank N.A., as administrative agent and collateral agent, and other lenders from time to time party thereto \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities Exchange Commission on November 5, 2019\)](#)
- 10.3 [First Amendment to Credit Agreement, dated August 21, 2018, as amended, by and between Vince, LLC, as the borrower, the guarantors named therein, Crystal Financial, LLC, as administrative agent and collateral agent, and other lenders from time to time party thereto](#)
- 31.1 [CEO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)
- 31.2 [CFO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)
- 32.1 [CEO Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- 32.2 [CFO Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- 101.1 Financial Statements in XBRL Format

SIGNATURE

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

Date

Vince Holding Corp.

December 12, 2019

By: /s/ David Stefko

David Stefko
Executive Vice President, Chief Financial Officer
(as duly authorized officer and principal financial officer)

FIRST AMENDMENT TO CREDIT AGREEMENT

This **FIRST AMENDMENT TO CREDIT AGREEMENT** (this "First Amendment") is entered into as of November 1, 2019, by and among **VINCE, LLC**, a Delaware limited liability company (the "Borrower"), the Guarantors signatory hereto, **CITIZENS BANK, N.A.** (in its individual capacity, "Citizens"), as administrative agent and collateral agent under the Loan Documents (in such capacities, the "Agent"), Citizens, as an L/C Issuer, and each of the Lenders party hereto.

WITNESSETH:

WHEREAS, the Borrower, the Guarantors from time to time party thereto, the Agent, the L/C Issuers from time to time party thereto, and the Lenders from time to time party thereto are parties to a Credit Agreement, dated as of August 21, 2018 (as amended, restated, amended and restated, supplemented, modified, or otherwise in effect from time to time, the "Credit Agreement"; the Credit Agreement as amended hereby, the "Amended Credit Agreement"; and

WHEREAS, the Borrower, the Guarantors, the Agent, the L/C Issuer and the Lenders wish to amend the Credit Agreement;

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, it is agreed as follows:

SECTION 1. Definitions.

Unless otherwise indicated, all capitalized terms used herein (including the preamble and the recitals) and not otherwise defined shall have the respective meanings provided to such terms in the Amended Credit Agreement.

SECTION 2. Amendments to Credit Agreement.

Subject to the satisfaction (or waiver) of the conditions set forth in Section 3 of this First Amendment, the Credit Agreement is hereby amended as follows:

(a) Section 1.01 of the Credit Agreement is hereby amended by adding the following definitions in appropriate alphabetical order:

 "Daily LIBOR Rate" means, for any day, a rate per annum equal to the Adjusted LIBOR Rate in effect on such day for deposits in Dollars for a one day period (subject to any interest rate floor set forth in the definition of "Adjusted LIBOR Rate"); provided, however, that upon at least three (3) Business Days prior written notice to the Administrative Agent, and not more than once every 90 days, the Borrower may (x) elect to substitute the Adjusted LIBOR Rate for a one week or one month period for the Adjusted LIBOR Rate for a one day period for

the purpose of determining the Daily LIBOR Rate or (y), if the Borrower has already made the election described in the foregoing clause (x), elect to substitute the Adjusted LIBOR Rate in effect on such day for deposits in Dollars for a one day period, a one week period, or a one month period for the purpose of determining the Daily LIBOR Rate. For the avoidance of doubt, all Daily LIBOR Rate Loans outstanding at any one time shall bear interest at the same Daily LIBOR Rate.

“Daily LIBOR Borrowing” means a Borrowing comprised of Daily LIBOR Rate Loans.

“Daily LIBOR Rate Loan” means a Committed Loan that bears interest at a rate based on the Daily LIBOR Rate.

(b) The definition of “Interest Payment Date” in Section 1.01 of the Credit Agreement is hereby amended by amending and restating such definition in its entirety as follows:

“Interest Payment Date” means, (a) as to any Daily LIBOR Rate Loan, within five days of the end of each Fiscal Month; (b) as to any LIBOR Rate Loan, the last day of each Interest Period applicable to such Loan and the Maturity Date; provided, however, that if any Interest Period for a LIBOR Rate Loan exceeds three months, the respective dates that fall every three months after the beginning of such Interest Period shall also be Interest Payment Dates; and (c) as to any Base Rate Loan (including a Swing Line Loan), the first Business Day of each month and the Maturity Date.

(c) The definition of “LIBOR Rate” in Section 1.01 of the Credit Agreement is hereby amended by amending and restating such definition in its entirety as follows:

“LIBOR Rate” means:

(a) for any Interest Period with respect to a LIBOR Rate Loan or Daily LIBOR Rate Loan, the rate per annum (i) equal to the London Interbank Offered Rates (“LIBOR”) administered by the ICE Benchmark Administration (or any Person that takes over administration of such rate) for Dollar deposits for a duration equal to or comparable to the duration of such Interest Period, as published on the applicable Bloomberg screen page (or such other commercially available source providing such quotations as may be designated by the Agent from time to time) at or about 11:00 a.m., London time, two (2) Business Days prior to the commencement of such Interest Period; or, (ii) if such rate is not available at such time for any reason, the rate per annum determined by the Agent to be the rate at which deposits in Dollars for delivery on the first day of such Interest Period in same day funds in the approximate amount of the LIBOR Rate Loan being made, continued or converted and with a term equivalent to such Interest Period would be offered by Citizens Bank to major banks in the London interbank eurodollar market at their request at approximately 11:00 a.m. (London time) two London Banking Days prior to the commencement of such Interest Period, which rate is approved by the Agent;

(b) for any interest calculation with respect to a Base Rate Loan on any date, the rate per annum equal to LIBOR administered by the ICE Benchmark Administration (or

any Person that takes over administration of such rate) for Dollar deposits with a term of one (1) month commencing such day that appears on the relevant Bloomberg page (or such other commercially available source providing such quotations as may be designated by the Agent from time to time) at or about 11:00 a.m., London time on such day;

(c) if the LIBOR Rate shall be less than zero, such rate shall be deemed zero for the purposes of this Agreement; and

(d) the Agent does not warrant, nor accept responsibility, nor shall the Agent have any liability with respect to the administration, submission or any other matter related to the rates referred to in this definition of "LIBOR Rate" or with respect to any comparable or successor rate thereto.

(d) The definition of "LIBOR Rate Loan" in Section 1.01 of the Credit Agreement is hereby amended by amending and restating such definition in its entirety as follows:

"LIBOR Rate Loan" means a Committed Loan that bears interest at a rate based on the Adjusted LIBOR Rate, which, for the avoidance of doubt, does not include Daily LIBOR Borrowings.

(e) The definition of "Statutory Reserve Rate" in Section 1.01 of the Credit Agreement is hereby amended by amending and restating such definition in its entirety as follows:

"Statutory Reserve Rate" means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the FRB to which the Agent is subject with respect to the Adjusted LIBOR Rate, for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Board). Such reserve percentages shall include those imposed pursuant to such Regulation D. LIBOR Rate Loans and Daily LIBOR Rate Loans shall be deemed to constitute eurocurrency funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under such Regulation D or any comparable regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

(f) The definition of "Type" in Section 1.01 of the Credit Agreement is hereby amended by amending and restating such definition in its entirety as follows:

"Type" means a Loan's character as a Base Rate Loan, a LIBOR Rate Loan, or a Daily LIBOR Rate Loan.

(g) Section 2.02(a) of the Credit Agreement is hereby amended by amending and restating such section in its entirety as follows:

(a) Committed Loans (other than Swing Line Loans) may be Base Rate Loans, LIBOR Rate Loans, or Daily LIBOR Rate Loans as the Borrower may request subject to and in accordance with this Section 2.02. All Swing Line Loans shall be only Base Rate Loans. All Committed Loans shall be made in Dollars.

(h) Section 2.02(b) of the Credit Agreement is hereby amended by amending and restating such section in its entirety as follows:

(b) Subject to the other provisions of this Section 2.02, Committed Borrowings of more than one Type may be incurred at the same time. Each Committed Borrowing, each Conversion of Committed Loans from one Type to the other, and each continuation of LIBOR Rate Loans shall be made upon the Borrower's irrevocable notice to the Agent, which may be given by telephone. Each such notice must be received by the Agent not later than (i) 1:00 p.m. three Business Days prior to the requested date of any Borrowing of, Conversion to or continuation of LIBOR Rate Loans or of any Conversion of LIBOR Rate Loans to Base Rate Loans or Daily LIBOR Rate Loans, and (ii) 3:00 p.m. on the requested date of any Borrowing of Base Rate Loans or Daily LIBOR Rate Loans. Each telephonic notice by the Borrower pursuant to this Section 2.02(b) must be confirmed promptly by delivery to the Agent of a written Committed Loan Notice, appropriately completed and signed by a Responsible Officer of the Borrower. Each Borrowing of, Conversion to or continuation of LIBOR Rate Loans shall be in a principal amount of \$1,000,000 or a whole multiple of \$1,000,000 in excess thereof. Except as provided in Sections 2.03(c) and 2.04(c), each Borrowing of or Conversion to Base Rate Loans or Daily LIBOR Rate Loans shall be in such minimum amounts as the Agent may require. Each Committed Loan Notice (whether telephonic or written) shall specify (i) whether the Borrower is requesting a Committed Borrowing, a Conversion of Committed Loans from one Type to the other, or a continuation of LIBOR Rate Loans, (ii) the requested date of the Borrowing, Conversion or continuation, as the case may be (which shall be a Business Day), (iii) the principal amount of Committed Loans to be borrowed, Converted or continued, (iv) the Type of Committed Loans to be borrowed or to which existing Committed Loans are to be Converted, and (v) if applicable, the duration of the Interest Period with respect thereto. If the Borrower fails to specify a Type of Committed Loan in a Committed Loan Notice or if the Borrower fails to give a timely notice requesting a Conversion or continuation, then the applicable Committed Loans shall be made as, or Converted to, Daily LIBOR Rate Loans (unless the Borrower has elected to borrow as Base Rate Loans in lieu of Daily LIBOR Rate Loans pursuant to subclause (y) of the last sentence of this clause (b)). Any such automatic Conversion to Daily LIBOR Rate Loans or Base Rate Loans shall be effective as of the last day of the Interest Period then in effect with respect to the applicable LIBOR Rate Loans. If the Borrower requests a Borrowing of, Conversion to, or continuation of LIBOR Rate Loans in any such Committed Loan Notice, but fails to specify an Interest Period, it will be deemed to have specified an Interest Period of one month. Notwithstanding anything to the contrary herein, (x) a Swing Line Loan may not be Converted to a LIBOR Rate Loan and (y) at no time may Base Rate Loans and Daily LIBOR Rate Loans be outstanding at the same time, rather the Borrower must choose to borrow, continue, or convert such Committed Borrowings into one or the other of such Type or into LIBOR Rate Loans.

(i) Section 2.02(e) of the Credit Agreement is hereby amended by amending and restating such section in its entirety as follows:

(e) Except as otherwise provided herein, a LIBOR Rate Loan may be continued or converted only on the last day of an Interest Period for such LIBOR Rate Loan. During the existence of any Event of Default, (i) no Loans may be requested as, converted to or continued as LIBOR Rate Loans and (ii) no Loans may be requested as, converted to or continued as Daily LIBOR Rate Loans without the consent of the Required Lenders.

(j) Section 2.02(g) of the Credit Agreement is hereby amended by amending and restating such section in its entirety as follows:

(g) After giving effect to all Committed Borrowings, all Conversions of Committed Loans from one Type to another in accordance with the terms hereof, and all continuations of Committed Loans as the same Type, there shall not be more than six (6) Interest Periods with respect to LIBOR Rate Loans in effect unless otherwise agreed to between the Agent and the Borrower with respect to all Committed Loans.

(k) Section 2.05(a) of the Credit Agreement is hereby amended by amending and restating such section in its entirety as follows:

(a) The Borrower may, upon irrevocable notice from the Borrower to the Agent, at any time or from time to time voluntarily prepay Committed Loans in whole or in part without premium or penalty; provided that (A) such notice must be received by the Agent not later than 11:00 a.m. (1) three Business Days prior to any date of prepayment of LIBOR Rate Loans, (2) on the date of prepayment of Daily LIBOR Loans, and (3) on the date of prepayment of Base Rate Loans; (B) any prepayment of LIBOR Rate Loans shall be in a principal amount of \$1,000,000 or a whole multiple of \$100,000 in excess thereof; (D) any prepayment of Base Rate Loans shall be in a principal amount of \$500,000 or a whole multiple of \$100,000 in excess thereof or, in each case, if less, the entire principal amount thereof then outstanding. Each such notice shall specify the date and amount of such prepayment and the Type(s) of Loans to be prepaid and, if LIBOR Rate Loans, the Interest Period(s) of such Loans. The Agent will promptly notify each Lender of its receipt of each such notice, and of the amount of such Lender's Applicable Percentage of such prepayment. If such notice is given by the Borrower, the Borrower shall make such prepayment and the payment amount specified in such notice shall be due and payable on the date specified therein. Any prepayment of a LIBOR Rate Loan shall be accompanied by all accrued interest on the amount prepaid, together with any additional amounts required pursuant to Section 3.05. Subject to Section 2.16, each such prepayment shall be applied to the Committed Loans of the Lenders in accordance with their respective Applicable Percentages.

(l) Section 2.08(a) of the Credit Agreement is hereby amended by amending and restating such section in its entirety as follows:

(a) Subject to the provisions of Section 2.08(b) below, (i) each LIBOR Rate Loan shall bear interest on the outstanding principal amount thereof for each Interest Period at a rate per annum equal to the LIBOR Rate for such Interest Period plus the Applicable Margin; (ii) each Base Rate Loan made to the Borrower shall bear interest on the outstanding principal amount thereof from the applicable borrowing date at a rate per annum equal to the Base Rate plus the Applicable Margin; (iii) each Swing Line Loan made to the Borrower shall bear interest on the outstanding principal amount thereof from the applicable borrowing date at a rate per annum equal to the Base Rate plus the Applicable Margin; and (iv) each Daily LIBOR Rate Loan made to the Borrower shall bear interest on the outstanding principal amount thereof from the applicable borrowing date at a rate per annum equal to the Daily LIBOR Rate plus the Applicable Margin, which, for the avoidance of doubt, shall be the Applicable Margin set forth in the column labeled “LIBOR Margin” in the table set forth in the definition of Applicable Margin.

(m) Each reference in Sections 2.12(b), 3.02, 3.03, 3.04, or 10.13 of the Credit Agreement to (i) “LIBOR Rate Loan” shall be amended to read “LIBOR Rate Loan or Daily LIBOR Rate Loan” and (ii) “LIBOR Borrowing” shall be amended to read “LIBOR Borrowing or Daily LIBOR Borrowing”.

(n) Exhibit A-1 to the Credit Agreement shall be amended by amending and restating such section in its entirety in the form attached hereto as Annex A.

SECTION 3. Conditions of Effectiveness of this First Amendment. This First Amendment shall become effective on the date when the following conditions shall have been satisfied (or waived) (the “First Amendment Effective Date”):

(a) execution and delivery of this First Amendment by the Borrower, each Guarantor, the Agent and the Lenders.

SECTION 4. Remedies. This First Amendment shall constitute a Loan Document.

SECTION 5. Representations and Warranties. To induce the Agent and the Lenders to enter into this First Amendment, the Borrower and each other Loan Party represents and warrants to the Agent, the L/C Issuer and the Lenders on and as of the First Amendment Effective Date that, in each case:

(a) all of the representations and warranties contained in the Credit Agreement or the other Loan Documents are true and correct in all material respects on the First Amendment Effective Date both immediately before and after giving effect to this First Amendment, with the same effect as though such representations and warranties had been made on and as of the First Amendment Effective Date (it being understood that (x) any representation or warranty that is qualified by materiality or Material Adverse Effect shall be required to be true and correct in all respects after taking into account such qualification and (y) any representation or warranty made as of a specific date shall be true and correct in all material respects (or all respects after taking into account such qualification, as the case may be) as of such date); and

(b) no Default or Event of Default exists as of the First Amendment Effective Date, both immediately before and after giving effect to this First Amendment.

SECTION 6. Reference to and Effect on the Credit Agreement and the Loan Documents; Ratification.

(a) On and after the First Amendment Effective Date, each reference in the Credit Agreement to “this Agreement,” “hereunder,” “hereof” or words of like import referring to the Credit Agreement shall mean and be a reference to the Credit Agreement, as amended by this First Amendment.

(b) The Credit Agreement and each of the other Loan Documents, as specifically amended by this First Amendment, are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed. Without limiting the generality of the foregoing, the Security Documents and all of the Collateral described therein do and shall continue to secure the payment of all Obligations of the Loan Parties under the Loan Documents, in each case, as amended by this First Amendment.

(c) The Borrower expressly acknowledges and agrees that (i) there has not been, and this First Amendment does not constitute or establish, a novation with respect to the Credit Agreement or any of the other Loan Documents, or a mutual departure from the strict terms, provisions, and conditions thereof, other than with respect to the amendments contained in Section 2 above, and (ii) nothing in this First Amendment shall affect or limit Agent’s or the Lenders’ right to demand payment of liabilities owing from Borrower to Agent or the Lenders under, or to demand strict performance of the terms, provisions and conditions of, the Credit Agreement and the other Loan Documents, to exercise any and all rights, powers, and remedies under the Credit Agreement or the other Loan Documents or at law or in equity, or to do any and all of the foregoing, immediately at any time after the occurrence of a Default or an Event of Default under the Credit Agreement or the other Loan Documents.

(d) Each Loan Party hereby restates, ratifies, and reaffirms each and every term, covenant, and condition set forth in the Credit Agreement and the other Loan Documents to which it is a party effective as of the date hereof.

(e) The execution, delivery and effectiveness of this First Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Lender, the Agent or any Issuer under any of the Loan Documents, nor constitute a waiver of any provision of any of the Loan Documents.

SECTION 7. Governing Law. THIS FIRST AMENDMENT AND ANY CLAIM, CONTROVERSY OR DISPUTE ARISING UNDER OR RELATED TO THIS FIRST AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS FIRST AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

SECTION 8. Counterparts. This First Amendment may be executed in counterparts (and

by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page of this First Amendment by telecopy, pdf or other electronic transmission shall be as effective as delivery of a manually executed counterpart of this First Amendment.

SECTION 9. Electronic Execution. The words “execution,” “signed,” “signature,” and words of like import in this First Amendment or in any amendment or other modification hereof (including waivers and consents) shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

[The remainder of the page is intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused their duly authorized officers to execute and deliver this First Amendment as of the date first above written.

VINCE, LLC, as Borrower

By: _____
Name:
Title:

VINCE INTERMEDIATE HOLDINGS, LLC, as a Guarantor

By: _____
Name:
Title:

VINCE HOLDING CORP., as a Guarantor

By: _____
Name:
Title:

[Vince – Singature Page to First Amendment]

By: _____
Name:
Title:

[Vince – Signature Page to First Amendment]

PNC BANK, NATIONAL ASSOCIATION, as a Lender

By: _____
Name:
Title:

[Vince – Signature Page to First Amendment]

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Annex A

Exhibit A-1 to Credit Agreement

Form of Committed Loan Notice

[Please see attached]

EXHIBIT A-1

FORM OF COMMITTED LOAN NOTICE

Date: _____, _____

To: Citizens Bank, N.A., as Agent

Ladies and Gentlemen:

Reference is made to the Credit Agreement dated as of August 21, 2018 (as amended, restated, amended and restated, supplemented, or otherwise modified from time to time, the “**Credit Agreement**”) by and among (i) **Vince, LLC**, a Delaware limited liability company (the “**Borrower**”), (ii) the Guarantors named therein, (iii) the Lenders party thereto from time to time, and (iv) Citizens Bank, N.A., as administrative agent and collateral agent (in such capacities, the “**Agent**”) for its own benefit and the benefit of the other Credit Parties referred to therein. All capitalized terms used herein and not otherwise defined shall have the same meaning herein as in the Credit Agreement.

1. The Borrower hereby requests [a Committed Borrowing][a conversion of Committed Loans from one Type to another Type][a continuation of LIBOR Rate Loans]¹:
 - (a) On _____ (a Business Day)²
 - (b) In the amount of \$ _____³
 - (c) Comprised of [Base Rate][LIBOR Rate][Daily LIBOR Rate] Loans (Type of Committed Loan)⁴
 - (d) For LIBOR Rate Loans: with an Interest Period of ____ [weeks] [months]⁵

¹ A Committed Borrowing must be a borrowing consisting of simultaneous Loans of the same Type and, in the case of LIBOR Rate Loans, must have the same Interest Period.

² Each notice of a Committed Borrowing must be received by the Agent not later than (i) 1:00 p.m. three (3) Business Days prior to the requested date of any Borrowing of LIBOR Rate Loans (provided that, if the Borrower wishes to request LIBOR Rate Loans having an Interest Period other than one, two, three or six months in duration as provided in the definition of “Interest Period”, the applicable notice must be received by the Agent not later than 1:00 p.m. four (4) Business Days prior to the requested date of such Committed Borrowing) and (ii) 3:00 p.m. one (1) Business Day on the requested date of any Committed Borrowing of Base Rate Loans or Daily LIBOR Rate Loans.

³ Each Committed Borrowing of LIBOR Rate Loans must be in a principal amount of \$1,000,000 or a whole multiple of \$100,000 in excess thereof.

⁴ Committed Loans may be Base Rate Loans, LIBOR Rate Loans, or Daily LIBOR Rate Loans. If the Type of Committed Loan is not specified, then the applicable Committed Loans will be made as Base Rate Loans.

⁵ The Borrower may request a Committed Borrowing of LIBOR Rate Loans with an Interest Period of one, two, three or six months, or such other period that is two weeks or twelve months requested by the Borrower and consented to by all of the Lenders. If no election of Interest Period is specified, then the Borrower will be deemed to have specified an Interest Period of one month.

2. The Borrower hereby represents and warrants that [(a)] the Committed Borrowing requested herein complies with Section 2.02 of the Credit Agreement [and (b) the conditions specified in Section 4.02 of the Credit Agreement have been satisfied on and as of the date specified in Item 1(a) above]⁶.

[signature page follows]

⁶ Not applicable to any Committed Loan Notice requesting only a Conversion of Committed Loans to the other Type, or a continuation of LIBOR Rate Loans.

Dated as of the date above first written.

VINCE, LLC, as Borrower

By:

Name:

Title:

Signature Page to Committed Loan Notice

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JOINDER, CONFIRMATION, RATIFICATION AND AMENDMENT TO CREDIT AGREEMENT AND RELATED DOCUMENTS

This Joinder, Confirmation, Ratification and Amendment to Credit Agreement and Related Documents (the "Agreement") is made as of November 4, 2019, by and among **VINCE, LLC**, a Delaware limited liability company, as borrower (in such capacity, the "Borrower"), the Guarantors (as defined in the Credit Agreement) party to the Credit Agreement before the effectiveness of this Agreement (the "Existing Guarantors"), **REBECCA TAYLOR, INC.**, a New York corporation ("Rebecca Taylor"), **REBECCA TAYLOR RETAIL STORE, LLC**, a New York limited liability company ("RT Retail"), **PARKER LIFESTYLE, LLC**, a Delaware limited liability company ("Parker Lifestyle"), **PARKER HOLDING, LLC**, a Delaware limited liability company ("Parker"), and together with Rebecca Taylor, RT Retail and Parker Lifestyle, the "New Guarantors" and each individually, a "New Guarantor") and **CRYSTAL FINANCIAL LLC**, as administrative agent and collateral agent under the Credit Agreement referred to below (the "Agent"), in consideration of the mutual covenants herein contained and benefits to be derived herefrom.

WITNESSETH

1. Reference is made to that certain Credit Agreement, dated as of August 21, 2018 (as amended, restated, amended and restated, extended, supplemented, or otherwise modified from time to time, the "Credit Agreement") by and among the Borrower, the Existing Guarantors party thereto (together with the Borrower, the "Existing Loan Parties"), the Lenders from time to time party thereto, and the Agent.

2. Reference is further made to that certain Guarantee and Collateral Agreement, dated as of August 21, 2018 (as amended, restated, amended and restated, extended, supplemented, or otherwise modified from time to time, the "Guarantee and Collateral Agreement") by and among the Existing Loan Parties and the Agent, pursuant to which the Existing Loan Parties have granted to the Agent, for its benefit and for the benefit of the other Credit Parties, a lien on and a security interest in substantially all of their assets as collateral security for the payment and performance in full of all Secured Obligations (as defined therein).

3. Substantially concurrently herewith, the Borrower will acquire all of the issued and outstanding units of Parker and Rebecca Taylor pursuant to that certain Equity Purchase Agreement, dated as of November 4, 2019, by and between the Borrower, as purchaser, and Contemporary Lifestyle Group, LLC, a Delaware limited liability company, as seller (the "Acquisition");

4. The Borrower has advised the Agent that the Acquisition is a Permitted Acquisition and, pursuant to Section 6.11 of the Credit Agreement, the New Guarantors are required to provide a Facility Guaranty, to become a party to the Security Documents and to take such actions necessary or advisable to grant to the Agent for the benefit of the Secured Parties a perfected security interest.

NOW, THEREFORE, it is hereby agreed by and among the Loan Parties and the Agent as follows:

1. Definitions. Unless otherwise defined herein, all capitalized terms used herein shall have the meaning set forth in the Credit Agreement.
2. Joinder and Assumption of Obligations. Effective as of the date of this Agreement, each New Guarantor hereby acknowledges that it has received and reviewed a copy of the Credit Agreement, the Guarantee and Collateral Agreement, and the other Loan Documents, and hereby:
 - (a) joins in the execution of, and becomes a party to the Credit Agreement, the Guarantee and Collateral Agreement, and the other Loan Documents as a Guarantor (and, in the case of the Guarantee and Collateral Agreement, a Grantor) thereunder, as indicated with its signature below;
 - (b) covenants and agrees to be bound by all covenants, agreements, liabilities and acknowledgments of a Guarantor under the Credit Agreement and a Grantor under the Guarantee and Collateral Agreement, as of the date hereof (other than covenants, agreements, liabilities and acknowledgments that relate solely to an earlier date), in each case, with the same force and effect as if such New Guarantor was a signatory to the Credit Agreement, the Guarantee and Collateral Agreement, and the other Loan Documents and was expressly named as a Guarantor (and, in the case of the Guarantee and Collateral Agreement, a Grantor) therein;
 - (c) makes all representations, warranties, and other statements of a Guarantor under the Credit Agreement (other than pursuant to Section 5.03(a)(i) of the Credit Agreement with respect to the good standing of Rebecca Taylor Design Limited), and the other Loan Documents and a Grantor under the Guarantee and Collateral Agreement, as of the date hereof (other than representations, warranties and other statements that relate solely to an earlier date), in each case, with the same force and effect as if the New Guarantor was a signatory to the Credit Agreement, the Guarantee and Collateral Agreement, and the other Loan Documents, and was expressly named as a Guarantor (and, in the case of the Guarantee and Collateral Agreement, a Grantor) therein; and
 - (d) assumes and agrees to perform all applicable duties and Obligations and Secured Obligations (as defined in the Guarantee and Collateral Agreement) of a Guarantor (on a joint and several basis with the other Loan Parties) and a Grantor (under the Guarantee and Collateral Agreement) under the Credit Agreement, the Guarantee and Collateral Agreement, and the other Loan Documents.
3. Grant of Security Interest. Without limiting the generality of Section 2 hereof, each New Guarantor hereby grants to the Agent, for the benefit of the Credit Parties, a security interest in all of the Collateral (as defined in the Guarantee and Collateral Agreement) as collateral security for the prompt and complete payment and performance when due (whether at the stated maturity, by acceleration or otherwise) of all Secured Obligations (as defined in the Guarantee and Collateral Agreement). Pursuant to any Requirement of Law, each New

Guarantor authorizes the Agent to file or record financing statements and other filing or recording documents or instruments with respect to the Collateral without the signature of such New Guarantor in such form and such offices as the Agent reasonably determines appropriate to perfect the security interests of the Agent under this Agreement. Each New Guarantor authorizes the Agent to use the collateral description “all assets” or words of similar effect in any such financing statements.

4. Amendments to Credit Agreement and Related Documents.

(a) Any and all references in the Credit Agreement and any related documents to “Guarantor”, “Guarantors”, “Loan Party” and “Loan Parties” shall hereafter be deemed to include the New Guarantors.

(b) The schedules, exhibits, or annexes to the Credit Agreement are hereby updated with respect to the New Guarantors, as evidenced by the supplemental schedules, exhibits, or annexes annexed to this Agreement at Annex A.

(c) The schedules, exhibits, or annexes to the Guarantee and Collateral Agreement are hereby updated with respect to the New Guarantors, as evidenced by the supplemental schedules, exhibits, or annexes annexed to this Agreement at Annex B.

5. Confirmation and Ratification of Credit Agreement and other Loan Documents.

(a) Each Existing Loan Party hereby ratifies and confirms all of the terms and conditions of, and all of the warranties and representations set forth in, the Credit Agreement (other than pursuant to Section 5.03(a)(i) of the Credit Agreement with respect to the good standing of Rebecca Taylor Design Limited), the Guarantee and Collateral Agreement, and any other Loan Document, and each Existing Loan Party acknowledges and agrees that the Credit Agreement and Guarantee and Collateral Agreement, as amended by this Agreement, remain in full force and effect.

(b) Without in any manner limiting the foregoing clause 5(a), each Existing Loan Party hereby acknowledges, confirms and agrees that any and all Collateral previously pledged to the Agent shall continue to secure all Secured Obligations (as defined in the Guarantee and Collateral Agreement) of the Loan Parties at any time and from time to time outstanding under the Credit Agreement and any other agreement with Agent, as such Secured Obligations (as defined in the Guarantee and Collateral Agreement) have been, and may hereafter be, amended, restated, supplemented, increased or otherwise modified from time to time.

6. Conditions Precedent to Effectiveness. This Agreement shall not be effective until each of the following conditions precedent have been fulfilled to the reasonable satisfaction of the Agent:

(a) This Agreement shall have been duly executed and delivered by the respective parties hereto, and shall be in full force and effect and shall be in form and substance reasonably satisfactory to the Agent.

(b) All action on the part of the New Guarantors and the other Loan Parties necessary for the valid execution, delivery and performance by the New Guarantors and the other Loan Parties of this Agreement and all other documentation, instruments, and agreements to be executed in connection herewith shall have been duly and effectively taken and evidence thereof reasonably satisfactory to the Agent shall have been provided to the Agent.

(c) The New Guarantors shall have delivered the following to the Agent, in form and substance reasonably satisfactory to the Agent:

(i) An officer's certificate, dated as of the date hereof, certifying as to and (as applicable) attaching each New Guarantor's organization documents (which to the extent filed with a Governmental Authority, shall be certified as of a recent date by such Governmental Authority), the resolutions of the governing body of each New Guarantor, the good standing, existence or its equivalent of each New Guarantor, and of the incumbency (including specimen signatures) of the Responsible Officers of each New Guarantor.

(ii) A supplemental Representations and Warranties Certificate with respect to the New Guarantors substantially in the form delivered to the Agent on the Closing Date.

(d) The Borrower shall have delivered to the Agent a certificate, in form and substance reasonably satisfactory to the Agent, certifying that the ABL Payment Conditions have been satisfied with respect to the Acquisition.

(e) The Agent shall have received an executed legal opinion of Kirkland & Ellis LLP, counsel to the Borrower and the New Guarantors, in form and substance reasonably satisfactory to the Agent.

(f) The Agent shall have received all documentation and other information required by regulatory authorities under applicable "know your customer" and anti-money laundering rules and regulations, with respect to the New Guarantors, including without limitation the PATRIOT Act.

(g) The Agent shall have received certificates of insurance for the insurance policies as required by Section 6.07 of the Credit Agreement.

(h) The Agent shall have received all documents and instruments, including Uniform Commercial Code financing statements, required by law or reasonably requested by the Agent to be filed, registered or recorded to create or perfect the first priority Liens on each New Guarantor's assets to secure the Obligations intended to be created under the Credit Agreement and all such documents and instruments shall have been so filed, registered or recorded to the satisfaction of the Agent.

(i) The Agent shall have received a signature page to this Agreement executed by each Loan Party.

7. Conditions Subsequent. The New Guarantors will deliver or cause to be delivered, or use commercially reasonable efforts to deliver or cause to be delivered, in each case, in accordance with and subject to the terms and conditions set forth in the Credit Agreement, to the Agent, in form and substance satisfactory to the Agent, on or before the dates set forth below (which may be extended or waived in the Agent's sole discretion):

(a) 15 days after the date hereof, a supplement to Schedule 5.23 (Insurance) to the Credit Agreement;

(b) reasonably promptly following a request therefor, such Credit Card Notifications, Blocked Account Agreements, Collateral Access Agreements and other documents necessary or desirable (in the Agent's sole discretion) to perfect the Agent's security interest in the Collateral as the Agent may request, to the extent the Borrower is obliged to provide such Credit Card Notification, Blocked Account Agreement, Collateral Access Agreement or other document under the Credit Agreement.

Each Loan Party agrees that the failure to perform or comply with the covenants set forth in this Section 7 shall constitute an Event of Default under the Credit Agreement; provided that, with respect to Section 7(b), such failure shall only constitute an Event of Default to the extent failure to deliver such document pursuant to the terms of the Credit Agreement would constitute an Event of Default thereunder.

8. Borrowing Base. Notwithstanding anything to the contrary contained in the Intercreditor Agreement (including Section 9.1(a) thereof), the Agent and Lenders hereby consent to the ABL Agent's use of its discretion to include or not to include certain of the New Guarantors' In-Transit Inventory that does not constitute Eligible In-Transit Inventory because of a failure to satisfy the requirements of clause (iii) of the definition of Eligible In-Transit Inventory in the ABL Credit Agreement (such In-Transit Inventory, the "Specified In-Transit Inventory") in the Borrowing Base as "Eligible In-Transit Inventory" for up to ninety (90) days following the date of the Acquisition. The ABL Agent and ABL Lenders shall be deemed to be express third-party beneficiaries of the consent provided in this Section 8, and this Section 8 shall not be amended, modified or waived without the prior written consent of the ABL Agent.

9. Miscellaneous. Sections 10.04 (Expenses; Indemnity; Damage Waiver), 10.10 (Counterparts; Integration; Effectiveness), 10.12 (Severability), 10.14 (GOVERNING LAW), 10.15 (SUBMISSION TO JURISDICTION; WAIVERS) and 10.16 (Waivers of Jury Trial) of the Credit Agreement are incorporated herein *mutatis mutandis*.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as a document under seal by their respective authorized officers as of the date first above written.

BORROWER: VINCE, LLC

By:
Name:
Title:

EXISTING GUARANTORS:

VINCE INTERMEDIATE HOLDING, LLC

By:
Name:
Title:

VINCE HOLDING CORP.

By:
Name:
Title:

[Signature Page to Joinder, Confirmation, Ratification and Amendment of Credit Agreement]

NEW GUARANTORS:

REBECCA TAYLOR, INC.

By:
Name:
Title:

PARKER HOLDING, LLC

By:
Name:
Title:

REBECCA TAYLOR RETAIL STORE, LLC

By:
Name:
Title:

PARKER LIFESTYLE, LLC

By:
Name:
Title:

[Signature Page to Joinder, Confirmation, Ratification and Amendment of Credit Agreement]

AGENT:

CRYSTAL FINANCIAL LLC

By:
Name:
Title:

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LENDERS:

CRYSTAL FINANCIAL LLC

By:

Name:

Title:

CRYSTAL FINANCIAL SPV LLC

By:

Name:

Title:

[Signature Page to Joinder, Confirmation, Ratification and Amendment of Credit Agreement]

ANNEX A

Updated Schedules to Credit Agreement

See attached.

ANNEX B

Updated Schedules to Guarantee and Collateral Agreement

See attached.

CEO CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002
(15 U.S.C. SECTION 1350)

I, Brendan Hoffman, certify that:

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

/s/ Brendan Hoffman

Brendan Hoffman
Chief Executive Officer
(principal executive officer)
December 12, 2019

CFO CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002
(15 U.S.C. SECTION 1350)

I, David Stefko, certify that:

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

/s/ David Stefko

David Stefko

Executive Vice President, Chief Financial Officer
(principal financial and accounting officer)

December 12, 2019

**CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)**

In connection with the Quarterly Report of Vince Holding Corp. (the "Company"), on Form 10-Q for the quarter ended November 2, 2019 as filed with the Securities and Exchange Commission (the "Report"), Brendan Hoffman, Chief Executive Officer of the Company, does hereby certify, pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350), that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company at the dates and for the periods indicated in the Report.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

The undersigned expressly disclaims any obligation to update the foregoing certification except as required by law.

/s/ Brendan Hoffman

Brendan Hoffman
Chief Executive Officer
(principal executive officer)
December 12, 2019

**CERTIFICATIONS OF CHIEF FINANCIAL OFFICER PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)**

In connection with the Quarterly Report of Vince Holding Corp. (the "Company"), on Form 10-Q for the quarter ended November 2, 2019 as filed with the Securities and Exchange Commission (the "Report"), David Stefko, Chief Financial Officer of the Company, does hereby certify, pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350), that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company at the dates and for the periods indicated in the Report.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

The undersigned expressly disclaims any obligation to update the foregoing certification except as required by law.

/s/ David Stefko

David Stefko
Executive Vice President, Chief Financial Officer
(principal financial and accounting officer)
December 12, 2019