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

FORM 8-K/A
(Amendment No. 1)

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): January 13, 2020 (November 3, 2019)

Vince Holding Corp.
(Exact name of Registrant as Specified in Its Charter)

Delaware	001-36212	75-3264870
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

500 5th Avenue – 20th Floor
New York, New York 10110
(Address of Principal Executive Offices)

10110
(Zip Code)

Registrant's Telephone Number, Including Area Code: (212) 944-2600

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instructions A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the 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 is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company ☐

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. ☐

Explanatory Note

On November 3, 2019, Vince, LLC, an indirectly wholly owned subsidiary of Vince Holding Corp. (the "Company"), completed its acquisition (the "Acquisition") of 100% of the equity interests of Rebecca Taylor, Inc. and Parker Holding, LLC (collectively, the "Acquired Businesses") from Contemporary Lifestyle Group, LLC.

This Amendment No. 1 on Form 8-K/A is being filed to amend Item 9.01(a) and (b) of the Current Report on Form 8-K that the Company filed with the Securities and Exchange Commission ("SEC") on November 5, 2019 regarding the completion of the Acquisition to include the historical financial statements of the Acquired Businesses required by Item 9.01(a) of Form 8-K and the pro forma financial information required by Item 9.01(b) of Form 8-K. Except as set forth herein, no modifications have been made to information contained in the Form 8-K filed with the SEC on November 5, 2019.

Item 9.01. Financial Statements and Exhibits

(a) Financial Statements of Business Acquired.

The audited consolidated financial statements of Contemporary Lifestyle Group, LLC and Subsidiaries as of and for the fiscal year ended February 2, 2019, together with the notes related thereto and the Independent Auditor's Report thereon and the unaudited condensed consolidated financial statements of Contemporary Lifestyle Group, LLC and Subsidiaries as of November 2, 2019 and for the nine month periods ended November 2, 2019 and November 3, 2018, are filed as Exhibits 99.1 and 99.2, respectively, to this Form 8-K/A and incorporated by reference herein. These financial statements represent the entirety of the financial results of the Acquired Businesses as the operating assets of Contemporary Lifestyle Group, LLC and Subsidiaries consisted solely of the Acquired Businesses. The consent of Crowe LLP, the independent auditor for Contemporary Lifestyle Group, LLC and Subsidiaries, is attached as Exhibit 23.1 to this Form 8-K/A.

(b) Pro Forma Financial Information.

The unaudited pro forma condensed combined financial statements as of November 2, 2019 and for the fiscal years ended February 2, 2019 and February 3, 2018 as well as for the nine month periods ended November 2, 2019 and November 3, 2018, after giving effect to the Acquisition and adjustments described in such pro forma financial information, are attached hereto as Exhibit 99.3 to this Form 8-K/A and incorporated by reference herein.

(d) Exhibits.

Exhibit Number	Description
23.1	Consent of Crowe LLP.
99.1	Audited consolidated financial statements of Contemporary Lifestyle Group, LLC and Subsidiaries as of and for the fiscal year ended February 2, 2019.
99.2	Unaudited condensed consolidated financial statements of Contemporary Lifestyle Group, LLC and Subsidiaries as of November 2, 2019 and for the nine months ended November 2, 2019 and November 3, 2018.
99.3	Unaudited pro forma condensed combined financial statements of the Company, as of November 2, 2019 and for the fiscal years ended February 2, 2019 and February 3, 2018 as well as for the nine months ended November 2, 2019 and November 3, 2018.

SIGNATURES

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.

VINCE HOLDING CORP.

Date: January 13, 2020

By: /s/ David Stefko

David Stefko

Executive Vice President, Chief Financial Officer

Exhibit 23.1

CONSENT OF INDEPENDENT AUDITOR

We consent to the incorporation by reference in the Registration Statement No. 333-225036 on Form S-8 and Registration Statement No. 333-192500 on Form S-8 of Vince Holding Corp. of our report dated May 24, 2019 on the consolidated financial statements of Contemporary Lifestyle Group, LLC and Subsidiaries, which is included in this Current Report on Form 8-K/A.

/s/ Crowe LLP

Oak Brook, Illinois
January 13, 2020

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CONTEMPORARY LIFESTYLE GROUP, LLC AND SUBSIDIARIES

Annual Consolidated Financial Report for the Fiscal Year Ended February 2, 2019

INDEX TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR CONTEMPORARY LIFESTYLE GROUP, LLC AND SUBSIDIARIES

Independent Auditor’s Report

Consolidated Financial Statements

INDEPENDENT AUDITOR'S REPORT

Board of Directors and Member
Contemporary Lifestyle Group, LLC and Subsidiaries
New York, New York

Report on the Consolidated Financial Statements
We have audited the accompanying consolidated financial statements of Contemporary Lifestyle Group, LLC and Subsidiaries, which comprise the consolidated balance sheet as of February 2, 2019, and the related consolidated statements of operations, comprehensive income, member's equity, and cash flows for the fiscal year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Contemporary Lifestyle Group, LLC and Subsidiaries as of February 2, 2019, and the results of their operations and their cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

/s/ Crowe LLP

Oak Brook, Illinois
May 24, 2019

CONTEMPORARY LIFESTYLE GROUP, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS
(Dollar amounts are in thousands)

	Fiscal Year Ended February 2, 2019
Net sales	$ 84,509
Cost of products sold	44,021
Gross profit	40,488
Operating expenses:	
Selling, general, and administrative expenses	35,478
Depreciation	1,222
Amortization of intangible assets	1,938
Restructuring charges	36
Management fees	596
Total operating expenses	39,270
Income from operations	1,218
Interest expense, net	(1,040)
Income before income taxes	178
Income tax expense	(102)
Net income	$ 76

See accompanying notes to the Consolidated Financial Statements.

CONTEMPORATY LIFESTYLE GROUP, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Dollar amounts are in thousands)

	Fiscal Year Ended February 2, 2019
Net income	$ 76
Foreign currency translation adjustment	(12)
Comprehensive income	$ 64

See accompanying notes to the Consolidated Financial Statements.

CONTEMPORARY LIFESTYLE GROUP, LLC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(Dollar amounts are in thousands)

		As of February 2, 2019
Assets		
Current assets:		
Cash	$	122
Restricted cash		141
Receivables, net		7,781
Inventories, net		18,601
Prepaid expenses and other current assets		1,957
Total current assets		28,602
Property, plant, and equipment, net		4,417
Intangible assets, net		23,990
Goodwill, net		2,129
Other assets		412
Total assets	$	59,550
Liabilities and Member's Equity		
Current liabilities:		
Short-term borrowings	$	17,649
Accounts payable		11,455
Other accrued liabilities		1,966
Total current liabilities		31,070
Deferred income taxes		1,123
Long-term contingent consideration and deferred other		3,316
Commitments and contingencies (Note 6)		
Member's equity:		
Invested equity		20,706
Accumulated other comprehensive loss		(12)
Retained earnings		3,347
Total member's equity		24,041
Total liabilities and member's equity	$	59,550

See accompanying notes to the Consolidated Financial Statements.

CONTEMPORAY LIFESTYLE GROUP, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(Dollar amounts are in thousands)

		Fiscal Year Ended February 2, 2019
Operating activities		
Net income	$	76
Add (deduct) items not affecting operating cash flows:		
Depreciation		1,222
Bad debts		66
Amortization of intangible assets		1,938
Deferred income taxes		(67)
Other charges:		
Change in fair value of contingent consideration		106
Changes in assets and liabilities:		
Receivables		(481)
Inventories		(6,761)
Prepaid expenses and other current assets		812
Accounts payable and other accrued liabilities		1,522
Other assets and liabilities		653
Net cash used in operating activities		(914)
Investing activities		
Payments for capital expenditures		(629)
Net cash used in investing activities		(629)
Financing activities		
Borrowings from revolving credit facilities		23,284
Payments on revolving credit facilities		(22,200)
Net cash provided by financing activities		1,084
Decrease in cash and restricted cash		(459)
Effect of exchange rates on cash and restricted cash		(12)
Cash and restricted cash, beginning of fiscal year		734
Cash and restricted cash, end of fiscal year	$	263
Reconciliation of consolidated balance sheet to cash flows		
Cash	$	122
Restricted cash		141
Total cash and restricted cash	$	263
Supplemental disclosures of cash flow information		
Cash payments for interest	$	1,004
Cash payments for income taxes		36
Supplemental disclosures of non-cash investing and financing activities		
Capital expenditures in accounts payable	$	62

See accompanying notes to the Consolidated Financial Statements.

CONTEMPORARY LIFESTYLE GROUP, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF MEMBER'S EQUITY
(Dollar amounts are in thousands)

	Invested Equity	Retained Earnings	Accumulated Other Comprehensive Loss	Total Member's Equity
Balance as of February 4, 2018	$ 20,706	$ 3,271	$ —	$ 23,977
Comprehensive income:				
Net income	—	76	—	76
Foreign currency translation adjustment	—	—	(12)	(12)
Balance as of February 2, 2019	$ 20,706	$ 3,347	$ (12)	$ 24,041

See accompanying notes to the Consolidated Financial Statements.

(Dollar amounts are in thousands)

Note 1. Summary of Significant Accounting Policies

(A) **Description of Business**: Contemporary Lifestyle Group, LLC ("CLG" or the "Company"), together with its wholly-owned subsidiaries Rebecca Taylor, Inc. ("Rebecca Taylor") and Parker Lifestyle, LLC ("Parker"), is a leading designer, manufacturer, and marketer of women's premium contemporary apparel. The Company's distribution channels include wholesale, e-commerce, and Company operated retail stores. Products are sourced from contract manufacturers, primarily in the Eastern Hemisphere and are manufactured to meet product specification and labor standards.

(B) **Basis of Presentation**: The accompanying consolidated financial statements of CLG have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). CLG is a holding company that conducts all of its business operations through its wholly-owned subsidiaries, Rebecca Taylor & Parker.

The consolidated financial statements include CLG's accounts and the accounts of its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated. In the opinion of CLG management, the consolidated financial statements contain all adjustments (consisting solely of normal recurring adjustments) and disclosures necessary for a fair statement.

(C) **Fiscal Year**: CLG operates on a fiscal calendar widely used by the retail industry that results in a given fiscal year consisting of a 52 or 53-week period ending on the Saturday closest to January 31 of the following year. Fiscal year 2018 consisted of a 52-week period. Reference to "fiscal year 2018" or "fiscal 2018" refer to the fiscal year ended February 2, 2019.

(D) **Use of Estimates**: The preparation of consolidated financial statements in conformity with GAAP requires that CLG management make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the consolidated financial statements and the reported amounts of sales and expenses during the reporting period. Estimates are adjusted when necessary to reflect actual experience. Significant estimates and assumptions may affect many items in the consolidated financial statements. These include sales discounts, returns, allowances, valuations of goodwill and other identified intangible assets, valuations of contingent consideration, income tax liabilities and assets and related valuation allowances, inventory obsolescence, and other contingencies. Actual results may differ from those estimates and assumptions.

(E) **Cash and Restricted Cash:** The effect of foreign currency exchange rate fluctuations on cash was not significant for fiscal 2018. Restricted cash is earmarked as collateral with Wells Fargo Bank N.A. for the use of corporate credit cards. The fiscal 2018 balance was $141.

(F) **Accounts Receivable and Concentration of Credit Risk**: CLG maintains an allowance for trade accounts receivable estimated to be uncollectible. The activity in this allowance was summarized as follows:

		Fiscal Year 2018
Balance, beginning of fiscal year	$	235
Provisions for bad debt expense		66
Bad debts written off, net of recoveries		(135)
Balance, end of fiscal year	$	166

The provision for bad debts is included in selling, general, and administrative expenses. Substantially all trade receivables are derived from sales to retailers and are recorded at the invoiced amount and do not bear interest. CLG performs ongoing credit evaluations of its customers' financial conditions and requires collateral as deemed necessary. Account balances are charged off against the allowance when it is believed that the receivable will not be collected.

(Dollar amounts are in thousands)

Trade accounts receivable are recorded net of allowances for expected future chargebacks from customers. It is the nature of the apparel industry that wholesalers like CLG face significant pressure from major department store customers in the retail industry to provide allowances to compensate for customer margin shortfalls. This pressure often takes the form of customers requiring markdown allowances on prior shipments as a prerequisite for obtaining future orders. Pressure for these markdown allowances is largely determined by overall retail sales performance and, more specifically, the performance of CLG's products at retail. To the extent customers have more of CLG's goods on hand at the end of the season, there will be greater pressure for the Company to grant markdown allowances on prior shipments. Trade accounts receivable balances are reported net of expected allowances for these matters based on the historical level of markdown allowances required and estimates of the level of markdown allowances that will be required in the coming season in order to collect the receivables. CLG evaluates the allowance balances on a continual basis and adjusts them as necessary to reflect changes in anticipated allowance activity. The Company also provides an allowance for sales returns based on historical return rates and expected future return rates which is addressed further in the discussion of sales recognition below.

Accounts receivable from three customers accounted for more than 10% of gross accounts receivable as of February 2, 2019. These three customers represented 20%, 19%, and 16% of gross accounts receivable as of February 2, 2019. In fiscal 2018, sales to two customers each accounted for more than 10% of the Company's gross sales. These sales represented 17% and 15% of fiscal 2018 gross sales.

(G) **Inventories, Cost of Products Sold and Major Suppliers**: Inventories are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Cost is determined using the first-in, first-out method. The cost of inventories include purchase costs as well as sourcing, pre-production samples, transportation, duty, and other processing costs associated with acquiring, importing, and preparing inventories for sale. The cost of inventories are included in cost of products sold at the time of their sale. In addition to the costs of inventories, other costs included in cost of products sold are distribution costs. Product development costs are expensed in selling, general, and administrative expense when incurred. Inventories are reduced to the net realizable value when there are factors indicating that certain inventories will not be sold on terms sufficient to recover their cost. Inventories consisted of the following:

	February 2, 2019
Finished goods	$ 19,214
Less: obsolescence reserve	(613)
Inventories, net	$ 18,601

In-transit inventories at the end of fiscal 2018 were $6,589. In-transit inventories are recorded to reflect when product ownership passes from the manufacturer to the Company, even though the inventories have not yet been physically received at their final destination. In-transit inventories are recorded at factory cost plus estimated import duties and freight.

The Company has three major suppliers that accounted for approximately 46% of inventory purchases for fiscal 2018. Amounts due to these suppliers was $2,912 of which $261 is included in accounts payable and $2,651 is included in other accrued liabilities in the accompanying consolidated balance sheet as of February 2, 2019.

(Dollar amounts are in thousands)

(H) **Property, Plant, and Equipment**: Property, plant, and equipment are stated at cost, unless acquired through acquisition of a business in which case such property, plant, and equipment are stated at fair value at the time of acquisition. Depreciation is computed on the straight-line method over estimated useful lives of three to 10 years for machinery and equipment. Leasehold improvements are amortized on the straight-line basis over the shorter of their estimated useful lives or the remaining lease term, excluding renewal terms. Capitalized software is amortized on the straight-line basis over the estimated economic useful life of the software, generally three to five years. Furniture and fixtures are amortized on the straight-line basis over the estimated economic useful life, generally three to seven years. The property, plant, and equipment were summarized as follows:

	February 2, 2019
Leasehold improvements	$ 5,416
Machinery and equipment	677
Furniture and fixtures	1,795
Capitalized software	1,371
Construction in progress	373
Total property, plant, and equipment	9,632
Less: accumulated depreciation and amortization	(5,215)
Property, plant, and equipment, net	$ 4,417

(I) **Impairment of Definite-lived Intangible and Long-lived Assets**: CLG reviews long-lived assets with a finite life for existence of facts and circumstances, which indicate that the asset's useful life is shorter than previously estimated or the carrying amount may not be recoverable from future operations based on undiscounted expected future cash flows. Impairment losses are then recognized in operating results to the extent discounted expected future cash flows are less than the carrying value of the asset. CLG completed its review of long-lived assets in the fourth quarter of fiscal 2018, which did not result in an impairment charge.

(J) **Goodwill and Indefinite-lived Intangible Assets:** As of February 2, 2019, the Company had goodwill of $2,129 and indefinite-lived intangible assets of $16,906 recognized on its consolidated balance sheet. Goodwill represents the excess of the cost of acquired businesses over the fair market value of the identifiable net assets. Indefinite-lived intangible assets are primarily Company-owned tradenames. Goodwill and other indefinite-lived intangible assets are tested for impairment at least annually and in an interim period if it appears more likely than not that the carrying amount of an asset exceeds its fair value. CLG completed its annual impairment testing of goodwill and indefinite-lived intangible assets during the fourth quarter of fiscal 2018, which resulted in no impairment charge to goodwill and intangible assets.

Determining the fair value of goodwill and other intangible assets is judgmental in nature and requires the use of significant estimates and assumptions, including revenue growth rates and operating margins, cash flow projections, royalty rates, discount rates, and future market conditions, among others. It is possible that estimates of future operating results could change adversely and impact the evaluation of the recoverability of the carrying value of goodwill and intangible assets and that the effect of such changes could be material.

CLG had $7,084 of definite-lived intangible assets recorded on its consolidated balance sheet as of February 2, 2019, which are primarily comprised of customer relationships. These are amortized on a straight-line basis over their useful lives of 10 years.

See Note 2 and Note 3 to the consolidated financial statements for more information on the details surrounding goodwill and intangible assets, as well as any impairment charges.

(K) **Deferred Rent and Deferred Lease Incentives:** Certain of the Company's operating leases contain predetermined fixed escalations of the minimum rentals during the original term of the lease. For these leases, the related rental expense is recognized on a straight-line basis over the life of the lease, and the difference between the amount charged to operations and amounts paid as deferred rent is recorded. Certain of the Company's retail store leases contain provisions for contingent rent, typically a percentage of retail sales once a predetermined threshold has been met. These amounts are expensed as incurred. Additionally, CLG receives lease incentives in certain leases. These allowances have been deferred and are amortized on a straight-line basis over the life of the lease as a reduction of rent expense. As of the end of fiscal 2018, the long-term deferred balance of $2,225 was recorded within long-term contingent consideration and deferred other and the short-term deferred balance of $315 was recorded within other accrued liabilities on the consolidated balance sheet.

(L) **Foreign Currency Translation**: The financial statements of foreign operations are translated into United States of America dollars. Where the functional currency of a foreign operation is its local currency, income statement items are translated using the current exchange rate on the date the transactions are recognized, and balance sheet accounts are translated using fiscal year end exchange rates. Gains and losses resulting from translation are reported as a separate component of other comprehensive income within member's equity on the consolidated statement of comprehensive income.

(M) **Sales Recognition**: Sales are recognized when goods are shipped in accordance with customer orders for the Company's wholesale business and e-commerce business, and at the point of sale in its Company-owned retail stores. The estimated amounts of sales discounts, returns, and allowances are accounted for as reductions of sales when the associated sale occurs. These estimated amounts are adjusted periodically based on changes in facts and circumstances when the changes become known. Accrued discounts, returns, and allowances are included as an offset to accounts receivable in the consolidated balance sheet for the Company's wholesale and e-commerce businesses. The activity in the accrued discounts, returns, and allowances account is summarized as follows:

	Fiscal Year 2018
Balance, beginning of fiscal year	$ 4,956
Provision	9,391
Utilization	(9,296)
Balance, end of fiscal year	$ 5,051

For the wholesale business, amounts billed to customers for shipping and handling costs are recorded as a reduction to expense and are recorded in selling, general, and administrative expenses in the consolidated statement of operations. For the e-commerce business, amounts billed to customers for shipping and handling costs are recorded within net sales. The Company's stated terms are FOB shipping point. There is no stated obligation to customers after shipment, other than specifically set forth allowances or discounts that are accrued at the time of sale. The rights of inspection or acceptance contained in certain sales agreements are limited to whether the goods received by customers are in conformance with the order specifications.

(N) **Income Taxes**: The Company accounts for income taxes using the asset and liability method. Under this method, deferred income tax assets and liabilities are recognized for the future income tax consequences of temporary differences between the carrying amounts and income tax bases of assets and liabilities at enacted rates. The appropriateness of valuation allowances is determined in accordance with the "more likely than not" recognition criteria. CLG recognizes income tax positions in the consolidated balance sheet as the largest amount of income tax benefit that is greater than 50% likely of being realized upon ultimate settlement with income tax authorities assuming full knowledge of the position and all relevant facts. Accrued interest and penalties related to unrecognized income tax benefits are included in income tax expense in the consolidated statement of operations. Accounting Standards Codification "ASC" Topic 740, Income Taxes, provides a comprehensive model for the recognition, measurement, and disclosure of uncertain income tax positions that the Company has taken, or expects to take, on a tax return. As of February 2, 2019, management evaluated the Company's tax positions and concluded that the Company had taken no uncertain tax positions that required adjustment to the balance sheet to comply with the provisions of this guidance.

(O) **Marketing and Advertising**: Marketing and advertising expense recorded within selling, general, and administrative expenses on the consolidated statement of operations was $5,523 for fiscal 2018.

(P) **Recent Accounting Pronouncements:**

Recently Adopted Accounting Pronouncements

In November 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-18, *"Statement of cash flows (Topic 230): Restricted cash"*. This guidance requires the statement of cash flows to explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The Company adopted this guidance in the first quarter of fiscal 2018 using the retrospective transition method. The Company's restricted cash is earmarked as collateral with Wells Fargo Bank N.A. for the use of corporate credit cards. The fiscal 2018 balance was $141.

Recently Issued Accounting Pronouncements

In January 2017, the FASB issued Accounting Standards Update ("ASU") No. 2017-04, *"Intangibles-Goodwill and Other (Topic 350): Simplifying the test for goodwill impairment"*. The guidance removes "step two" of the goodwill impairment test, which requires a hypothetical purchase price allocation. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. The guidance is effective for interim and annual impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company is currently evaluating the impact the new guidance will have on the consolidated financial statements and disclosures.

In February 2016, the FASB issued ASU 2016-02: *"Leases (Topic 842)"*, a new lease accounting standard. The guidance requires lessees to recognize right-of-use lease assets and lease liabilities on the balance sheet for those leases currently classified as operating leases. In July 2018, the FASB issued ASU 2018-11: *"Leases (Topic 842): Targeted improvements"* which provides companies with an additional transition method to apply the new guidance at the adoption date instead of the earliest period presented in the financial statements. This ASU is effective beginning with the Company's fiscal 2021 year, with early adoption permitted. The Company expects to utilize this transition method upon adoption. The Company is currently compiling an inventory of lease arrangements in order to determine the impact the new guidance will have on the consolidated financial statements and disclosures.

(Dollar amounts are in thousands)

In May 2014, the FASB issued ASU No. 2014-09, *"Revenue from Contracts with Customers (Topic 606)"*. This guidance on revenue recognition accounting requires entities to recognize revenue when promised goods or services are transferred to customers and in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Since its issuance, the FASB has amended several aspects of the new guidance. The Company plans to adopt this guidance in the first quarter of fiscal 2019 using the modified retrospective cumulative effect transition method. The Company's assessment efforts included reviewing current accounting policies, processes and arrangements to identify potential differences that could arise from the application of the new guidance. The impact to the financial statements of this adoption are related to the change in balance sheet classification of the sales returns reserves. The impact is not expected to be material.

Note 2. Impairment and Restructuring Charges

Indefinite-lived intangible assets are not amortized but are tested for impairment annually during the fourth quarter of the fiscal year and in an interim period if a triggering event were to occur during the year.

Definite-lived intangible assets are amortized and tested for impairment if a triggering event occurs during the fiscal year.

The Company completed its annual impairment testing of goodwill and indefinite-lived intangible assets during the fourth quarter of fiscal 2018 which resulted in no impairment charges. It is possible that CLG's estimates of future operating results could change adversely and impact the evaluation of the recoverability of the carrying value of goodwill and indefinite-lived intangible assets, and that the effect of such changes on the consolidated financial statements could be material. While CLG management believes that the current recorded carrying value of CLG's goodwill and indefinite-lived intangible assets as of February 2, 2019 was not impaired, there can be no assurance that a significant non-cash write down or write-off will not be required in the future.

Restructuring charges are comprised of expenses associated with efforts to continuously improve operational and organizational efficiency. These expenses result from numerous individual actions implemented across the Company on an ongoing basis. For fiscal 2018, restructuring charges of $36 resulted from closing one of the Rebecca Taylor retail locations.

Note 3. Goodwill and Intangible Assets

Goodwill balance as of February 2, 2019 were as follows:

	Gross Amount	Accumulated Impairment	Net Book Value
Goodwill Balance as of February 2, 2019:	$ 23,130	$ (21,001)	$ 2,129

There were no changes to the goodwill balance for fiscal 2018.

Identifiable indefinite-lived intangible assets consist of Company-owned tradenames. Indefinite-lived intangible asset balances as of February 2, 2019 were as follows:

	Gross Amount	Accumulated Impairment	Net Book Value
Tradename Balance as of February 2, 2019:	$ 22,236	$ (5,330)	$ 16,906

There were no changes to the tradename balance for fiscal 2018.

(Dollar amounts are in thousands)

Identifiable definite-lived intangible assets consist of Company-owned customer relationships. Definite-lived intangible assets balances and changes therein subsequent to the February 3, 2018 consolidated balance sheet were as follows:

	Gross Amount	Accumulated Amortization	Net Book Value
Balance as of February 4, 2018:	$ 19,385	$ (10,363)	$ 9,022
Definite-lived intangible assets:			
Amortization of customer relationships	—	(1,938)	(1,938)
Balance as of February 2, 2019:	$ 19,385	$ (12,301)	$ 7,084

Amortization expense for each of the fiscal years 2019 to 2023 and thereafter is expected to be as follows:

	Future Amortization
2019	$ 1,939
2020	1,855
2021	940
2022	940
2023	940
Thereafter	470
Total future amortization expense	$ 7,084

Note 4. Short-Term Borrowings

On July 23, 2014, Parker, as borrower, and Sun Capital Partners V, L.P., as guarantor, entered into a Loan Authorization Agreement with BMO Harris Bank N.A., as lender, for a revolving credit facility. On December 21, 2016, that facility was amended to include Rebecca Taylor. The current maximum credit line is $25,000 (the "BMO Obligations") subject to a maximum credit limit, which requires that the sum of (i) the aggregate principal amounts of loans outstanding, (ii) the aggregate undrawn stated amount of letters of credit issued under the credit facility, and (iii) the aggregate amount of any unreimbursed draws under any letters of credit issued, shall not exceed the credit limit. The maximum availability under the revolving credit facility was $24,433 as of February 2, 2019. Any letters of credit issued under the BMO Obligations credit facility are subject to the same maximum credit line.

Interest accrues on the BMO Obligations at a rate equal to the greater of (i) the reference bank's prime rate plus the prime rate margin (0.50%) or (ii) the LIBOR quoted rate plus the LIBOR margin (3.25%) to each day’s ending loan balance. The interest rate as of February 2, 2019 was 6.0% and the average interest rate for borrowings outstanding under the credit facility for fiscal 2018 was 5.7%. Such interest is paid quarterly. At the option of the Company, such interest can be paid in cash or by adding such interest to the unpaid principal balance of the loan through a loan on each interest payment date. CLG elected to pay the interest in cash during fiscal year 2018. BMO Obligations are payable on demand with a 10-day grace period and are used to fund on-going working capital requirements. As of February 2, 2019, CLG has recorded $17,649 for the outstanding balance of the loan, which was recorded as short-term borrowings on the consolidated balance sheet.

Note 5. Leases

CLG leases showroom, office space, retail stores, and certain equipment under operating leases that have terms extending to fiscal 2027, excluding renewal terms. Most of the real estate leases contain covenants that require CLG to pay real estate taxes, insurance, and other executory costs. Certain of these leases for the retail stores required contingent rent payments, kick-out clauses, and/or opt-out clauses, based on the operating results of the retail operations utilizing the leased premises. Rent under operating leases with scheduled rent changes or lease concessions are recorded on a straight-line basis over the lease term. Rent expense under all operating leases of CLG's operations was $4,500 for fiscal 2018 and was recorded in selling, general, and administrative expenses in the consolidated statement of operations.

(Dollar amounts are in thousands)

The future minimum lease payments, as of February 2, 2019, under non-cancelable operating leases that have initial or remaining lease terms more than one year are as follows for fiscal years after fiscal 2018:

	Operating Lease Payments
2019	$ 4,252
2020	4,301
2021	3,964
2022	3,873
2023	1,772
Thereafter	1,841
Total minimum lease payments	$ 20,003

Note 6. Commitments and Contingencies

Parker Contingent Consideration

Effective on July 23, 2014, Parker, a wholly-owned subsidiary of Parker Holdings, LLC, acquired certain net assets from Rosgin, Ltd., and all the related business activities of the Parker business. Contingent consideration will be paid to the seller if Parker meets certain EBITDA performance targets. If the performance targets are met, annual payments will be due 135 days following the end of the 2015 through 2019 fiscal years (the "Parker Earn-Out Amounts"). An additional payment will be due 135 days following the end of the 2019 fiscal year if Parker meets the cumulative EBITDA target from the 2015 through 2019 fiscal years (the "Parker Earn-Up Amount"). The maximum contingent consideration is not limited.

An estimate of the future contingent consideration was recorded at its fair value at the time of the acquisition of Parker. The recorded obligation was remeasured in the fourth quarter of fiscal 2017 to reflect changes in the fair value based upon updated management projections of EBITDA. As of February 2, 2019, CLG has recorded $526, for the fair value of the Parker contingent consideration, which was recorded within long-term contingent consideration and deferred other on the consolidated balance sheet.

Letters of Credit

In lieu of a cash security deposit for an operating lease agreement, the Company maintained a standby letter of credit which amounted to approximately $567 at February 2, 2019.

(Dollar amounts are in thousands)

Note 7. Income Taxes

Income tax expense consisted of the following:

	Fiscal Year 2018
Current:	
Domestic:	
Federal	$ 85
State	81
Foreign	3
Total current	169
Deferred:	
Domestic:	
Federal	(416)
State	346
Foreign	3
Total deferred	(67)
Total income tax expense	$ 102

The sources of income before income taxes were:

	Fiscal Year 2018
United States of America	$ 172
Foreign	6
Total	$ 178

Current income taxes are the amounts payable under the respective income tax laws and regulations on current year earnings. CLG's effective income tax rate on pretax earnings for fiscal 2018 was 57.3%. The rate differed from the statutory rate in the United States of America of 21% for fiscal 2018 primarily due to the incurrence of valuation allowance, offset in part by state income taxes.

A reconciliation of the federal statutory income tax rate to the effective tax rate is as follows:

	Fiscal Year 2018
Statutory federal rate	21.0%
State taxes, net of federal benefit	238.7%
Valuation allowance	(341.2)%
Return to provision adjustment	89.1%
Impact of TCJA and other changes in tax law	(28.0)%
Non-deductible expenses	6.5%
Rate differential on foreign income	0.8%
Other	70.4%
Total	57.3%

(Dollar amounts are in thousands)

Deferred income tax assets and liabilities consisted of the following:

		February 2, 2019
Deferred tax assets:		
Depreciation and amortization	$	5,267
Employee related costs		319
Allowance for asset valuations		749
Accrued expenses		7
Net operating losses		1,899
Other		680
Total deferred income tax assets		8,921
Less: valuation allowance		(6,929)
Net deferred income tax assets		1,992
Deferred tax liabilities:		
Earn-out liability		(3,092)
Foreign income tax		(23)
Total deferred income tax liabilities		(3,115)
Net deferred income tax liabilities	$	(1,123)
Included in:		
Deferred income taxes	$	(1,123)
Net deferred income tax liabilities	$	(1,123)

The significant types of temporary differences that gave rise to the deferred income tax balances as of February 2, 2019 were intangible asset amortization, contingent consideration, and accrued expenses. As of February 2, 2019, a federal net operating loss totaling $7,702 was available for carryforward to offset future taxable income. Except for the net operating loss generated in fiscal 2018, this net operating loss will begin to expire in fiscal 2037. For fiscal year 2018, the Company generated a federal net operating loss in the amount of $1,179 which will be carried forward indefinitely. The Company records a valuation allowance for temporary differences for which it is more likely than not that the Company will not receive future tax benefits. At February 2, 2019, the Company recorded valuation allowance of $6,929 due to the uncertainty regarding the realization of such deferred tax assets, to offset the benefits of net operating losses generated during those years.

Federal income taxes are provided on earnings of foreign subsidiaries except to the extent such earnings are currently expected to be permanently reinvested abroad. The Company does not currently consider any undistributed foreign earnings to be permanently reinvested abroad as of February 2, 2019.

CLG includes accrued interest and penalties on underpayments of income taxes in its income tax provision. As of February 2, 2019, there were no interest and penalties accrued on the Company’s consolidated balance sheet. Interest is computed on the difference between the income tax position recognized net of any unrecognized income tax benefits and the amount previously taken or expected to be taken in the Company’s income tax returns.

CLG’s federal and most state income tax returns from 2015 and forward are still subject to examination. Foreign income tax returns are generally no longer subject to examination for fiscal 2014 and prior.

Note 8. Related Party Transactions

Management Fees

As of December 21, 2016, in connection with the formation of the Company, CLG entered into an Amended and Restated Consulting Agreement with Sun Capital Partners Management V, LLC for a period of 10 years with automatic one-year extensions thereafter. This agreement maintains the provision of substantially all consulting and advisory services by Sun Capital Partners Management V, LLC, as stated in the Parker Consulting Agreement dated July 23, 2014 and restates the annual management fee payable by CLG between $550 and $650 per year in quarterly installments. This fee is computed on a sliding scale based on annual EBITDA performance. CLG reported $596 for management fees to Sun Capital Partners Management V, LLC in fiscal 2018.

(Dollar amounts are in thousands)

Upon the consummation of certain corporate events involving the Company, CLG is required to pay Sun Capital Partners Management V, LLC, a transaction fee in an amount equal to 1% of the aggregate consideration paid to or by CLG, subject to certain caps as specified in the agreement. There were no transaction fees incurred in fiscal 2018.

Note 9. Litigation

CLG may be a party to legal proceedings that arise in the ordinary course of its business. Although the outcome of such items cannot be determined with certainty, CLG 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.

Note 10. Fair Value Measurements

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. A three-tiered hierarchy draws distinctions between market participant assumptions based on (i) observable inputs such as quoted prices in active markets (Level 1), (ii) inputs other than quoted prices in active markets that are observable either directly or indirectly (Level 2) and (iii) unobservable inputs that require the Company to use present value and other valuation techniques in the determination of fair value (Level 3). The following table presents information about assets and liabilities required to be carried at fair value on a recurring basis as of February 2, 2019:

	February 2, 2019			
	Level 1	**Level 2**	**Level 3**	**Total**
Liabilities:				
Long-term contingent consideration	$ —	$ —	$ 526	$ 526

The Company primarily applies the income approach for valuing recurring fair value measurements. As of February 2, 2019, liabilities valued using significant unobservable inputs (Level 3) related to contingent consideration stemming from the purchase by Parker Holdings, LLC of certain net assets from Rosgin, Ltd., and all the related business activities of the Parker business, whereby contingent consideration will be paid to the seller if Parker meets certain EBITDA performance targets. As of February 2, 2019, CLG has recorded $526 for the fair value of the Parker contingent consideration, which was recorded within long-term contingent consideration and deferred other on the consolidated balance sheet. Significant unobservable inputs used in the fair value measurement at February 2, 2019 are projections of EBITDA and discount rate assumptions of 14.9% as well as financial results.

The Company did not have any non-financial assets recognized at fair value on a recurring basis at February 2, 2019. At February 2, 2019, the Company believes that the carrying value of cash, receivables and accounts payable approximates fair value, due to the short-term nature of these amounts. The Company's debt obligations with a carrying value of $17,649 as of February 2, 2019 are at variable interest rates. The carrying value of the Company's BMO Obligations approximates fair value as the stated interest rate approximates market rates currently available to the Company, which are considered Level 2 inputs.

The Company's non-financial assets, which primarily consist of goodwill, intangible 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 11. Subsequent Events

CLG evaluated its consolidated financial statements as of and for the fiscal year ended February 2, 2019, for subsequent events through May 24, 2019, the date the consolidated financial statements were available to be issued. During this time, the Company closed one of its seven retail stores on April 1, 2019.

Exhibit 99.2

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CONTEMPORARY LIFESTYLE GROUP, LLC AND SUBSIDIARIES

Unaudited Condensed Consolidated Financial Report for the Nine Months Ended November 2, 2019

INDEX TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR CONTEMPORARY LIFESTYLE GROUP, LLC AND SUBSIDIARIES

Condensed Consolidated Financial Statements

CONTEMPORARY LIFESTYLE GROUP, LLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollar amounts are in thousands, unaudited)

	Nine Months Ended November 2, 2019	Nine Months Ended November 3, 2018
Net sales	$ 57,880	$ 63,610
Cost of products sold	31,683	32,479
Gross profit	26,197	31,131
Operating expenses:		
Selling, general, and administrative expenses	25,977	26,895
Depreciation	942	930
Amortization of intangible assets	983	1,454
Impairment of goodwill, intangible and long-lived assets	20,354	—
Restructuring charges	(54)	—
Management fees	360	458
Total operating expenses	48,562	29,737
(Loss) / income from operations	(22,365)	1,394
Interest expense, net	(831)	(807)
(Loss) / income before income taxes	(23,196)	587
Income tax benefit / (expense)	821	(197)
Net (loss) / income	$ (22,375)	$ 390

See accompanying notes to the unaudited Condensed Consolidated Financial Statements.

CONTEMPORATY LIFESTYLE GROUP, LLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) / INCOME
(Dollar amounts are in thousands, unaudited)

	Nine Months Ended November 2, 2019	Nine Months Ended November 3, 2018
Net (loss) / income	$ (22,375)	$ 390
Foreign currency translation adjustment	(61)	(9)
Comprehensive (loss) / income	$ (22,436)	$ 381

See accompanying notes to the unaudited Condensed Consolidated Financial Statements.

CONTEMPORARY LIFESTYLE GROUP, LLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollar amounts are in thousands, unaudited)

	As of November 2, 2019	As of February 2, 2019
Assets		
Current assets:		
Cash	$ 369	$ 122
Restricted cash	141	141
Receivables, net	6,453	7,781
Inventories, net	14,457	18,601
Prepaid expenses and other current assets	2,528	1,957
Total current assets	23,948	28,602
Property, plant, and equipment, net	3,214	4,417
Intangible assets, net	5,645	23,990
Goodwill, net	—	2,129
Other assets	410	412
Total assets	$ 33,217	$ 59,550
Liabilities and Member's Equity		
Current liabilities:		
Short-term borrowings	$ 19,099	$ 17,649
Accounts payable	6,009	11,455
Other accrued liabilities	3,846	1,966
Total current liabilities	28,954	31,070
Deferred income taxes	242	1,123
Long-term contingent consideration and deferred other	2,416	3,316
Commitments and contingencies (Note 5)		
Member's equity:		
Invested equity	20,706	20,706
Accumulated other comprehensive loss	(73)	(12)
(Accumulated deficit) / retained earnings	(19,028)	3,347
Total member's equity	1,605	24,041
Total liabilities and member's equity	$ 33,217	$ 59,550

See accompanying notes to the unaudited Condensed Consolidated Financial Statements.

CONTEMPORAY LIFESTYLE GROUP, LLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollar amounts are in thousands, unaudited)

	Nine Months Ended November 2, 2019	Nine Months Ended November 3, 2018
Operating activities		
Net (loss) / income	$ (22,375)	$ 390
Add (deduct) items not affecting operating cash flows:		
Depreciation	942	930
Bad debts	39	36
Amortization of intangible assets	983	1,454
Deferred income taxes	(882)	117
Interest accretion on contingent consideration	—	88
Other charges:		
Impairment of goodwill, intangible and long-lived assets	20,354	—
Change in fair value of contingent consideration	(526)	—
Changes in assets and liabilities:		
Receivables	1,289	320
Inventories	4,144	(2,194)
Prepaid expenses and other current assets	(571)	618
Accounts payable and other accrued liabilities	(3,566)	(2,378)
Other assets and liabilities	(372)	371
Net cash used in operating activities	(541)	(248)
Investing activities		
Payments for capital expenditures	(601)	(410)
Net cash used in investing activities	(601)	(410)
Financing activities		
Borrowings from revolving credit facilities	1,450	675
Net cash provided by financing activities	1,450	675
Increase in cash and restricted cash	308	17
Effect of exchange rates on cash and restricted cash	(61)	(9)
Cash and restricted cash, beginning of fiscal period	263	734
Cash and restricted cash, end of fiscal period	$ 510	$ 742
Reconciliation of condensed consolidated balance sheet to cash flows		
Cash	$ 369	$ 602
Restricted cash	141	140
Total cash and restricted cash	$ 510	$ 742
Supplemental disclosures of cash flow information		
Cash payments for interest	$ 810	$ 732
Cash payments for income taxes	—	40
Supplemental disclosures of non-cash investing and financing activities		
Capital expenditures in accounts payable	$ —	$ 58

See accompanying notes to the unaudited Condensed Consolidated Financial Statements.

CONTEMPORARY LIFESTYLE GROUP, LLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF MEMBER'S EQUITY
(Dollar amounts are in thousands, unaudited)

	Invested Equity	(Accumulated Deficit) / Retained Earnings	Accumulated Other Comprehensive Loss	Total Member's Equity
Balance as of February 3, 2019	$ 20,706	$ 3,347	$ (12)	$ 24,041
Comprehensive loss:				
Net loss	—	(22,375)	—	(22,375)
Foreign currency translation adjustment	—	—	(61)	(61)
Balance as of November 2, 2019	$ 20,706	$ (19,028)	$ (73)	$ 1,605

	Invested Equity	(Accumulated Deficit) / Retained Earnings	Accumulated Other Comprehensive Loss	Total Member's Equity
Balance as of February 4, 2018	$ 20,706	$ 3,271	$ —	$ 23,977
Comprehensive loss:				
Net income	—	390	—	390
Foreign currency translation adjustment	—	—	(9)	(9)
Balance as of November 3, 2018	$ 20,706	$ 3,661	$ (9)	$ 24,358

See accompanying notes to the unaudited Condensed Consolidated Financial Statements.

Note 1. Summary of Significant Accounting Policies

(A) **Description of Business**: Contemporary Lifestyle Group, LLC ("CLG" or the "Company"), together with its wholly-owned subsidiaries Rebecca Taylor, Inc. ("Rebecca Taylor") and Parker Lifestyle, LLC ("Parker"), is a leading designer, manufacturer, and marketer of women's premium contemporary apparel. The Company's distribution channels include wholesale, e-commerce, and Company operated retail stores. Products are sourced from contract manufacturers, primarily in the Eastern Hemisphere and are manufactured to meet product specification and labor standards.

(B) **Basis of Presentation**: The accompanying condensed consolidated financial statements of CLG have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). CLG is a holding company that conducts all of its business operations through its wholly-owned subsidiaries, Rebecca Taylor & Parker.

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 CLG's audited financial statements for the fiscal year ended February 2, 2019.

The condensed consolidated financial statements include CLG's accounts and the accounts of its wholly-owned subsidiaries as of November 2, 2019. All intercompany accounts and transactions have been eliminated. In the opinion of CLG 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) **Impairment of Definite-lived Intangible and Long-lived Assets**: The Company reviews long-lived assets with a finite life for existence of facts and circumstances which indicate that the useful life is shorter than previously estimated or that the carrying amount of such assets may not be recoverable from future operations based on undiscounted expected future cash flows. Impairment losses are then recognized in operating results to the extent discounted expected future cash flows are less than the carrying value of the asset. The long-lived asset impairment test is dependent on a number of factors including estimates of future growth, profitability and cash flows, discount rates and other variables.

During the nine months ended November 2, 2019, the Company recorded a non-cash asset impairment charge of $6,115 related to customer relationships, which is included in impairment of goodwill, intangible and long-lived assets on the accompanying condensed consolidated statement of operations for the nine months ended November 2, 2019. The Company also recognized $863 of impairment related to certain retail stores, which is included in goodwill, intangible and long-lived assets on the accompanying condensed consolidated financial statement for the nine months ended November 2, 2019. See Note 3 for impairment information. There were no impairment charges related to definite-lived intangible and long-lived assets recorded for the nine months ended November 3, 2018.

(D) **Goodwill and Indefinite-lived Intangible Assets**: Goodwill represents the excess of the cost of acquired businesses over the fair market value of the identifiable net assets. Indefinite-lived intangible assets are primarily Company-owned tradenames. Goodwill and other indefinite-lived intangible assets are tested for impairment at least annually and in an interim period if it appears more likely than not that the carrying amount of an asset exceeds its fair value.

An entity may elect to perform a qualitative impairment assessment for goodwill and indefinite-lived intangible assets. If adverse qualitative trends are identified during the qualitative assessment that indicate that it is more likely than not that the fair value of a reporting unit or indefinite-lived intangible asset is less than its carrying amount, a quantitative impairment test is required. “Step one” of the quantitative impairment test for goodwill requires an entity to determine the fair value of each reporting unit and compare such fair value to the respective carrying amount. If the estimated fair value of the reporting unit exceeds the carrying value of the net assets assigned to that reporting unit, goodwill is not impaired, and the Company is not required to perform further testing. In accordance with Accounting Standards Update (“ASU”) No. 2017-04, *“Intangibles-Goodwill and Other (Topic 350): Simplifying the test for goodwill impairment”,* which the Company adopted on February 3, 2019, if the carrying amount of the reporting unit exceeds its estimated fair value, an impairment loss is recorded for the amount by which a reporting unit’s carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. Prior to the adoption of the new accounting guidance, if the carrying amount of the reporting unit exceeded its estimated fair value, “step two” of the impairment test was performed in order to determine the amount of the impairment loss. “Step two” of the goodwill impairment test included valuing the tangible and intangible assets of the impaired reporting unit based on the fair value determined in “step one” and calculating the fair value of the impaired reporting unit's goodwill based upon the residual of the summed identified tangible and intangible assets and liabilities. The goodwill impairment test is dependent on a number of factors, including estimates of future growth, profitability and cash flows, discount rates and other variables. The Company bases its estimates on assumptions it believes to be reasonable, but which are unpredictable and inherently uncertain. Actual future results may differ from those estimates.

The Company recorded an impairment charge of $11,247 related to its tradenames and $2,129 related to goodwill, which were included in impairment of goodwill, intangible and long-lived assets on the accompanying condensed consolidated statement of operations for the nine months ended November 2, 2019. See Note 2 for impairment information. There were no impairment charges related to indefinite-lived intangible assets and goodwill recorded for the nine months ended November 3, 2018.

In accordance with Accounting Standards Codification (“ASC”) 350, indefinite-lived intangibles should be reassessed each reporting period to determine whether events or circumstances continue to support an indefinite life. Based on the impairment charge calculated, the Company determined that the indefinite life classification may not be appropriate for the Parker tradename. Accordingly, the Company determined a 10-year useful life was more appropriate and began amortizing the Parker tradename as of the second quarter of fiscal 2019.

(E) **Recent Accounting Pronouncements:**

Recently Adopted Accounting Pronouncements

In January 2017, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2017-04, *“Intangibles-Goodwill and Other (Topic 350): Simplifying the test for goodwill impairment”*. The guidance removes “step two” of the goodwill impairment test, which requires a hypothetical purchase price allocation. A goodwill impairment will now be the amount by which a reporting unit’s carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. The guidance is effective for interim and annual impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company adopted this guidance for fiscal 2019.

In May 2014, the FASB issued ASU No. 2014-09, “*Revenue from Contracts with Customers (“Topic 606”)*”. This guidance on revenue recognition accounting requires entities to recognize revenue when promised goods or services are transferred to customers and in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Since its issuance, the FASB has amended several aspects of the new guidance. The Company adopted this guidance in the first quarter of fiscal 2019 using the modified retrospective cumulative effect transition method. Therefore, the comparative information has not been adjusted and continues to be reported under Topic 605. The impact to the financial statements of this adoption is related to balance sheet reclassification of sales returns reserves.

(Dollar amounts are in thousands)

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 upon pick up or receipt by the customer but may vary depending on the contract terms with 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.

Sales are measured as the amount of consideration the Company expects to receive in exchange for transferring goods, which includes estimates for variable consideration. Variable consideration mainly includes discounts, chargebacks, markdown allowances, cooperative advertising programs, and sales returns. Estimated amounts of discounts, chargebacks, markdown allowances, cooperative advertising programs, and sales returns are accounted for as reductions of sales when the associated sale occurs. These estimated amounts are adjusted periodically based on changes in facts and circumstances when the changes become known. On the Company's condensed consolidated balance sheet, reserves for sales returns are included within other accrued liabilities, rather than an offset to accounts receivable, net, and the value of inventory associated with reserves for sales returns are included in prepaid expenses and other current assets, on the Company's condensed consolidated balance sheet as of November 2, 2019. The Company continues to estimate the amount of sales returns based on known trends and historical return rates.

The following table summarize the impacts of adopting Topic 606 on the Company's condensed consolidated balance sheet as of November 2, 2019.

	Impact of changes in accounting standard		
	As Reported	Adjustments	Balances Without Adoption of Topic 606
Balance Sheet			
Receivables, net	$ 6,453	$ (1,358)	$ 5,095
Prepaid expenses and other current assets	2,528	(1,219)	1,309
Other accrued liabilities	3,846	(2,577)	1,269

The Company sells its products through two primary channels of distribution: wholesale and direct-to-consumer. Within these channels, substantially all of the Company's revenues consistent of sales of products that represent a single performance obligation, where control transfers at a point in time to the customer. The following table presents the Company's revenues disaggregated by channel.

	Nine Months Ended November 2, 2019	Nine Months Ended November 3, 2018
Wholesale	$ 42,787	$ 50,686
Direct-to-consumer	15,093	12,924
Total net sales	$ 57,880	$ 63,610

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02: *"Leases (Topic 842)"*, a new lease accounting standard. The guidance requires lessees to recognize right-of-use lease assets and lease liabilities on the balance sheet for those leases currently classified as operating leases. In July 2018, the FASB issued ASU 2018-11: *"Leases (Topic 842): Targeted improvements"* which provides companies with an additional transition method to apply the new guidance at the adoption date instead of the earliest period presented in the financial statements. This ASU is effective beginning with the Company's fiscal 2021 year, with early adoption permitted. The Company expects to utilize this transition method upon adoption. The Company is currently evaluating its lease arrangements in order to determine the impact the new guidance will have on the consolidated financial statements and disclosures. Upon adoption, the Company expects to recognize a right-of-use asset and lease liability for operating leases between $12,000 and $13,000 and between $14,000 and $15,000, respectively, as well as to derecognize the deferred rent liability of approximately $2,000.

(Dollar amounts are in thousands)

Note 2. Impairment and Restructuring Charges

For the nine months ended November 2, 2019, the costs related to impairment of goodwill, indefinite-lived intangible assets, and long-lived assets, and restructuring charges, were recorded as follows:

	Nine Months Ended November 2, 2019
Restructuring charges	$ (54)
Impairment of goodwill, intangible, and long-lived assets	20,354
Total costs	$ 20,300

Restructuring charges are comprised of expenses associated with efforts to continuously improve operational and organizational efficiency. For the nine months ended November 2, 2019, restructuring charges included the reversal of severance charges of $54 related to closing one of the Rebecca Taylor retail locations. There were no restructuring charges recognized for the nine months ended November 3, 2018.

During the nine months ended November 2, 2019, the Company identified facts and circumstances that indicated that the fair value of certain definite-lived assets, indefinite-lived assets, and goodwill may not be recoverable, resulting in the determination that a triggering event had occurred in the second fiscal quarter of 2019 and the performance of related quantitative impairment analyses. Because of decreases in projected revenues and declines in margins due to an increase of aged inventory that were considered other than temporary, the Company performed a quantitative assessment on its indefinite-lived intangible assets. The Company also evaluated its definite-lived intangibles to determine whether the carrying amounts were recoverable.

The impairment testing of goodwill, intangible and long-lived assets during the nine months ended November 2, 2019 resulted in $2,129 of impairment charges for goodwill, $11,247 of impairment charges for the tradename associated with its Rebecca Taylor and Parker businesses, and $6,115 of impairment charges for the customer lists associated with its Rebecca Taylor and Parker businesses. The Company recognized an impairment charge of $863 related to long-lived assets. There were no impairment charges recognized for the nine months ended November 3, 2018.

Determining the fair value of goodwill and other intangible assets is judgmental in nature and requires the use of significant estimates and assumptions, including revenue growth rates and operating margins, discount rates and future market conditions, among others. It is possible that estimates of future operating results could change adversely and impact the evaluation of the recoverability of the carrying value of goodwill and intangible assets and that the effect of such changes could be material.

Tradename

The Company estimates the fair value of the tradename intangible asset using a discounted cash flow valuation analysis, which is based on the “relief from royalty” methodology. This methodology assumes that in lieu of ownership, a third party would be willing to pay a royalty in order to exploit the related benefits of these types of assets. The relief from royalty approach is dependent on a number of factors, including estimates of future growth, royalty rates in the category of intellectual property, discount rates and other variables. The Company bases its fair value estimates on assumptions it believes to be reasonable, but which are unpredictable and inherently uncertain. Actual future results may differ from those estimates. The Company recognizes an impairment loss when the estimated fair value of the tradename intangible asset is less than the carrying value.

The Company estimated the fair value of its tradename intangible asset using the relief from royalty methodology and determined that the fair value of the Rebecca Taylor and Parker tradenames were below their carrying amounts. Accordingly, the Company recorded an impairment charge for the Rebecca Taylor and Parker tradename intangible assets of $11,247, which was recorded in impairment of goodwill, intangible and long-lived assets in the condensed consolidated statement of operations, for the nine months ended November 2, 2019. There was no impairment for the nine months ended November 3, 2018. See Note 3.

In accordance with ASC 350, indefinite-lived intangibles should be reassessed each reporting period to determine whether events or circumstances continue to support an indefinite life. Based on factors that led to the recognition of an impairment charge in the nine months ended November 2, 2019, the Company determined that the indefinite life classification was no longer appropriate for the Parker tradename. Accordingly, the Company determined a 10-year useful life was more appropriate and began amortizing the Parker tradename as of the second quarter of fiscal 2019.

Goodwill

A quantitative impairment test on goodwill determined that the fair value of its Rebecca Taylor reporting unit was below its carrying value. The Company estimated the fair value of its Rebecca Taylor reporting unit using the income valuation approach. “Step one” of the assessment determined that the fair value of the Rebecca Taylor reporting unit was below the carrying amount by $2,129, and as a result the Company recorded a goodwill impairment charge of $2,129. The charge was recorded in impairment of goodwill, intangible and long-lived assets in the condensed consolidated statements of operations for the nine months ended November 2, 2019. There was no impairment for the nine months ended November 3, 2018. See Note 3.

Definite-lived Assets

The Company assessed the recoverability of certain definite-lived intangible assets, which consist of the Rebecca Taylor and Parker customer relationships. In accordance with ASC 350, the Company determined that the fair value of the Rebecca Taylor and Parker customer relationships were not recoverable. Accordingly, the Company estimated the fair value of the Rebecca Taylor and Parker customer relationships using the income valuation approach. The assessment determined that the fair value of these customer relationships was below their carrying amount by $6,115, and as a result the Company recorded an impairment charge of $6,115. The charge was recorded in impairment of goodwill, intangible and long-lived assets in the condensed consolidated statement of operations for the nine months ended November 2, 2019. There was no impairment for the nine months ended November 3, 2018. See Note 3.

The Company assessed the recoverability of certain retail stores. In accordance with ASC 350, the Company determined that the fair value of assets of certain retail stores was below their carrying values that were determined not to be recoverable. The assessment determined that the fair value of these assets was below their carrying value by $863 and as a result the Company recorded an impairment charge of $863. The charge was recorded in impairment of goodwill, intangible and long-lived assets in the condensed consolidated statement of operations for the nine months ended November 2, 2019. There was no impairment for the nine months ended November 3, 2018. See Note 3.

(Dollar amounts are in thousands)

Note 3. Goodwill and Intangible Assets

Goodwill balances and changes therein subsequent to the February 2, 2019 condensed consolidated balance sheet were as follows:

	Gross Amount	Accumulated Impairment	Net Book Value
Balance as of February 3, 2019:	$ 23,130	$ (21,001)	$ 2,129
Impairment of goodwill	—	(2,129)	(2,129)
Balance as of November 2, 2019:	$ 23,130	$ (23,130)	$ —

Identifiable intangible assets consist of Company-owned indefinite-lived tradenames. During the nine months ended November 2, 2019, the Company reassessed one of its indefinite-lived tradenames and concluded that a definite life term was more appropriate. Accordingly, the Company's definite-lived tradename with a carrying value $573 will be amortized over a period of 10 years. Intangible assets balances and changes therein subsequent to the February 2, 2019 condensed consolidated balance sheet were as follows:

	Gross Amount	Accumulated Impairment	Net Book Value
Balance as of February 3, 2019:	$ 22,236	$ (5,330)	$ 16,906
Intangible assets:			
Impairment of tradenames	—	(11,247)	(11,247)
Transfer of tradename to definite-lived intangible assets	(13,100)	12,527	(573)
Balance as of November 2, 2019:	$ 9,136	$ (4,050)	$ 5,086

Identifiable definite-lived intangible assets consist of Company-owned customer relationships. Definite-lived intangible asset balances and changes therein subsequent to the February 2, 2019 condensed consolidated balance sheet were as follows:

	Gross Amount	Accumulated Amortization	Accumulated Impairment	Net Book Value
Balance as of February 3, 2019:	$ 19,385	$ (12,301)	$ —	$ 7,084
Definite-lived intangible assets:				
Transfer of tradename to definite-lived intangible assets	13,100	—	(12,527)	573
Amortization of tradenames	—	(14)	—	(14)
Amortization of customer relationships	—	(969)	—	(969)
Impairment of customer relationships	—	—	(6,115)	(6,115)
Balance as of November 2, 2019:	$ 32,485	$ (13,284)	$ (18,642)	$ 559

Amortization of definite-lived customer lists was $969 for the nine months ended November 2, 2019 and $1,454 for the nine months ended November 3, 2018, and is recorded within amortization of intangible assets on the condensed consolidated statements of operations.

Amortization expense related to Company tradename was $14 and is recorded within amortization of intangible assets on the condensed consolidated statement of operations for the nine months ended November 2, 2019. There was no amortization expense related to Company tradenames for the nine months ended November 3, 2018. The amortization expenses for the remainder of fiscal 2019 is expected to be $14 and amortization expense for each of the next five fiscal years is expected to be $57.

For the nine months ended November 2, 2019, the Company recorded a $2,129 goodwill impairment charge as a result of the Company's goodwill impairment test. See Note 2 for additional details. No impairment charge for goodwill was recognized during the nine months ended November 3, 2018.

Indefinite-lived intangible assets are not amortized but are tested for impairment annually in January of the fiscal year and in an interim period if a triggering event were to occur during the year. For the nine months ended November 2, 2019, the Company recorded a $11,247 impairment charge as a result of the Company's quantitative assessment on its tradename intangible assets. See Note 2 for additional details. No impairment charges for indefinite-lived intangible assets were recognized during the nine months ended November 3, 2018.

Definite-lived intangible assets are amortized and tested for impairment if a triggering event occurs during the fiscal year. For the nine months ended November 2, 2019, the Company recorded a $6,115 impairment charge as a result of the Company's impairment test. See Note 2 for additional details. No impairment charges for definite-lived assets were recognized during the nine months ended November 3, 2018.

Note 4. Short-Term Borrowings

On July 23, 2014, Parker, as borrower, and Sun Capital Partners V, L.P., as guarantor, entered into a Loan Authorization Agreement with BMO Harris Bank N.A., as lender, for a revolving credit facility. On December 21, 2016, that facility was amended to include Rebecca Taylor. The current maximum credit line is $25,000 (the "BMO Obligations") subject to a maximum credit limit, which requires that the sum of (i) the aggregate principal amounts of loans outstanding, (ii) the aggregate undrawn stated amount of letters of credit issued under the credit facility, and (iii) the aggregate amount of any unreimbursed draws under any letters of credit issued, shall not exceed the credit limit. The maximum availability under the revolving credit facility was $24,433 as of November 2, 2019 and February 2, 2019. Any letters of credit issued under the BMO Obligations credit facility are subject to the same maximum credit line.

Interest accrues on the BMO Obligations at a rate equal to the greater of (i) the reference bank's prime rate plus the prime rate margin (0.50%) or (ii) the LIBOR quoted rate plus the LIBOR margin (3.25%) to each day's ending loan balance. The interest rate as of November 2, 2019 and November 3, 2018 were 5.0% and 5.6%, respectively, and the average interest rate for borrowings outstanding under the credit facility for the nine months ended November 2, 2019 and November 3, 2018 were 4.9% and 5.3%, respectively. Such interest is paid quarterly. At the option of the Company, such interest can be paid in cash or by adding such interest to the unpaid principal balance of the loan through a loan on each interest payment date. CLG elected to pay the interest in cash during the nine months ended November 2, 2019. BMO Obligations are payable on demand with a 10-day grace period and are used to fund on-going working capital requirements. As of November 2, 2019 and February 2, 2019, CLG has recorded $19,099 and $17,649, respectively, for the outstanding balance of the loan, which was recorded as short-term borrowings on the condensed consolidated balance sheets.

Note 5. Commitments and Contingencies

Parker Contingent Consideration

Effective on July 23, 2014, Parker, a wholly-owned subsidiary of Parker Holdings, LLC, acquired certain net assets from Rosgin, Ltd., and all the related business activities of the Parker business. Contingent consideration will be paid to the seller if Parker meets certain EBITDA performance targets. If the performance targets are met, annual payments will be due 135 days following the end of the 2015 through 2019 fiscal years (the "Parker Earn-Out Amounts"). An additional payment will be due 135 days following the end of the 2019 fiscal year if Parker meets the cumulative EBITDA target from the 2015 through 2019 fiscal years (the "Parker Earn-Up Amount"). The maximum contingent consideration is not limited.

An estimate of the future contingent consideration was recorded at its fair value at the time of the acquisition of Parker. The recorded obligation was remeasured during the nine months ended November 2, 2019 to reflect changes in the fair value based upon updated management projections of EBITDA, resulting in a benefit of $526 being recorded within the selling, general, and administrative expenses caption of the condensed consolidated statement of operations for the nine months ended November 2, 2019. As of November 2, 2019 and February 2, 2019, CLG has recorded $0 and $526, respectively, for the fair value of the Parker contingent consideration, which was recorded within long-term contingent consideration and deferred other on the condensed consolidated balance sheets.

Letters of Credit

In lieu of a cash security deposit for an operating lease agreement, the Company maintained a standby letter of credit which amounted to approximately $567 at November 2, 2019 and February 2, 2019.

Note 6. Related Party Transactions

Management Fees

As of December 21, 2016, in connection with the formation of the Company, CLG entered into an Amended and Restated Consulting Agreement with Sun Capital Partners Management V, LLC for a period of 10 years with automatic one-year extensions thereafter. This agreement maintains the provision of substantially all consulting and advisory services by Sun Capital Partners Management V, LLC, as stated in the Parker Consulting Agreement dated July 23, 2014 and restates the annual management fee payable by CLG between $550 and $650 per year in quarterly installments. This fee is computed on a sliding scale based on annual EBITDA performance. CLG reported $360 and $458 for management fees to Sun Capital Partners Management V, LLC for the nine months ended November 2, 2019 and November 3, 2018, respectively.

Upon the consummation of certain corporate events involving the Company, CLG is required to pay Sun Capital Partners Management V, LLC, a transaction fee in an amount equal to 1% of the aggregate consideration paid to or by CLG, subject to certain caps as specified in the agreement. There were no transaction fees incurred for the nine months ended November 2, 2019 or November 3, 2018.

Note 7. Litigation

CLG may be a party to legal proceedings that arise in the ordinary course of its business. Although the outcome of such items cannot be determined with certainty, CLG 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.

(Dollar amounts are in thousands)

Note 8. Fair Value Measurements

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. A three-tiered hierarchy draws distinctions between market participant assumptions based on (i) observable inputs such as quoted prices in active markets (Level 1), (ii) inputs other than quoted prices in active markets that are observable either directly or indirectly (Level 2) and (iii) unobservable inputs that require the Company to use present value and other valuation techniques in the determination of fair value (Level 3).

The following tables present information about assets and liabilities required to be carried at fair value on a recurring basis as of November 2, 2019 and February 2, 2019:

	November 2, 2019			
	Level 1	Level 2	Level 3	Total
Liabilities:				
Long-term contingent consideration	$ —	$ —	$ —	$ —

	February 2, 2019			
	Level 1	Level 2	Level 3	Total
Liabilities:				
Long-term contingent consideration	$ —	$ —	$ 526	$ 526

The Company primarily applies the income approach for valuing recurring fair value measurements. As of November 2, 2019 and February 2, 2019, liabilities valued using significant unobservable inputs (Level 3) related to contingent consideration stemming from the purchase by Parker Holdings, LLC of certain net assets from Rosgin, Ltd., and all the related business activities of the Parker business, whereby contingent consideration will be paid to the seller if Parker meets certain EBITDA performance targets. As of November 2, 2019 and February 2, 2019, CLG has recorded $0 and $526 for the fair value of the Parker contingent consideration, respectively, which were recorded within long-term contingent consideration and deferred other on the condensed consolidated balance sheets. Significant unobservable inputs used in the fair value measurement at November 2, 2019 and February 2, 2019 are projections of EBITDA and discount rate assumptions of as well as financial results.

The Company did not have any non-financial assets recognized at fair value on a recurring basis at November 2, 2019 and February 2, 2019. At November 2, 2019 and February 2, 2019, the Company believes that the carrying value of cash, receivables and accounts payable approximates fair value, due to the short-term nature of these amounts. The Company's debt obligations with a carrying value of $19,099 and $17,649 as of November 2, 2019 and February 2, 2019, respectively, are at variable interest rates. The carrying value of the Company's BMO Obligations (as defined above) approximates fair value as the stated interest rate approximates market rates currently available to the Company, which are considered Level 2 inputs.

The Company's non-financial assets, which primarily consist of goodwill, intangible 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.

(Dollar amounts are in thousands)

The following table presents the non-financial assets the Company measured on a non-recurring basis during the nine months ended November 2, 2019, based upon the fair value hierarchy:

		Fair Value Measured and Recorded at Reporting Date Using:					
	Net Carrying Value as of November 2, 2019	Level 1	Level 2	Level 3	Total	Total Losses Nine Months Ended November 2, 2019	
Assets:							
Property and equipment	$ —	$ —	$ —	$ —	$ —	$ 863	(1)
Goodwill	—	—	—	—	—	2,129	(1)
Tradenames	5,645	—	—	5,659	5,659	11,247	(1)
Customer lists	—	—	—	—	—	6,115	(1)

(1) Recorded within impairment of goodwill, intangible and long-lived assets on the condensed consolidated statement of operations for the nine months ended November 2, 2019. See Note 1 "Summary of Significant Accounting Policies (C) Impairment of Definite-lived Intangible and Long-lived Assets and (D) Goodwill and Indefinite-lived Intangible Assets" for additional details.

There were no non-financial assets measured at fair value on a non-recurring basis during the nine months ended November 3, 2018.

Note 9. Subsequent Events

Equity Purchase Agreement

On November 4, 2019, CLG entered into an Equity Purchase Agreement (the "Purchase Agreement") with Vince, LLC ("Vince"), 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.

CLG is owned by affiliates of Sun Capital Partners, Inc. (collectively, "Sun Capital"). Sun Capital beneficially owns approximately 73% of Vince's common stock.

VINCE HOLDING CORP. AND SUBSIDIARIES
UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

References to “VHC”, the “Company”, “we”, “us”, and “our” mean Vince Holding Corp. and its consolidated subsidiaries, unless the context otherwise requires.

As reported on our current report on Form 8-K filed with the Securities and Exchange Commission (“SEC”) on November 5, 2019, on November 4, 2019, Vince, LLC (“Vince”) an indirectly wholly owned subsidiary of the Company, entered into an Equity Purchase Agreement with Contemporary Lifestyle Group, LLC (“CLG”), providing for the acquisition (the “Acquisition”) by Vince of 100% of the equity interests of Rebecca Taylor, Inc. and Parker Holding, LLC (collectively, the “Acquired Businesses” or “RTP”) from CLG. The Acquisition was consummated effective at 12:01 a.m. on November 3, 2019.

The aggregate purchase price for the Acquisition was $19.7 million, 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 Vince’s existing revolving credit facility which was upsized simultaneously with the Acquisition.

CLG is owned by affiliates of Sun Capital Partners, Inc. (collectively, the “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 following unaudited pro forma condensed combined financial statements, which are referred to as the unaudited pro forma financial information, has been derived from, and should be read in conjunction with, the unaudited condensed consolidated financial statements of VHC as of November 2, 2019 and for each of the nine months periods ended November 2, 2019 and November 3, 2018 included in VHC’s Quarterly Reports on Form 10-Q filed with the SEC for the respective periods; the unaudited condensed consolidated financial statements of CLG and Subsidiaries as of November 2, 2019 and for each of the nine month periods ended November 2, 2019 and November 3, 2018 included in exhibit 99.2 to VHC’s current report on Form 8-K/A filed with the SEC on January 13, 2020; the audited consolidated financial statements of VHC for the fiscal years ended February 2, 2019 and February 3, 2018 included in VHC’s Annual Reports on Form 10-K for the respective periods; and the audited consolidated financial statements of CLG and Subsidiaries for the fiscal year ended February 2, 2019 included in exhibit 99.1 to VHC’s current report on Form 8-K/A filed with the SEC on January 13, 2020. The financial statements of CLG and Subsidiaries represent the entirety of the financial position and results of operations of the Acquired Businesses as the operating assets of CLG consisted solely of the Acquired Businesses.

The unaudited pro forma financial information has been prepared to assist in the analysis of financial effects of the Acquisition. In accordance with the guidance under Accounting Standards Codification Topic 805: *“Business Combinations”*, the Acquisition is accounted for as a reorganization of entities under common control. The assets and liabilities of RTP transferred between the entities under common control were recorded by VHC based on RTP’s historical cost basis. The unaudited pro forma condensed combined balance sheet as of November 2, 2019, combines the historical condensed balance sheets of VHC and RTP, giving effect to the Acquisition and the related financing, as if they had been completed on November 2, 2019. The unaudited pro forma condensed combined statement of operations for the nine months ended November 2, 2019 and November 3, 2018, combines the historical condensed statements of operations of VHC and RTP, giving effect to the Acquisition and the related financing, as if they had been completed on January 29, 2017, the beginning of the earliest period presented. The unaudited pro forma condensed combined statements of operations for the years ended February 2, 2019 and February 3, 2018, combines the historical condensed statement of operations of VHC and RTP, giving effect to the Acquisition and the related financing as if they had been completed on January 29, 2017, the beginning of the earliest period presented.

Assumptions and estimates underlying the adjustments to the unaudited pro forma financial information, which are referred to as the pro forma adjustments, are described in the accompanying notes. The historical condensed financial statements have been adjusted in the unaudited pro forma financial information to give effect to pro forma events that are directly attributable to the Acquisition, factually supportable, and with respect to the unaudited pro forma statement of operations, expected to have a continuing impact on the combined results of VHC and RTP following the Acquisition. The unaudited pro forma financial information has been presented for illustrative purposes only and are not necessarily indicative of the operating results and financial position that would have been achieved had the Acquisition occurred on the dates indicated. Further, the unaudited pro forma financial information does not purport to project the future operating results or financial position of the combined company following the Acquisition.

The unaudited pro forma financial information, although helpful in illustrating the financial characteristics of the combined company under one set of assumptions, do not reflect the benefits of expected cost savings (or associated costs to achieve such savings), opportunities to earn additional revenue, or other factors that may result as a consequence of the Acquisition and, accordingly, do not attempt to predict or suggest future results.

INDEX TO THE PRO FORMA CONDENSED COMBINED CONSOLIDATED FINANCIAL INFORMATION

VINCE HOLDING CORP. AND SUBSIDIARIES
PRO FORMA CONDENSED COMBINED BALANCE SHEET
AS OF NOVEMBER 2, 2019
(In thousands, except share amounts, unaudited)

	Vince Holding Corp.	Rebecca Taylor & Parker	Pro Forma Adjustments		Pro Forma Combined
Assets					
Current assets:					
Cash and cash equivalents	$ 524	$ 369	$ (672)	(a)	$ 221
Trade receivables, net	32,246	6,453	—		38,699
Inventories, net	57,749	14,457	—		72,206
Prepaid expenses and other current assets	8,161	2,669	—		10,830
Total current assets	98,680	23,948	(672)		121,956
Property and equipment, net	22,905	3,214	—		26,119
Operating lease right-of-use assets, net	82,655	—	12,389	(e)	95,044
Intangible assets, net	76,052	5,645	—		81,697
Goodwill	41,435	—	—		41,435
Deferred income taxes	203	—	—		203
Other assets	2,992	410	—		3,402
Total assets	$ 324,922	$ 33,217	$ 11,717		$ 369,856
Liabilities and Stockholders' Equity (Deficit)					
Current liabilities:					
Accounts payable	$ 29,057	$ 6,009	$ —		$ 35,066
Accrued salaries and employee benefits	6,906	526	—		7,432
Other accrued expenses	10,900	3,320	(715)	(a), (b)	13,505
Short-term lease liabilities	16,716	—	3,478	(e)	20,194
Current portion of long-term debt	2,750	19,099	(19,099)	(b)	2,750
Total current liabilities	66,329	28,954	(16,336)		78,947
Long-term debt	43,469	—	19,730	(c)	63,199
Deferred tax liabilities	—	242	(242)	(i)	—
Deferred rent	—	2,246	(2,246)	(e)	—
Long-term lease liabilities	80,157	—	11,157	(e)	91,314
Other liabilities	58,273	170	—		58,443
Commitments and contingencies					
Stockholders' equity:					
Common stock at $0.01 par value (100,000,000 shares authorized, 11,679,923 shares issued and outstanding at November 2, 2019)	117	—	—		117
Additional paid-in capital	1,115,884	20,706	—		1,136,590
Accumulated deficit	(1,039,253)	(19,028)	(346)	(a), (c), (i)	(1,058,627)
Accumulated other comprehensive loss	(54)	(73)	—		(127)
Total stockholders' equity	76,694	1,605	(346)		77,953
Total liabilities and stockholders' equity	$ 324,922	$ 33,217	$ 11,717		$ 369,856

See accompanying notes to Pro Forma Condensed Combined Financial Information.

VINCE HOLDING CORP. AND SUBSIDIARIES
PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE NINE MONTHS ENDED NOVEMBER 2, 2019
(In thousands, except per share data and share amounts, unaudited)

	Vince Holding Corp.	Rebecca Taylor & Parker	Pro Forma Adjustments		Pro Forma Combined
Net sales	$ 212,877	$ 57,880	$ —		$ 270,757
Cost of products sold	106,353	31,683	—		138,036
Gross profit	106,524	26,197	—		132,721
Impairment of goodwill, intangible and long-lived assets	—	20,354	—		20,354
Selling, general and administrative expenses	101,253	28,208	(718)	(d)	128,743
Income (loss) from operations	5,271	(22,365)	718		(16,376)
Interest expense, net	3,075	831	(337)	(f)	3,569
Other expense (income), net	108	—	—		108
Income (loss) before income taxes	2,088	(23,196)	1,055		(20,053)
Provision (benefit) for income taxes	106	(821)	882	(i)	167
Net income (loss)	$ 1,982	$ (22,375)	$ 173		$ (20,220)
Earnings (loss) per share:					
Basic earnings (loss) per share	$ 0.17				$ (1.73)
Diluted earnings (loss) per share	$ 0.17				$ (1.73)
Weighted average shares outstanding:					
Basic	11,660,710				11,660,710
Diluted	11,885,004				11,885,004

See accompanying notes to Pro Forma Condensed Combined Financial Information.

VINCE HOLDING CORP. AND SUBSIDIARIES
PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE NINE MONTHS ENDED NOVEMBER 3, 2018
(In thousands, except per share data and share amounts, unaudited)

	Vince Holding Corp.	Rebecca Taylor & Parker	Pro Forma Adjustments		Pro Forma Combined
Net sales	$ 201,168	$ 63,610	$ —		$ 264,778
Cost of products sold	107,096	32,479	—		139,575
Gross profit	94,072	31,131	—		125,203
Selling, general and administrative expenses	91,893	29,737	—		121,630
Income (loss) from operations	2,179	1,394	—		3,573
Interest expense, net	4,740	807	(313)	(f)	5,234
Other expense (income), net	87	—	—		87
Income (loss) before income taxes	(2,648)	587	313		(1,748)
Provision (benefit) for income taxes	46	197	117	(i)	360
Net income (loss)	$ (2,694)	$ 390	$ 196		$ (2,108)
Earnings (loss) per share:					
Basic earnings (loss) per share	$ (0.23)				$ (0.18)
Diluted earnings (loss) per share	$ (0.23)				$ (0.18)
Weighted average shares outstanding:					
Basic	11,619,059				11,619,059
Diluted	11,619,059				11,619,059

See accompanying notes to Pro Forma Condensed Combined Financial Information.

VINCE HOLDING CORP. AND SUBSIDIARIES
PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED FEBRUARY 2, 2019
(In thousands, except per share data and share amounts, unaudited)

	Vince Holding Corp.	Rebecca Taylor & Parker	Pro Forma Adjustments		Pro Forma Combined
Net sales	$ 278,951	$ 84,509	$ —		$ 363,460
Cost of products sold	148,226	44,021	—		192,247
Gross profit	130,725	40,488	—		171,213
Selling, general and administrative expenses	126,586	39,270	—		165,856
Income (loss) from operations	4,139	1,218	—		5,357
Interest expense, net	5,882	1,040	(382)	(f)	6,540
Other expense (income), net	225	—	—		225
Income (loss) before income taxes	(1,968)	178	382		(1,408)
Provision (benefit) for income taxes	54	102	94	(i)	250
Net income (loss)	$ (2,022)	$ 76	$ 288		$ (1,658)
Earnings (loss) per share:					
Basic earnings (loss) per share	$ (0.17)				$ (0.14)
Diluted earnings (loss) per share	$ (0.17)				$ (0.14)
Weighted average shares outstanding:					
Basic	11,619,828				11,619,828
Diluted	11,619,828				11,619,828

See accompanying notes to Pro Forma Condensed Combined Financial Information.

VINCE HOLDING CORP. AND SUBSIDIARIES
PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED FEBRUARY 3, 2018
(In thousands, except per share data and share amounts, unaudited)

	Vince Holding Corp.	Rebecca Taylor & Parker	Pro Forma Adjustments		Pro Forma Combined
Net sales	$ 272,582	$ 82,176	$ —		$ 354,758
Cost of products sold	150,793	43,168	(493)	(h)	193,468
Gross profit	121,789	39,008	493		161,290
Impairment of indefinite-lived intangible asset	—	289	—		289
Selling, general and administrative expenses	140,106	41,333	—		181,439
(Loss) income from operations	(18,317)	(2,614)	493		(20,438)
Interest expense, net	5,540	754	(83)	(f)	6,211
Other (income) expense, net	(81,882)	(895)	493	(h)	(82,284)
Income (loss) before income taxes	58,025	(2,473)	83		55,635
(Benefit) provision for income taxes	(572)	(267)	(845)	(g), (i)	(1,684)
Net income (loss) from continuing operations	58,597	(2,206)	928		57,319
Net loss from discontinued operations	—	(427)	—		(427)
Net income (loss)	$ 58,597	$ (2,633)	$ 928		$ 56,892
Earnings (loss) per share:					
Basic earnings (loss) per share	$ 7.70				$ 7.48
Diluted earnings (loss) per share	$ 7.70				$ 7.48
Weighted average shares outstanding:					
Basic	7,605,822				7,605,822
Diluted	7,608,427				7,608,427

See accompanying notes to Pro Forma Condensed Combined Financial Information.

VINCE HOLDING CORP. AND SUBSIDIARIES
NOTES TO PRO FORMA CONDENSED COMBINED CONSOLIDATED FINANCIAL INFORMATION
(In thousands, except per share data and share amounts, unaudited)

Note 1. Basis of Pro Forma Presentation

On November 4, 2019, Vince, LLC ("Vince") an indirectly wholly owned subsidiary of the Company, entered into an Equity 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" or "RTP") from CLG. The Acquisition was consummated effective at 12:01 a.m. on November 3, 2019.

The aggregate purchase price for the Acquisition was $19.7 million, 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 Vince's existing revolving credit facility which was upsized simultaneously with the Acquisition.

CLG is 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.

In accordance with the guidance under Accounting Standards Codification Topic 805: *"Business Combinations"*, the Acquisition is accounted for as a reorganization of entities under common control. The assets and liabilities of RTP transferred between the entities under common control were recorded by VHC based on RTP's historical cost basis.

Assumptions and estimates underlying the adjustments to the unaudited pro forma financial information, which are referred to as the pro forma adjustments, are described in the accompanying notes. The historical condensed financial statements have been adjusted in the unaudited pro forma financial information to give effect to pro forma events that are directly attributable to the Acquisition, factually supportable, and with respect to the unaudited pro forma statement of operations, expected to have a continuing impact on the combined results of VHC and RTP following the Acquisition. The unaudited pro forma financial information has been presented for illustrative purposes only and are not necessarily indicative of the operating results and financial position that would have been achieved had the Acquisition occurred on the dates indicated. Further, the unaudited pro forma financial information does not purport to project the future operating results or financial position of the combined company following the Acquisition.

The unaudited pro forma financial information, although helpful in illustrating the financial characteristics of the combined company under one set of assumptions, do not reflect the benefits of expected cost savings (or associated costs to achieve such savings), opportunities to earn additional revenue, or other factors that may result as a consequence of the Acquisition and, accordingly, do not attempt to predict or suggest future results.

Note 2. Pro Forma Adjustments

The unaudited pro forma financial information reflects the following adjustments:

(a) To reflect the payment of $672 of transaction expenses funded at the closing of the acquisition, $623 of which were previously accrued.
(b) To satisfy the RTP debt of $19,099, funded at closing. Corresponding accrued interest of $92 was also funded at closing.
(c) Adjustment to reflect borrowings under Vince's existing revolving credit facility of $19,730 used to satisfy the RTP debt related obligations and $538 of transaction related compensation expenses which were recorded at the time of acquisition.
(d) To adjust the transaction expenses incurred by Vince of $718.
(e) Adoption of Accounting Standard Codification ("ASC") Topic 842: *"Leases"* for RTP which resulted in elimination of deferred rent of $2,246, the recognition of ROU assets of $12,389 and corresponding short-term and long-term lease

liabilities of $3,478 and $11,157 respectively.

(f) The table below represents the adjustment to reflect the interest expense on the $19,730 of borrowings under Vince's existing revolving credit facility to fund the acquisition which bears interest rate of 3.3% for all periods presented as if the acquisition had occurred on January 29, 2017 and to eliminate the interest expense on the RTP debt.

	Nine months ended November 2, 2019	Nine months ended November 3, 2018	Fiscal Year Ended February 2, 2019	Fiscal Year Ended February 3, 2018
Interest expense on Vince's debt	$ 494	$ 494	$ 658	$ 671
Less: Elimination of interest expense on the RTP debt	(831)	(807)	(1,040)	(754)
Net Pro Forma Adjustments	$ (337)	$ (313)	$ (382)	$ (83)

(g) To record an income tax benefit to reflect a change in the valuation allowance due to the effect of combining VHC and RTP.

(h) To eliminate $493 of intercompany profit recognized related to a sourcing arrangement between Rebecca Taylor, Inc. and Vince.

(i) To adjust RTP's deferred tax benefit recorded on a stand-alone basis as the combined company has a full valuation allowance and no net indefinite-lived deferred tax liabilities.